THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in Shanghai Industrial Urban Development Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

上海實業城市開發集團有限公司

SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 563)

(1) VERY SUBSTANTIAL ACQUISITION
(2) CONNECTED TRANSACTION
(3) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
AND
(4) APPLICATION FOR WHITEWASH WAIVER

Financial adviser to the Company in respect of the Transactions and the Sponsor to the deemed new listing application of the Company

J.P.Morgan

J.P. Morgan Securities (Asia Pacific) Limited

Independent financial adviser to the Independent Board Committee and to the Independent Shareholders

KBC

KBC Bank N.V. Hong Kong Branch

A letter from the Independent Board Committee is set out on pages 51 to 52 of this circular, and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 53 to 87 of this circular.

A notice convening the SGM to be held at Salon 1-3, JW Marriott Ballroom (Level 3), JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 17 November 2011 at 11:00 a.m. is set out on pages N – 1 to N – 3 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the SGM or any adjournment thereof if you so desire.

31 October 2011

CONTENTS

Page

CONTENTS

Page

The following expected timetable is indicative only and is subject to change. If necessary, further announcement in relation to the revised timetable will be published as and when appropriate.

	2011
Latest time for lodging forms of proxy for the SGM	11:00 a.m. on Tuesday, 15 November
SGM	11:00 a.m. on Thursday, 17 November
Announcement of the results of the SGM to be published	Thursday, 17 November
Completion of the Transactions and issue of the Consideration Shares on or before	Thursday, 24 November
Announcement of Completion of the Transactions to be published on or before	Thursday, 24 November

Note: All times and dates in this circular refer to Hong Kong local time and dates.

This summary aims at giving you an overview of the information contained in this circular. As it is a summary, it does not contain all the information that may be important to you. You should read the whole circular before making a decision as to how you would cast your votes at the SGM in relation to the Transactions and the appropriate course of action for yourself.

There are risks associated with any business. You should read the section headed "Risk Factors" of this circular carefully before making a decision on the Transactions.

SUMMARY

Background

On 14 April 2011, the Company and SIH jointly announced that SIH (as the seller) and the Company (as the buyer) entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire, and SIH has conditionally agreed to sell, the Sale Share (representing the entire issued share capital of the Target Company) and the Shareholder's Loan. On the same day, SIH (as the assignor) and the Company (as the assignee) entered into the Deed pursuant to which SIH has conditionally assigned to the Company all its right, title, benefits and advantage of and interest in the Dividend Receivable. The aggregate consideration for the Transactions shall be satisfied by the allotment and issue of the Consideration Shares at an issue price of HK$2.80 per share to SIH at Completion.

The Transactions constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. SIH is a connected person of the Company by virtue of its being a controlling shareholder of the Company. Therefore the Transactions also constitute a connected transaction of the Company and are subject to the approval by the Independent Shareholders at the SGM. In addition, the Transactions constitute a reverse takeover for the Company under Rule 14.06(6)(b) of the Listing Rules. Accordingly, the Company is being treated as if it were a new listing applicant. The Transactions are therefore also subject to the approval by the Listing Committee of a new listing application. J.P. Morgan, as the sponsor of the Company's new listing application, on behalf of the Company submitted to the Stock Exchange a listing application on 17 May 2011. The Listing Committee of the Stock Exchange has given its approval in principle of the new listing application of the Company.

As at the Latest Practicable Date, SIH and parties acting in concert with it held an aggregate of 1,183,713,478 Shares, representing approximately 45.0% of the total Shares in issue. Immediately following the allotment and issue of the Consideration Shares to SIH, the shareholding of SIH and parties acting in concert with it will increase to approximately 70.0% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares but before the exercise of any Warrants or share options outstanding as at the Latest Practicable Date. Under Rule 26.1 of the Takeovers Code, SIH and parties acting in concert with it would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by SIH and parties acting in concert with it, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive. An application has been made by SIH to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among other things, (i) approval of the Independent Shareholders in respect of the Whitewash Waiver at the SGM where voting on the relevant resolutions shall be taken by poll; (ii) SIH and parties acting in concert with it not having acquired any voting rights of the Company in the six months prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Transactions under the Agreement and the Deed; and (iii) SIH and parties acting in concert with it not having any acquisitions or disposals of voting rights of the Company between the date of the Announcement and Completion unless with the prior consent of the Executive.

Purpose of this circular

The purpose of this circular is to provide the Shareholders with further information about (a) the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares); and (b) the Whitewash Waiver, and to give a notice to the Shareholders of the SGM. This circular also provides additional information on the Target Group as required under the Listing Rules in connection with the new listing application.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company. It indirectly owns 59% equity interest in Shanghai Urban Development. Shanghai Urban Development is primarily engaged in the business of property development in the PRC. Further information on the Target Group is set out in other sections of this circular, including "History and Background of the Target Group", "Business of the Target Group" and "Financial Information of the Target Group".

The Target Company

As a condition precedent to completion of the sale and purchase of the Sale Share and the Shareholder's Loan under the Agreement, SIH was required to complete the Restructuring Plan to inject its 59% equity interest in Shanghai Urban Development into a Hong Kong holding company. The Restructuring Plan has been completed and involved the following steps:

(a) The Target Company was incorporated in the BVI on 19 January 2011 as a BVI business company authorised to issue a maximum of 50,000 ordinary shares with a par value of US$1.00 each. On 9 March 2011, one ordinary share was allotted and issued to SIH at par for cash. The Target Company is wholly owned by SIH.

(b) Joy Century was incorporated in Hong Kong on 22 February 2011 as a company with limited liability with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of par value HK$1.00 each. One issued ordinary share, representing the entire issued share capital of Joy Century, is held by the Target Company. Joy Century is wholly owned by the Target Company.

(c) On 30 March 2011, SIH entered into an equity transfer agreement with Joy Century whereby SIH agreed to transfer its 59% equity interest in Shanghai Urban Development to Joy Century for an amount in HK$ which is equivalent to RMB4,108,827,700. The transfer was completed on 8 August 2011.

(d) SIH provided the Shareholder's Loan to the Target Company, the primary purpose of which is to facilitate the settlement of the consideration for the acquisition by Joy Century of the 59% equity interest in Shanghai Urban Development from SIH under the equity transfer agreement.

Each of the Target Company and Joy Century is an investment holding company.

Shanghai Urban Development

Shanghai Urban Development is primarily engaged in the business of property development in the PRC. It was established in 1996 as a state-owned enterprise and converted into a Sino-foreign equity joint venture company in July 2007 following the acquisition by SIH of a 40% equity interest in it. In December 2007, SIH acquired a further 19% equity interest in Shanghai Urban Development from Xuhui SAAC. Since then, Shanghai Urban Development has been a subsidiary of SIH. Shanghai Urban Development has a paid-up registered capital of RMB3.2 billion and is owned as to 41% by Xuhui SAAC and as to 59% by SIH through the Target Company.

The Target Group owns ten property development projects mainly in four regions in the PRC, namely Shanghai, Jiangsu, Hunan and Chongqing, with an aggregate GFA of approximately 3,393,070 sq.m. In addition, the Target Group, through a 35% owned associated company, has an interest in one property development project in Shanghai, with an aggregate GFA of 405,000 sq.m. Based on the 2011 interim results announcement of SIH dated 15 September 2011, sales realised by Shanghai Urban Development and its subsidiaries in the first half of 2011 amounted to HK$1,041 million and the sales area realised during the period was 52,702 sq.m. A pre-sale amount of HK$680 million was recorded during the first half of 2011 from the pre-sale of a total GFA of 38,238 sq.m. In addition, the Target Group also recorded a total rental income of approximately HK$83.78 million in the first half of 2011 from its investment properties of approximately 77,056 sq.m., which mainly comprised Urban Development International Tower, Huimin Commercial Tower and other retail properties. On 25 March 2011, the Target Group entered into a sale and purchase agreement for the disposal of its entire interest in SUD Hefei, the developer of Rose Town City Villa. The disposal was completed in April 2011, following which, the Target Group ceased to have any interest in SUD Hefei. Please refer to the paragraph headed "Subsidiaries disposed of or deregistered since 1 January 2008" in the section headed "History and Background of the Target Group" in this circular for further information on the disposal. For further information on the business carried on by Shanghai Urban Development, please refer to the section headed "Business of the Target Group" in this circular.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Board (including all the independent non-executive Directors) considers the Transactions to be in the interests of the Company as well as the Shareholders taken as a whole for the following reasons:

(a) The Transactions will enhance operating efficiency and improve core competitiveness of the Company through sharing of management expertise and optimising asset portfolio of SIH's property development business.

As at 31 December 2010, the Company had an aggregate GFA of approximately 12.7 million sq.m. in 11 cities in the PRC. Upon Completion, the Company will have interests in 25 projects located across 13 cities in the PRC, providing an aggregate GFA of approximately 16.1 million sq.m. These projects will be operated under an integrated platform through regional management structure after Completion. Certain administrative functions of the Company and Shanghai Urban Development, such as human resources management and information technology management, will also be combined to reduce administrative costs. After Completion, the respective management of the Company and Shanghai Urban Development will have more channels to share their management expertise by exchanging management ideas and initiatives not only at the level of the Company and Shanghai Urban Development but also at levels of their respective subsidiaries through a number of training programmes and annual conferences of the Company. In addition, all the properties will be operated in the same brand name in the future, which would be able to potentially reduce marketing efforts and costs. The management believes all such initiatives will help enhance the overall operating efficiency of the Group after Completion.

(b) The Transactions will increase potential debt and equity investors' awareness of the Company by enhancing the corporate governance of the Company, and should improve the Company's profile.

Shanghai Urban Development is a company with over ten years of experience in the real estate industry with its own internal control system. The Company has been improving its internal control since SIH became a controlling shareholder, and has engaged an independent professional firm to conduct a follow-up review of the findings identified in an internal control review report mentioned in the announcement of the Company dated 24 June 2010. The follow-up review has been completed and a report was issued by the independent firm on 17 May 2011. The Board and the senior management of the Company have reviewed the report and are of the opinion that the internal control weaknesses with respect to "control over contracts for material transactions", "authorisation of cash payments", "compliance and disclosure under the Listing Rules and accounting standard" and "staff code of conduct" have been substantially remediated and some progress of remediation has been made in respect of the remaining areas including "access to the control system for financial reporting", "anti-fraud policies and procedures", "internal audit", "job description, responsibilities and reporting line of key functional departments and management positions" and "risk assessment". Please refer to the section headed "Issues Arising Prior to SIH's Acquisition of a Controlling Interest in the Company — Improving the Group's internal control" for further details of the progress on the improvement of the Company's internal control system. After Completion, the

Company and Shanghai Urban Development will combine the merits of their internal control systems to further enhance the corporate governance of the Company. The Company will engage a compliance adviser who will assist the management of the Company in improving corporate governance.

The Directors (including all the independent non-executive Directors) are of the view that the terms of the Agreement and the Deed, which have been agreed after arm's length negotiations between the Company and SIH, are on normal commercial terms and such terms are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Immediately after Completion, (i) the Company will continue to be a subsidiary of SIH; and (ii) members of the Target Group will continue to be subsidiaries of SIH through SIH's holding in the Company, and the assets, liabilities and results of the Company and the Target Group will continue to be consolidated into the financial statements of SIH. As such, the Transactions will be treated by SIH as an intra-group transaction between SIH and the Company, and SIH is expected to record no gain or loss from the Transactions, before taking into account the estimated expenses and taxation in relation to the Transactions.

IMPLICATIONS OF THE TRANSACTIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, SIH and parties acting in concert with it held an aggregate of 1,183,713,478 Shares, representing approximately 45.0% of the total Shares in issue. Immediately following the allotment and issue of the Consideration Shares to SIH, the shareholding of SIH and parties acting in concert with it will increase to approximately 70.0% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares but before the exercise of any Warrants or share options outstanding as at the Latest Practicable Date. Under Rule 26.1 of the Takeovers Code, SIH and parties acting in concert with it would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by SIH and parties acting in concert with it, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

An application has been made by SIH to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among other things, (i) approval of the Independent Shareholders in respect of the Whitewash Waiver at the SGM where voting on the relevant resolutions shall be taken by poll; (ii) SIH and parties acting in concert with it not having acquired any voting rights of the Company in the six months prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Transactions under the Agreement and the Deed; and (iii) SIH and parties acting in concert with it not having any acquisitions or disposals of voting rights of the Company between the date of the Announcement and Completion unless with the prior consent of the Executive.

Immediately upon Completion, SIH and parties acting in concert with it will hold more than 50% of the enlarged issued share capital of the Company. In such case, they may increase their shareholding in the Company further without triggering any further general offer obligation under the Takeovers Code.

The Executive may or may not grant the Whitewash Waiver. It is one of the conditions precedent to completion of the sale and purchase of the Sale Share and the Shareholder's Loan that the Whitewash Waiver has been obtained, and the assignment of the Dividend Receivable will only become effective upon, inter alia, the Target Company becoming a wholly-owned subsidiary of the Company. In the event that the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Agreement and the Deed will not become unconditional and the Transactions will not proceed.

The Agreement, the Deed and the transactions contemplated thereunder and the Whitewash Waiver are subject to approval by the Independent Shareholders (who are permitted to vote under the Listing Rules and the Takeovers Code) at the SGM. SIH, parties acting in concert with it and their respective associates together with those who are interested in, or involved in, the Agreement, the Deed and the Whitewash Waiver are required to abstain from voting on the Agreement and the Deed (including the Transactions and the issue of the Consideration Shares) and on the Whitewash Waiver at the SGM.

Further, all Directors who were involved in the negotiations of the Agreement and the Deed or who hold directorships in both SIH and the Company are required to abstain from voting on the Agreement and the Deed (including the Transactions and the issue of the Consideration Shares) and the Whitewash Waiver at the SGM. Mr. Cai Yu Tian, Mr. Qian Shizheng and Mr. Zhou Jun, each an executive Director, are directors of SIH. Mr. Cai Yu Tian, Mr. Qian Shizheng, Mr. Ni Jianda, Mr. Yang Biao, Mr. Chen Anmin and Mr. Jia Bowei, each being an executive Directors, were involved in negotiations of the Agreement and the Deed. As at the Latest Practicable Date, Mr. Cai Yu Tian, Mr. Qian Shizheng, Mr. Zhou Jun, Mr. Ni Jianda, Mr. Yang Biao, Mr. Chen Anmin and Mr. Jia Bowei held share options in the Company and did not hold any Shares. In any event, they and their respective associates are required to abstain from voting on the Agreement and the Deed (including the Transactions and the issue of the Consideration Shares) and the Whitewash Waiver at the SGM. Mr. Cai Yu Tian, Mr. Ni Jianda, Mr. Qian Shizheng, Mr. Zhou Jun, Mr. Yang Biao and Mr. Chen Anmin are directors of Shanghai Urban Development. Save as disclosed above, none of the Directors are interested in the Transactions and therefore are not required to be abstain from voting on the resolutions at the meeting of the Board approving the Agreement, the Deed and the Whitewash Waiver.

SUMMARY OF FINANCIAL INFORMATION OF THE TARGET GROUP

The following sets out a summary of the combined income statement data of the Target Group for the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2010 and 2011, and the summary balance sheet information of the Target Group as at 31 December 2008, 2009 and 2010 and 30 April 2011, which are derived from the accountants' report set out in Appendix I to this circular. You should read the combined financial information set out below in conjunction with the combined financial statements of the Target Group included in the accountants' report set out in Appendix I to this circular, which have been prepared in accordance with HKFRS. Operating results in any historical period may not be indicative of the results that may be expected in any future period.

Combined statements of comprehensive income of the Target Group

	For the year ended 31 December			For the four months ended 30 April	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	2,360,652	1,848,046	3,726,196	2,269,971	776,847
Cost of sales	(1,775,992)	(993,801)	(2,562,323)	(1,350,268)	(339,352)
Gross profit	584,660	854,245	1,163,873	919,703	437,495
Net investment income	106,136	173,066	65,920	7,351	11,021
Other income	40,823	217,824	35,759	9,925	44,509
Increase in fair value of properties under development upon transfer to investment properties	460,000	–	–	–	–
Distribution and selling costs	(81,476)	(117,775)	(135,806)	(79,896)	(26,921)
Administrative expenses	(193,396)	(178,007)	(226,811)	(54,778)	(66,770)
Finance costs	(46,831)	(67,773)	(121,855)	(32,779)	(82,494)
Share of results of associates	9,563	2,123	2,883	103	119
Gain (loss) on disposal of interests in subsidiaries	–	–	16	16	(32,366)
Gain on disposal of interests in associates	–	–	171	36	1,555
Profit before taxation	879,479	883,703	784,150	769,681	286,148
Income tax expense	(174,313)	(428,989)	(385,155)	(371,015)	(121,034)
Profit and total comprehensive income for the year/period	705,166	454,714	398,995	398,666	165,114
Profit and total comprehensive income for the year/period attributable to					
– Owners of the Target Group	406,563	248,383	202,108	205,315	82,910
– Non-controlling interests	298,603	206,331	196,887	193,351	82,204
	705,166	454,714	398,995	398,666	165,114
Dividend declared	–	–	–	–	670,000

As Shanghai Urban Development is a Sino-foreign joint venture with two investors, the concept of dividend per share is not applicable. The management of Shanghai Urban Development has confirmed that all material items including those items which are exceptional because of size, nature or incidence have been disclosed on the face of the combined statements of comprehensive income of the Target Group in accordance with the requirements of HKFRS.

Combined statements of financial position of the Target Group

	As at 31 December			As at 30 April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investment properties	1,700,000	1,880,000	1,880,000	1,880,000
Property, plant and equipment	41,843	38,593	33,518	25,675
Prepaid lease payments – non-current portion	4,103	3,968	3,833	3,789
Intangible assets	51,000	51,000	51,000	51,000
Interests in associates	31,034	28,047	23,116	818,200
Available-for-sale investments	5,082	4,631	29,631	29,631
Restricted bank deposits	64,365	64,600	64,836	64,897
Deferred tax assets	8,114	9,507	8,025	28,618
	1,905,541	2,080,346	2,093,959	2,901,810
CURRENT ASSETS				
Inventories	11,018,825	13,208,865	12,819,788	14,931,204
Trade and other receivables	1,982,711	1,632,695	1,772,702	1,092,723
Prepaid lease payments – current portion	135	135	135	135
Financial assets at fair value through profit or loss	6,530	11,223	10,717	10,629
Prepaid taxation/tax recoverable	2,303	6,289	101,156	31,306
Pledged bank deposits	43,127	96,868	26,863	13,515
Bank balances and cash	822,196	2,981,789	3,858,482	3,168,740
	13,875,827	17,937,864	18,589,843	19,248,252
CURRENT LIABILITIES				
Trade and other payables	1,887,663	1,760,130	1,307,469	888,631
Customer deposits from sales of properties	263,363	2,904,703	1,198,890	1,014,420
Dividends payable	–	–	–	670,000
Taxation payable	425,734	568,881	767,234	865,162
Bank and other borrowings	1,712,933	2,446,406	3,240,890	3,140,406
	4,289,693	7,680,120	6,514,483	6,578,619
NET CURRENT ASSETS	9,586,134	10,257,744	12,075,360	12,669,633
TOTAL ASSETS LESS CURRENT LIABILITIES	11,491,675	12,338,090	14,169,319	15,571,443
NON-CURRENT LIABILITIES				
Bank and other borrowings	1,494,630	1,794,050	3,147,676	4,039,350
Deferred tax liabilities	1,183,358	1,062,901	1,032,758	976,094
	2,677,988	2,856,951	4,180,434	5,015,444
	8,813,687	9,481,139	9,988,885	10,555,999

The Group and the Target Group have historically financed, and expect the Enlarged Group to continue to finance, working capital and capital expenditures primarily through proceeds from the pre-sale and sale of properties, rental income, borrowings from financial institutions and capital contributions and advances from shareholders. In arriving at its working capital sufficiency statement, the Directors have taken into account the Group's and the Target Group's current financing arrangements in place which will provide funding to the Group and the Target Group of up to HK$1,203.9 million and RMB14,935.0 million, respectively as at 31 August 2011, bank borrowings and shareholder loans that are currently available and expected to become available to the Enlarged Group in the next 12 months. In addition, the Enlarged Group is expected to continue to generate proceeds from the pre-sale and sale of properties and rental income, which may be utilised to service the Enlarged Group's indebtedness and capital commitments and to meet other known and reasonably foreseeable cash requirements.

RISK FACTORS

Risks relating to the Transactions

- Completion is subject to the fulfilment of the conditions precedent and there is no assurance that they can be fulfilled and/or the Transactions will be completed as contemplated.

- The shareholding percentages of the existing Shareholders in the Company will be substantially diluted immediately following Completion.

- Existing Shareholders will experience further dilution if the Company issues additional Shares in the future.

- The property valuation reports may materially differ from prices that can be achieved.

- Immediately following Completion, the controlling shareholders of the Company will have substantial influence over the Company and their interests may not be aligned with the interests of the other Shareholders.

Risks relating to the Enlarged Group

- The Enlarged Group maintains a substantial level of indebtedness to finance its capital intensive business, and it may not have adequate cash flow to fund its operations or to service its financing obligations.

- The Group and Target Group guarantee the mortgages provided to their purchasers and consequently are liable to the mortgagee banks if the purchasers default on their mortgage payments.

- There have been concerns with the Group's internal control system whilst the Group is implementing certain measures to improve its internal control system. The improvement process is continuous and the Group is still in the process of implementing certain measures.

- SIH, a controlling shareholder of the Group, may effect a reorganisation of the Company and SIDC, the timing and terms of which are still uncertain at this point in time.

- The Enlarged Group relies on the performance of external contractors and suppliers to deliver its projects on time and up to its specified quality standards.

- The Enlarged Group may be involved in legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result.

- The Target Group did not comply fully with PRC employee social welfare contribution regulations and may be subject to fines or penalties.

- Several members of the Target Group provided advances to other members of the Target Group and/or related parties and such advances may be cancelled and the lenders may be subject to fines or penalties.

Risks relating to property development in the PRC

- The Enlarged Group's business is subject to extensive governmental regulation.

- PRC government policies, regulations and measures intended to discourage property speculation may affect the business of the Enlarged Group. Furthermore, the PRC government may in the future adopt other measures to slow down the rate of growth in the property development sector.

- The PRC government may impose a penalty on the Enlarged Group or cancel the land use rights for any project which was not or has not been developed in compliance with the terms of the land use rights grant contract.

- The Enlarged Group faces intense competition from other real estate developers.

- Property markets in the PRC are still at an early stage of development and lack adequate infrastructural support.

- The results of operations of the Enlarged Group may be adversely affected if it fails to obtain or complete, or if there are material delays in obtaining or completing, requisite governmental approvals or registrations for its property developments.

- Changes in laws and regulations with respect to pre-sale of properties may adversely affect cash flow position and performance of the Enlarged Group.

- The Enlarged Group may face delay in completing its property development projects.

- The Enlarged Group may face potential liability for environmental problems which could result in substantial costs.

- The Enlarged Group may not always be able to obtain sites that are suitable for property development.

- The results of operations of the Enlarged Group are dependent on its ability to manage the costs of its projects and to maximise revenue from these projects.

- The amount of resettlement compensation payable to existing owners or residents is regulated and may be subject to substantial increases.

- The Enlarged Group may be subject to stricter payment terms for land use rights with respect to land it acquires in the future as a result of any additional restrictive regulations promulgated by the PRC.

Risks relating to conducting business in China

- As almost all of the Enlarged Group's operations are conducted in China, any adverse change in China's political, economic and social conditions, laws, regulations, policies and diplomatic relationships with other countries may have a material adverse effect on the business, results of operations and financial condition of the Enlarged Group.

- There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations which could adversely affect the business and results of operations of the Enlarged Group.

- The recent deterioration of the PRC's economic growth and the global financial crisis may affect the Enlarged Group's business. It could limit the Enlarged Group's ability to continue to finance its working capital and to meet its liquidity requirements and materially and adversely affect its financial position and results of operations.

- The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which the Group and the Target Group calculate their respective LAT obligations.

- Changes to the PRC tax law or its implementation could have a material adverse effect on the financial condition and results of operations of the Enlarged Group.

- The Company is a holding company that relies on dividend payments from its subsidiaries for funding and dividends from PRC subsidiaries are subject to PRC withholding tax.

- The outbreak of any severe communicable disease in China, if uncontrolled, may materially and adversely affect the Enlarged Group's results of operations.

- Government control in foreign currency conversion may materially and adversely affect the financial condition, results of operations and ability to meet foreign exchange requirements of the Enlarged Group.

Risk relating to this circular

- Certain statistics and other information relating to the economy and the PRC property development industry contained in this circular were derived from various official sources and government publications and have not been independently verified and may not be reliable.

RELATIONSHIP BETWEEN THE GROUP AND ITS CONTROLLING SHAREHOLDERS

Both the Target Group and the Group are engaged in the property development business in the PRC. SIH, a controlling shareholder of the Company, is also engaged in the property development business in the PRC as is another subsidiary of SIH, SIDC. SIIC, another controlling shareholder of the Company, is also interested in some property development projects both in the PRC and overseas. More information on their relationship and the measures taken by SIH and SIIC to address future competition between SIIC, SIH, the Enlarged Group and SIDC is set out at the section headed "Relationship with Controlling Shareholders" of this circular.

SPONSOR AND INDEPENDENT FINANCIAL ADVISER

J.P. Morgan Securities (Asia Pacific) Limited has been appointed as the Sponsor to the new listing application of the Company.

KBC Bank N.V. Hong Kong Branch has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Transactions and the Whitewash Waiver.

RECOMMENDATIONS

The Independent Board Committee of the Company (comprising all independent non-executive Directors (namely Mr. Doo Wai-Hoi, William, Dr. Wong Ying Ho, Kennedy, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David)) has been constituted to consider (a) the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares); and (b) the Whitewash Waiver, and to make a recommendation to the Independent Shareholders. KBC Bank N.V. Hong Kong Branch has been appointed as independent financial adviser to the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, after taking into account the advice from KBC Bank N.V. Hong Kong Branch, the Independent Financial Adviser, consider that the terms of the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver are fair and reasonable, and the Transactions (including the Agreement, the Deed and the allotment and issue of the

Consideration Shares) and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver.

The executive Directors consider that the terms of the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver are fair and reasonable, and the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver.

The text of the letter from the Independent Board Committee is set out on pages 51 to 52 of this circular. The text of the letter from KBC Bank N.V. Hong Kong Branch, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice is set out on pages 53 to 87 of this circular.

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"acting in concert"	has the meaning given to it under the Takeovers Code
"Agreement"	the sale and purchase agreement dated 14 April 2011 and entered into between the Company and SIH in relation to the sale and purchase of the Sale Share and the Shareholder's Loan, as amended
"Announcement"	the joint announcement of the Company and SIH dated 14 April 2011 and published on the website of the Stock Exchange
"Board"	the board of Directors
"BVI"	British Virgin Islands
"Bye-laws"	the bye-laws of the Company, as may be amended from time to time
"CAGR"	compound annual growth rate
"China" or "PRC"	the People's Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	Shanghai Industrial Urban Development Group Limited (formerly known as Neo-China Land Group (Holdings) Limited), a company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Share and the Shareholder's Loan pursuant to the terms of the Agreement and the assignment of the Dividend Receivable becoming effective pursuant to the terms of the Deed
"Completion Date"	the date on which Completion occurs
"connected person"	has the meaning given to it under the Listing Rules

"Consideration Shares"	Tranche A Consideration Shares and Tranche B Consideration Shares, being an aggregate of 2,182,191,000 Shares to be allotted and issued by the Company to SIH to settle the consideration for the sale and purchase of the Sale Share and the Shareholder's Loan, and the assignment of the Dividend Receivable
"controlling shareholder(s)"	has the meaning given to it under the Listing Rules and in the context of the Company, means SIIC, SIH and Novel Good Limited, a wholly-owned subsidiary of SIH
"Convertible Bonds"	HK$1,340,000,000 zero coupon convertible bonds due 2011 issued by the Company all of which have been redeemed or repaid
"Cross Guarantee Agreement"	the cross guarantee agreement dated 26 December 2002 and entered into between Shanghai Urban Development and State-owned Management Company, and where the context requires, as amended and supplemented by the Cross Guarantee Supplemental Agreement
"Cross Guarantee Supplemental Agreement"	an agreement dated 15 December 2009 supplemental to the Cross Guarantee Agreement, and entered into between Shanghai Urban Development and State-owned Management Company
"CSRC"	中國證券監督管理委員會 (China Securities Regulatory Commission), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed"	the deed of assignment dated 14 April 2011 and entered into between the Company and SIH in relation to the assignment of the Dividend Receivable
"Directors"	directors of the Company
"Dividend Receivable"	the dividend declared but unpaid as at the date of the Deed by Shanghai Urban Development to SIH, which amounts to RMB395,300,000 (equivalent to approximately HK$469,588,976)

"DTZ"	DTZ Debenham Tie Leung Limited, an independent property valuer
"EIT Law"	《中華人民共和國企業所得稅法》(the PRC Enterprise Income Tax Law) issued on 16 March 2007 and its implementation rules issued on 6 December 2007, both effective from 1 January 2008
"Enlarged Group"	the Group and the Target Group
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"GDP"	gross domestic product
"Green Carbon Fund"	城開綠碳(天津)股權投資基金合夥企業(有限合夥) (Urban Development Green Carbon (Tianjin) Equity Investment Fund (Limited Partnership)), a limited liability partnership established in the PRC
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David, constituted to make recommendations to the Independent Shareholders in respect of the Transactions and the Whitewash Waiver
"Independent Financial Adviser"	KBC Bank N.V., acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activities under the SFO

"Independent Shareholders"	Shareholders, other than (i) SIH, parties acting in concert with it and their respective associates and (ii) those who are connected, interested or involved in the Transactions or the Whitewash Waiver
"independent third party"	a party that is not a connected person of the Company or of the Target Company, as the case may be
"Invest Gain"	Invest Gain Limited, a company incorporated in the BVI and a Shareholder
"Joy Century"	Joy Century Investments Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by the Target Company
"Kunshan Urban Development"	昆山城開房地產開發有限公司 (Kunshan Urban Development Real Estate Development Co., Ltd.), a limited liability company established in the PRC and a 90% owned subsidiary of Shanghai Urban Development
"Last Trading Day"	13 April 2011, being the last full trading day for the Shares before the date of the Announcement
"LAT"	Land Appreciation Tax as defined in《中華人民共和國土地增值稅暫行條例》(the Provisional Regulations of the PRC on Land Appreciation Tax) and《中華人民共和國土地增值稅暫行條例實施細則》(the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax)
"Latest Practicable Date"	28 October 2011, being the latest practicable date prior to the date of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"NDRC"	中華人民共和國國家發展和改革委員會 (the National Development and Reform Commission of the PRC)

"PBOC"	中國人民銀行 (People's Bank of China), the central bank of China
"PRC government" or "Chinese government"	central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Restructuring Plan"	the restructuring of the Target Group including the formation of the Target Company and Joy Century, and the transfer of 59% equity interest in Shanghai Urban Development from SIH to Joy Century
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Share"	one share of US$1.00 in the share capital of the Target Company, representing its entire issued share capital
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, inter alia, the Agreement and the Deed, the transactions contemplated thereunder (including the Transactions and the allotment and issue of the Consideration Shares) and the Whitewash Waiver
"Shanghai Urban Development"	上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Co., Ltd.), a Sino-foreign equity joint venture established in the PRC and a 59% owned subsidiary of the Target Company
"Shanghai Wan Yuan"	上海萬源房地產開發有限公司 (Shanghai Wan Yuan Real Estate Development Co., Ltd.), a company established in the PRC and a 90% owned subsidiary of Shanghai Urban Development
"Share Option Scheme"	the existing Share Option Scheme of the Company adopted pursuant to an ordinary resolution passed at a special general meeting of the Company held on 12 December 2002

"Shareholder's Loan"	all shareholder's loans outstanding and owing at the Completion Date by the Target Company to SIH, which upon completion of the Restructuring Plan amounted to approximately HK$4,987.4 million (equivalent to approximately RMB4,108.8 million based on the HK$ to RMB exchange rate prevailing at the time of the Shareholder's Loan was made)
"Shareholders"	holders of the Shares
"Shares"	ordinary shares of HK$0.04 each in the share capital of the Company
"SIDC"	上海實業發展股份有限公司 (Shanghai Industrial Development Co., Ltd.), a joint stock limited liability company established under the laws of the PRC which is held as to 63.65% by SIH and the shares of which are listed on A Shares Market of the Shanghai Stock Exchange (stock code: 600748)
"SIH" or "SIHL"	Shanghai Industrial Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 363)
"SIIC"	Shanghai Industrial Investment (Holdings) Company Limited, a company incorporated under the laws of Hong Kong with limited liability and a controlling shareholder of SIH
"Sponsor" or "J.P. Morgan"	J.P. Morgan Securities (Asia Pacific) Limited, the financial adviser and sponsor to the Company and a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
"State Council"	中華人民共和國國務院 (the State Council of the PRC)
"State-owned Management Company"	上海徐匯國有資產投資經營有限公司 (Shanghai Xuhui State-owned Assets Management Co., Ltd.), a state-owned enterprise established under the laws of the PRC with Xuhui SAAC as the authorised representative exercising state-owned shareholder's right over it

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning given to it under the Listing Rules
"SUD Chongqing Depu"	上海城開集團重慶德普置業有限公司 (Shanghai Urban Development Group Chongqing Depu Property Co., Ltd.), a limited liability company established in the PRC and a 55% owned subsidiary of Shanghai Urban Development
"SUD Group"	Shanghai Urban Development and its subsidiaries
"SUD Hefei"	上海城開集團合肥置業有限公司 (Shanghai Urban Development Group Hefei Real Estate Co., Ltd.), a company established in the PRC
"SUD Wuxi"	上海城開集團無錫置業有限公司 (Shanghai Urban Development Group Wuxi Real Estate Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of Shanghai Urban Development
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong
"Target Company"	Silvery Champ Limited, a company incorporated in the BVI with limited liability, which, as at the date of this circular, is wholly owned by SIH
"Target Group"	the Target Company and its subsidiaries (or the Target Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Target Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Target Company at the relevant time
"Tranche A Consideration Shares"	2,014,480,651 Shares to be allotted and issued to SIH to settle the consideration for the sale and purchase of the Sale Share and the Shareholder's Loan
"Tranche B Consideration Shares"	167,710,349 Shares to be allotted and issued to SIH to settle the consideration for the assignment of the Dividend Receivable

"Transactions"	the sale and purchase of the Sale Share and the Shareholder's Loan pursuant to the Agreement and the assignment of the Dividend Receivable pursuant to the Deed
"US dollars" or "US$"	United States dollars, the lawful currency of the United States of America
"Warrants"	66,000,000 warrants issued by the Company all of which remained outstanding as at the Latest Practicable Date
"Whitewash Waiver"	a waiver by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of SIH and parties acting in concert with it to make a mandatory general offer for (i) all the Shares, and (ii) all the outstanding Warrants and share options of the Company, that are not already owned or agreed to be acquired by them, as a result of the Company allotting and issuing the Consideration Shares to SIH
"Xuhui SAAC"	上海市徐匯區國有資產監督管理委員會 (Xuhui District State-owned Assets Administrative Committee), a government authority authorised by and established directly under Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the possession of Xuhui District, including but not limited to, exercising state-owned shareholders' right over Shanghai Urban Development
"%"	per cent.

For the purpose of this circular, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of RMB0.8418 to HK$1. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or RMB have been, could have been or may be converted at such or any other rate or at all.

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this circular for identification purpose only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.

The glossary contains explanations and definitions of certain terms used in this circular in connection with the Target Group or the Group and their respective business. The terms and their meaning may not correspond to standard industry meaning or usage of these terms.

"construction land planning permit"	建設用地規劃許可證 (construction land planning permit) issued by local urban zoning and planning bureaux or equivalent authorities in China
"construction work commencement permit"	建築工程施工許可證 (construction work commencement permit) issued by local construction committees or equivalent authorities in China
"construction work planning permit"	建設工程規劃許可證 (construction work planning permit) issued by local urban zoning and planning bureaux or equivalent authorities in China
"GFA"	gross floor area
"land use rights certificate"	國有土地使用證 (land use rights certificate), a certificate (or certificates as the case may be) of the right of a party to use a parcel of land
"land use rights grant contract"	an agreement the Target Group and the relevant local government authority enter into after the public tender, auction or listing-for-sale (as applicable), which provides for, among other things, the amount of land grant premium that the Target Group should pay for acquiring the land use rights of the relevant land parcel. After the Target Group has paid the land grant premium and satisfied any other conditions as set forth in the land use rights grant contract, the Target Group will obtain a land use rights certificate for the relevant land parcel
"pre-sale permit"	預售許可證 (the pre-sale permit) authorising a developer to start the pre-sale of property under construction
"public tender", "auction", or "listing-for-sale"	public tender, auction or listing at a land exchange administered by the local government, each of which is a competitive bidding process through which a purchaser acquires land use rights directly from the PRC government

"sq.m."	square metre
"total GFA" or "total gross floor area"	the above-ground and underground saleable and/or leasable area contained within the external walls of any building at each floor level and the whole thickness of the external walls of the relevant project together with other non-leasable and non-saleable area. In general, this includes mechanical and electrical services rooms, refuse rooms, water tanks, car parking floors, lifts and staircases

CORPORATE INFORMATION

Registered office	Clarendon House Church Street Hamilton HM11 Bermuda
Headquarters and principal place of business in Hong Kong	Suites 3003–3007 Great Eagle Centre 23 Harbour Road Wanchai Hong Kong
Company secretary	Mr. Chan Kin Chu, Harry
Audit committee	Mr. Li Ka Fai, David *(chairman)* Mr. Doo Wai-Hoi, William, J.P. Dr. Wong Ying Ho, Kennedy, BBS, J.P. Mr. Fan Ren Da, Anthony
Remuneration committee	Mr. Doo Wai-Hoi, William, J.P. *(chairman)* Mr. Fan Ren Da, Anthony Mr. Ye Wei Qi
Nomination committee	Dr. Wong Ying Ho, Kennedy, BBS, J.P. *(chairman)* Mr. Fan Ren Da, Anthony Mr. Ni Jianda
Investment appraisal committee	Mr. Fan Ren Da, Anthony *(chairman)* Mr. Zhou Jun Mr. Ye Wei Qi
Authorised representatives	Mr. Jia Bowei 30th Floor, C7 Pearl City Mansion 25–29 Great George Street Causeway Bay Hong Kong Mr. Chan Kin Chu, Harry Flat D, 2nd Floor 134 Leighton Road Causeway Bay Hong Kong

Auditor	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
Compliance adviser	Somerley Limited 10/F, The Hong Kong Club Building 3A Chater Road Central Hong Kong
Principal banker	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Principal share registrar and transfer office	HSBC Securities Services (Bermuda) Limited 6 Front Street Hamilton HM11 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Secretaries Limited 26th Floor Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company's website	www.siud.com

Executive Directors

Name	Address	Nationality
Mr. Cai Yu Tian (蔡育天先生)	Flat A, 22nd Floor Fu Tien Mansion Tai Koo Shing Hong Kong	Chinese
Mr. Ni Jianda (倪建達先生)	Room 802, No. 4, Lane 388 Pu Bei Road Xuhui District Shanghai PRC	Chinese
Mr. Qian Shizheng (錢世政先生)	Flat C, 30th Floor Li Chit Garden 1 Li Chit Street Wanchai Hong Kong	Chinese
Mr. Zhou Jun (周軍先生)	Flat E, 15th Floor Li Chit Garden 1 Li Chit Street Wanchai Hong Kong	Chinese
Mr. Yang Biao (楊彪先生)	Room 1002 No. 16, Lane 5 North Xuhong Road Shanghai PRC	Chinese
Mr. Chen Anmin (陳安民先生)	Room 403 No. 40, Lane 41 Shengping Street Shanghai PRC	Chinese
Mr. Jia Bowei (賈伯煒先生)	30th Floor, C7 Pearl City Mansion 25–29 Great George Street Causeway Bay Hong Kong	Chinese

Independent non-executive Directors

Name	Address	Nationality
Mr. Doo Wai-Hoi, William, J.P. (杜惠愷先生，太平紳士)	9 Rosemead Road The Peak Hong Kong	Chinese
Dr. Wong Ying Ho, Kennedy, BBS, J.P. (黃英豪博士，銅紫荊星章，太平紳士)	Lower Townhouse No. 8 La Hacienda 29 Mount Kellett Road The Peak Hong Kong	Chinese
Mr. Fan Ren Da, Anthony (范仁達先生)	9A, Haddon Court 41C Conduit Road Hong Kong	Chinese
Mr. Li Ka Fai, David (李家暉先生)	C2, Pinewood Garden 39 Perkins Road Jardine's Lookout Hong Kong	Chinese

Financial adviser and Sponsor to the Company	J.P. Morgan Securities (Asia Pacific) Limited 28/F, Chater House 8 Connaught Road Central Hong Kong
Independent financial adviser to the Independent Board Committee and to the Independent Shareholders	KBC Bank N.V. Hong Kong Branch 39th Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
Legal advisers to the Company	*as to Hong Kong law:* Jackson Woo & Associates in association with Ashurst Hong Kong 16th Floor, ICBC Tower Citibank Plaza 3 Garden Road Central Hong Kong *as to PRC law:* AllBright Law Offices 14th Floor, Citigroup Tower 33 Hua Yuan Shi Qiao Road Pudong New Area Shanghai 200120 PRC *as to Bermuda law:* Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong

Legal advisers to the Sponsor	*as to Hong Kong law:* Herbert Smith 23/F, Gloucester Tower 15 Queen's Road Central Hong Kong *as to PRC law:* Zhong Lun Law Firm 36–37/F, SK Tower 6A Jianguomenwai Avenue Chaoyang District Beijing 100022 PRC
Reporting accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
Property valuer	DTZ Debenham Tie Leung Limited 16th Floor, Jardine House 1 Connaught Place Central Hong Kong

上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
(incorporated in Bermuda with limited liability)
(Stock code: 563)

Executive Directors:
Mr. Cai Yu Tian *(Chairman)*
Mr. Ni Jianda
Mr. Qian Shizheng
Mr. Zhou Jun
Mr. Yang Biao
Mr. Chen Anmin
Mr. Jia Bowei

Independent non-executive Directors:
Mr. Doo Wai-Hoi, William, J.P.
Dr. Wong Ying Ho, Kennedy, BBS, J.P.
Mr. Fan Ren Da, Anthony
Mr. Li Ka Fai, David

Registered office:
Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal place of business:
Suites 3003-3007
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

31 October 2011

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION
(2) CONNECTED TRANSACTION
(3) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
AND
(4) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

On 14 April 2011, the Company and SIH jointly announced that SIH (as the seller) and the Company (as the buyer) entered into the Agreement pursuant to which the Company has conditionally agreed to acquire, and SIH has conditionally agreed to sell, the Sale Share (representing the entire issued share capital of the Target Company) and the Shareholder's Loan. On the same day, SIH (as the assignor) and the Company (as the assignee) entered into the Deed pursuant to which SIH has conditionally assigned to the Company all its right, title, benefits and advantage of and interest in the Dividend Receivable. The aggregate consideration for the Transactions shall be satisfied by the allotment and issue of the Consideration Shares at an issue price of HK$2.80 per share to SIH at Completion.

The Transactions constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. SIH is a connected person of the Company by virtue of its being a controlling shareholder of the Company. Therefore the Transactions also constitute a connected transaction of the Company and subject to the approval by the Independent Shareholders at the SGM. In addition, the Transactions constitute a reverse takeover for the Company under Rule 14.06(6)(b) of the Listing Rules. Accordingly, the Company is being treated as if it were a new listing applicant. The Transactions are therefore also subject to the approval by the Listing Committee of a new listing application. J.P. Morgan, as the sponsor of the Company's new listing application, on behalf of the Company submitted to the Stock Exchange a listing application on 17 May 2011. The Listing Committee of the Stock Exchange has given its approval in principle of the new listing application of the Company.

As at the Latest Practicable Date, SIH and parties acting in concert with it held an aggregate of 1,183,713,478 Shares, representing approximately 45.0% of the total Shares in issue. Immediately following the allotment and issue of the Consideration Shares to SIH, the shareholding of SIH and parties acting in concert with it will increase to approximately 70.0% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares but before the exercise of any Warrants or share options outstanding as at the Latest Practicable Date. Under Rule 26.1 of the Takeovers Code, SIH and parties acting in concert with it would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by SIH and parties acting in concert with it, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive. An application has been made by SIH to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

The purpose of this circular is to provide the Shareholders with further information about (a) the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares); and (b) the Whitewash Waiver, and to give a notice to the Shareholders of the SGM. This circular also provides additional information on the Target Group as required under the Listing Rules in connection with the new listing application.

Details of the Transactions under the Agreement and the Deed are set out below.

THE TRANSACTIONS

The Agreement

Date: 14 April 2011

Parties

(1) SIH (as the seller); and

(2) the Company (as the buyer).

SIH is an investment holding company and its shares are listed on the Main Board of the Stock Exchange. As at the Latest Practicable Date, SIH indirectly held 1,183,692,000 Shares, representing approximately 45.0% of the total issued share capital of the Company. As SIH controls the financial and operating decisions of the Company, the financial results of the Company are consolidated into those of SIH in compliance with applicable HKFRS, and accordingly the Company is accounted for as a subsidiary of SIH. Further information on SIH is set out in the paragraph headed "Information on SIH" below.

Subject matter

The Company has conditionally agreed to acquire from SIH:

(a) the Sale Share, which represents 100% of the issued share capital of the Target Company, free from any mortgage, charge (fixed or floating), pledge, lien, hypothecation, trust, right of set off or other third party right or interest, together with all accrued benefits and rights attached to the Sale Share with effect from the Completion Date; and

(b) the Shareholder's Loan, being all the shareholder's loans outstanding and owing by the Target Company to SIH as at the Completion Date.

The Target Company is an investment holding company. Following completion of the Restructuring Plan, the Target Company indirectly owns 59% equity interest in Shanghai Urban Development. Shanghai Urban Development is primarily engaged in the business of property development in the PRC. Further information on the Target Group can be found in the paragraph headed "Information on the Target Group" below and in the section headed "Business of the Target Group" in this circular.

Conditions precedent

Completion of the sale and purchase of the Sale Share and the Shareholder's Loan is conditional upon the satisfaction (or, if applicable, the waiver) of certain conditions precedent. Such conditions precedent include the following:

(a) the approval of Independent Shareholders at the SGM of (i) the Agreement and the transactions contemplated under the Agreement, including but not limited to the sale and purchase of the Sale Share and the Shareholder's Loan; (ii) the issue of Tranche A Consideration Shares; (iii) the Whitewash Waiver; and (iv) if applicable, any continuing connected transactions, having been obtained;

(b) if required, all necessary consents from the holders of the US$400 million 9.75% Senior Notes Due 2014 of the Company and the holders of the Convertible Bonds for the entering into or the implementation or completion of the transactions contemplated under the Agreement and any other deed or agreement pursuant to which additional shares in the capital of the Company will be issued to SIH having been obtained;

(c) all consents (includes any approval, authorisation, permission, licence, waiver, order or exemption in any jurisdiction including but not limited to Hong Kong, the PRC and the BVI) necessary for the entering into or the implementation or completion of the transactions contemplated under the Agreement and any other deed or agreement pursuant to which additional shares in the capital of the Company will be issued to SIH by the Company, SIH and/or any member of the Target Group or for the performance of their respective obligations under the Agreement having been obtained on terms satisfactory to SIH or the Company (as the case may be), and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong, the PRC, the BVI or elsewhere which are required or appropriate for the entering into and the implementation or completion of the transactions contemplated under the Agreement and any other deed or agreement pursuant to which additional shares in the capital of the Company will be issued to SIH having been completed;

(d) the Listing Committee having granted (either unconditionally or subject only to conventional conditions) the listing and permission to deal in Tranche A Consideration Shares on the Main Board of the Stock Exchange and such permission not subsequently being revoked or withdrawn;

(e) the Whitewash Waiver having been granted by the Executive (either unconditionally or subject only to conventional conditions (i.e. approval of Independent Shareholders at the SGM and there being no disqualifying transactions as set out in the Takeovers Code)) to SIH and such waiver not having been revoked or withdrawn;

(f) the Restructuring Plan having been duly completed and all necessary approvals required for the implementation of the Restructuring Plan having been obtained;

(g) the Company having completed the due diligence review of the legal, financial and business affairs of the Target Group and the results of such review being reasonably satisfactory to the Company;

(h) Deloitte Touche Tohmatsu having completed the audit of and issued an unqualified opinion on the consolidated financial statements of the Target Group in accordance with the requirements of the Listing Rules;

(i) the Company having received an opinion issued by AllBright Law Offices, the PRC legal adviser to the Company, in respect of the PRC members of the Target Group and other PRC legal issues and in the form and substance satisfactory to the Company;

(j) approval in principle by the Listing Committee of the new listing application by the Company having been granted and not having been revoked or withdrawn; and

(k) any applicable waiting periods for a response from the Ministry of Commerce of the PRC in relation to the anti-trust filing in connection with the transactions contemplated by the Agreement having expired or been terminated and/or any anti-trust consent or approval having been obtained on an unconditional basis pursuant to the provisions of any laws or regulations in the PRC.

The conditions precedent set out in (b) and (g) above may be waived by the Company and the condition precedent set out in (k) above may be jointly waived by both SIH and the Company. None of the other conditions precedent set out above may be waived by any party. If any of the conditions precedent set out above has not been fulfilled (or, if applicable, waived) on or before 30 September 2011 (or such later date as may be agreed between SIH and the Company), the Agreement will terminate with immediate effect. On 30 September 2011, SIH and the Company agreed in writing to extend the long stop date for Completion to 31 December 2011.

Subsequent to the signing of the Agreement, (a) all the outstanding Convertible Bonds had expired and were redeemed on 12 June 2011; (b) the Restructuring Plan was completed on 8 August 2011; and (c) the Anti-trust Bureau of the PRC Ministry of Commerce has confirmed that no anti-trust filing is required for the Transactions under the laws of the PRC. As at the date of this circular, all the conditions precedents (other than items (a), (b), (d) and (e) have been satisfied or no longer applicable.

Consideration

The aggregate consideration for the sale and purchase of the Sale Share and the Shareholder's Loan is HK$5,640,545,824 (equivalent to approximately RMB4,748,211,475), which will be satisfied by the allotment and issue of 2,014,480,651 Tranche A Consideration Shares at the issue price of HK$2.80 per share. The consideration was determined after arm's length negotiations between the Company and SIH after having considered a number of factors including SIH's aggregate acquisition cost of its 59% equity interest in Shanghai Urban Development in the amount of approximately RMB4,108,827,700 (equivalent to approximately HK$4,881,002,257). The difference between the consideration for the Sale Share and the Shareholder's Loan of HK$5,640,545,824 and the aggregate acquisition cost of SIH's 59% equity interest in Shanghai Urban Development represents a premium over SIH's historical investment in Shanghai Urban Development.

Completion

Completion of the sale and purchase of the Sale Share and the Shareholder's Loan is scheduled to take place within five business days after all the conditions precedent have been fulfilled (or, if applicable, waived).

The Deed

Date: 14 April 2011

Parties

(1) SIH (as the assignor); and

(2) the Company (as the assignee).

Subject matter

SIH as legal and beneficial owner has conditionally assigned to the Company all its right, title, benefits and advantage of and interest in the Dividend Receivable.

Conditions precedent

The assignment of the Dividend Receivable is conditional upon the satisfaction of the following conditions precedent:

(a) the approval of Independent Shareholders at the SGM of the Deed and the transactions contemplated under the Deed, including but not limited to the assignment of the Dividend Receivable and the issue of Tranche B Consideration Shares having been obtained;

(b) the Target Company becoming a wholly-owned subsidiary of the Company; and

(c) the Listing Committee having granted (either unconditionally or subject only to conventional conditions) the listing and permission to deal in Tranche B Consideration Shares on the Main Board of the Stock Exchange and such permission not subsequently being revoked or withdrawn.

The assignment of the Dividend Receivable will become effective on the date when the above conditions precedent have been fulfilled, i.e. the Completion Date.

Consideration

The consideration for the assignment of the Dividend Receivable is RMB395,300,000 (equivalent to approximately HK$469,588,976), which will be satisfied by the allotment and issue of 167,710,349 Tranche B Consideration Shares at the issue price of HK$2.80 per share. The consideration was determined after arm's length negotiations between the Company and SIH with reference to the amount of the face value of the Dividend Receivable of RMB395,300,000 (equivalent to approximately HK$469,588,976) as at the date of the Deed.

The total consideration for the Sale Share and the Shareholder's Loan, and the assignment of the Dividend Receivable represents a discount of approximately 34.5% to the adjusted appraised value of the Target Group in the amount of approximately RMB7.9 billion (equivalent to approximately HK$9.3 billion), which is based on the appraised value of all the properties attributable to the Target Company as at 31 July 2011 and is derived as follows:

(a) the appraised value of all the properties of the SUD Group as at 31 July 2011 in the amount of RMB17.3 billion;

(b) less the interest-bearing bank and other borrowings of the Target Group as at 30 April 2011 in the amount of RMB7.2 billion; and

(c) plus the aggregate value of cash and cash equivalents and pledged bank deposits of the Target Group as at 30 April 2011 in the amount of RMB3.2 billion.

The Consideration Shares, being the aggregate of Tranche A Consideration Shares and Tranche B Consideration Shares, to be allotted and issued by the Company to SIH pursuant to the Agreement and the Deed represent (i) approximately 83.0% of the total Shares in issue as at the Latest Practicable Date; and (ii) approximately 45.4% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares but before the exercise of any Warrants or share options outstanding as at the Latest Practicable Date. Further details on the effect of the Transactions on the shareholding structure of the Company are set out in the paragraph headed "Effect of the Transactions on the Shareholding Structure of the Company" below.

The Consideration Shares will be allotted and issued on the Completion Date under a specific mandate proposed to be obtained at the SGM. The Consideration Shares will rank equally among themselves and pari passu in all respects with the Shares in issue on the date of the allotment and issue of the Consideration Shares.

The issue price of HK$2.80 for each Consideration Share represents:

(a) a discount of approximately 3.8% to the closing price of the Shares of HK$2.91 per share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 3.6% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including Last Trading Day of approximately HK$2.906 per share;

(c) a premium of approximately 0.2% to the average of the closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK$2.795 per share;

(d) a premium of approximately 8.5% to the average of the closing price of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK$2.58 per share; and

(e) a premium of approximately 87.9% to the closing price of HK$1.49 per share as quoted on the Stock Exchange on the Latest Practicable Date;

The issue price of HK$2.80 for each Consideration Share also represents a premium of approximately 3.3% to the net asset value per share of the Company as of 31 December 2010.

In addition to the issue of the Consideration Shares, the Company has agreed to bear the capital gain tax in the PRC arising from the sale of the Sale Share and the Shareholder's Loan, and the withholding tax in the PRC in respect of the payment of the Dividend Receivable to be paid by Shanghai Urban Development subject to an aggregate cap of RMB85,000,000 (equivalent to approximately HK$100,974,103). Any payment by the Company of such capital gain tax and withholding tax would effectively increase its acquisition costs of the Transactions. Save for the Company's agreement to bear the capital gain and withholding taxes described above, each party will bear its own tax resulting from the Transactions. Such arrangement has been arrived at after arm's length negotiations between the Company and SIH. The PRC legal advisers of the Company have confirmed that although SIH, as the seller, has the legal obligation to report capital gain tax on the acquisition transaction under the PRC laws, the parties may agree in a contract as to which party shall bear the capital gain tax as part of the transaction cost.

APPLICATION FOR LISTING

The Sponsor has made a new listing application on behalf of the Company to the Listing Division of the Stock Exchange. In particular, the listing application includes the listing of and permission to deal in the Consideration Shares to be allotted and issued pursuant to the Agreement and the Deed.

EFFECT OF THE TRANSACTIONS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) upon issue and allotment of the Consideration Shares but before the exercise of any Warrants or share options outstanding as at the Latest Practicable Date:

	As at the Latest Practicable Date		Upon allotment and issue of the Consideration Shares but before exercise of any outstanding Warrants or share options	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
SIH *(Note 1)*	1,183,692,000	45.0	3,365,883,000	70.0
Deutsche Bank AG *(Note 2)*	21,478	0.0	21,478	0.0
SIH and parties acting in concert with it	1,183,713,478	45.0	3,365,904,478	70.0
Other Shareholders	1,445,618,711	55.0	1,445,618,711	30.0
Total	2,629,332,189	100.0	4,811,523,189	100.0

Notes:

1. These Shares are legally owned by Novel Good Limited, a wholly-owned subsidiary of SIH. SIIC is the ultimate parent company of SIH and is indirectly holding an approximately 56.35% interest in SIH. This figure has not included the 50,000,000 Shares that are charged to Novel Good Limited, as further detailed in the paragraph headed "Information required under the Takeovers Code" below.

2. Deutsche Bank AG, Hong Kong Branch is the financial adviser to SIH in relation to the Transactions, and is deemed to be acting in concert with SIH for the purpose of the Takeovers Code. Deutsche Bank AG was interested in 21,478 Shares.

3. To the best knowledge of the Directors having made all reasonable enquiries, Xuhui SAAC and its associates did not hold any Shares as at the Latest Practicable Date.

INFORMATION ON THE TARGET GROUP

The Target Company

As a condition precedent to completion of the sale and purchase of the Sale Share and the Shareholder's Loan under the Agreement, SIH was required to complete the Restructuring Plan to inject its 59% equity interest in Shanghai Urban Development into a Hong Kong holding company. The Restructuring Plan has been completed and involved the following steps:

(a) The Target Company was incorporated in the BVI on 19 January 2011 as a BVI business company authorised to issue a maximum of 50,000 ordinary shares with a par value of US$1.00 each. On 9 March 2011, one ordinary share was allotted and issued to SIH at par for cash. The Target Company is wholly owned by SIH.

(b) Joy Century was incorporated in Hong Kong on 22 February 2011 as a company with limited liability with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of par value HK$1.00 each. One issued ordinary share, representing the entire issued share capital of Joy Century, is held by the Target Company. Joy Century is wholly owned by the Target Company.

(c) On 30 March 2011, SIH entered into an equity transfer agreement with Joy Century whereby SIH agreed to transfer its 59% equity interest in Shanghai Urban Development to Joy Century for an amount in HK$ which is equivalent to RMB4,108,827,700. The transfer was completed on 8 August 2011.

(d) SIH provided the Shareholder's Loan to the Target Company, the primary purpose of which is to facilitate the settlement of the consideration for the acquisition by Joy Century of the 59% equity interest in Shanghai Urban Development from SIH under the equity transfer agreement.

Each of the Target Company and Joy Century is an investment holding company.

Shanghai Urban Development

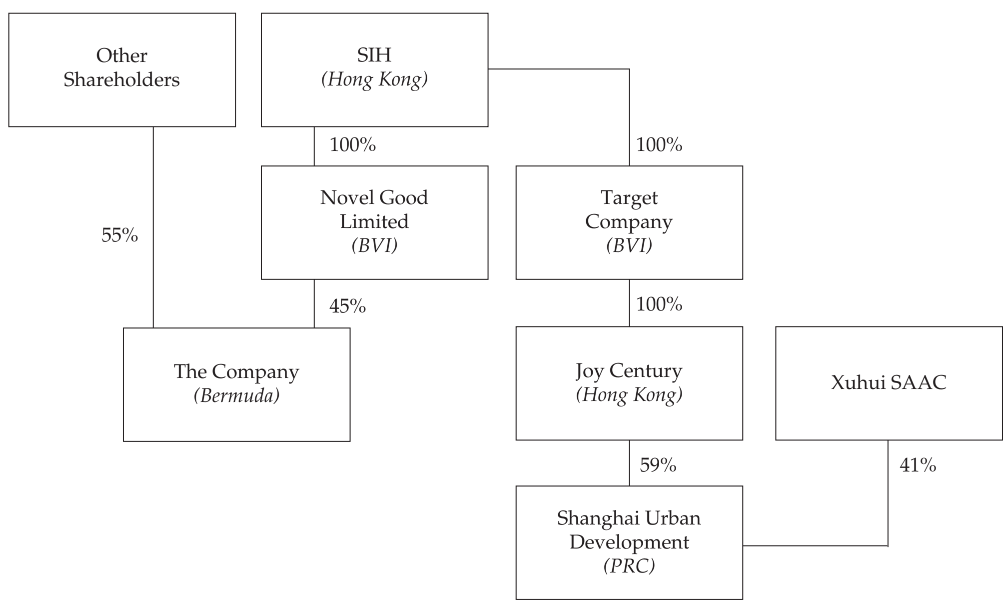
Shanghai Urban Development is primarily engaged in the business of property development in the PRC. It was established in 1996 as a state-owned enterprise and it was converted into a Sino-foreign equity joint venture company in July 2007 following the acquisition by SIH of a 40% equity interest in it. In December 2007, SIH acquired a further 19% equity interest in Shanghai Urban Development from Xuhui SAAC. Since then, Shanghai Urban Development has been a subsidiary of SIH and its results and financial position have been audited for inclusion in SIH's consolidated financial statements. As at the Latest Practicable Date, Shanghai Urban Development has a registered capital of RMB3.2 billion and is owned as to 41% by Xuhui SAAC and as to 59% by Joy Century. The Target Group owns ten property development projects mainly in four regions in the PRC, namely Shanghai, Jiangsu, Hunan and Chongqing, with an aggregate GFA of approximately 3,393,070 sq.m. In addition, the Target Group, through a 35% owned associated company, has an interest in one property development project in Shanghai, with an aggregate GFA of 405,000 sq.m. Based on the 2011 interim results announcement of SIH dated 15 September 2011, sales realised by Shanghai Urban Development and its subsidiaries in the first half of 2011 amounted to HK$1,041 million and the sales area realised during the period was 52,702 sq.m. A pre-sale amount of HK$680 million was recorded during the first half of 2011 from the pre-sale of a total GFA of 38,238 sq.m. In addition, the Target Group also recorded a total rental income of approximately HK$83.78 million in the first half of 2011 from its investment properties of approximately 77,056 sq.m., which mainly comprise Urban Development International Tower, Huimin Commercial Tower and other retail properties. On 25 March 2011, the Target Group entered into a sale and purchase agreement for the disposal of its entire interest in SUD Hefei, the developer of Rose Town City Villa. The disposal was completed in April 2011, following which, the Target Group ceased to have any interest in SUD Hefei. Please refer to the paragraph headed "Subsidiaries disposed of or deregistered since 1 January 2008" in the section headed "History and Background of the Target Group" in this circular for further information on the disposal. For further information on the business carried on by Shanghai Urban Development, please refer to the section headed "Business of the Target Group" in this circular.

SIH's aggregate acquisition cost of its 59% equity interest in Shanghai Urban Development was approximately RMB4,108,827,700 (equivalent to approximately HK$4,881,002,257), which comprises the investments by SIH in Shanghai Urban Development made in July and December 2007, respectively, and the additional capital injection of RMB409,460,000 in cash into Shanghai Urban Development by SIH completed in April 2011.

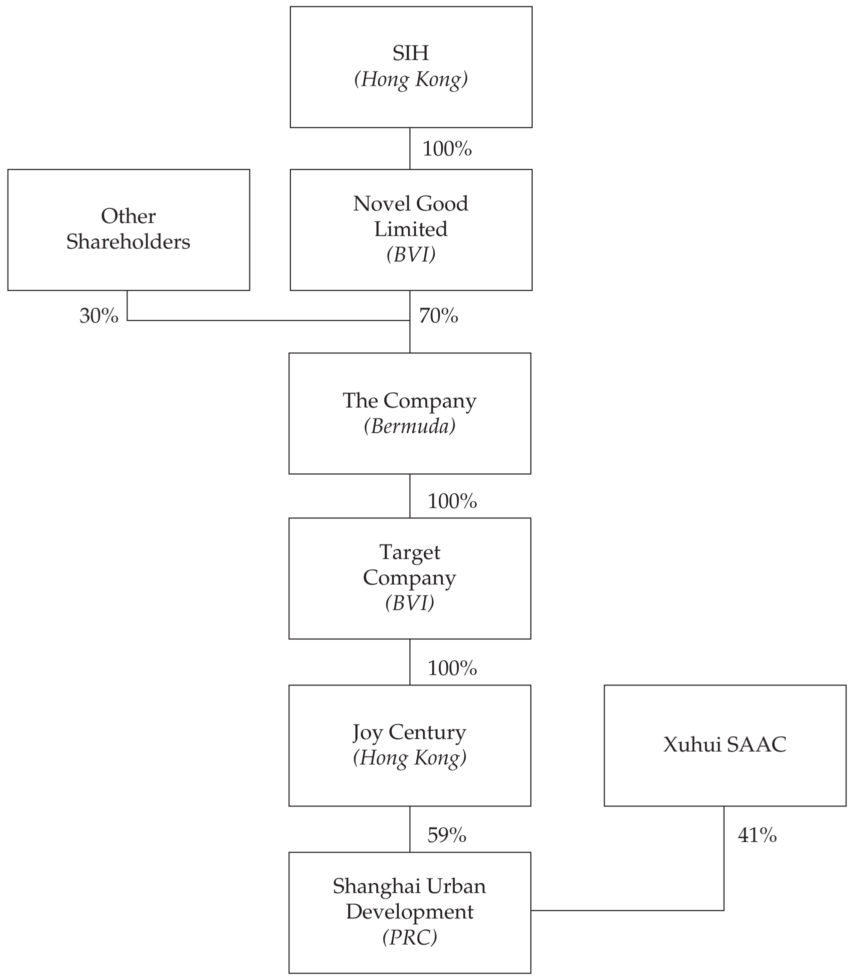
Ownership structure of the Target Group and the Company

Set out below is the ownership structure of the Target Group and the Company as at the Latest Practicable Date and immediately after Completion:

As at the Latest Practicable Date



Immediately after Completion



INFORMATION ON THE GROUP

The Group is principally engaged in the businesses of property development, property investment and hotel operations in the PRC.

INFORMATION ON SIH AND INTENTION OF SIH

SIH and its subsidiaries are principally engaged in the business of infrastructure facilities, real estate and consumer products.

In the event that the Whitewash Waiver is granted and the Transactions are completed, it is the intention of SIH that the Company will continue to carry on its current business, subject to a continuing review of its operations and the development of a plan to realise synergies with SIH's real estate business in the PRC. Subject to due compliance with the Listing Rules and the Takeovers Code, this may or may not include the injection of further assets or businesses into the Group by SIH or the acquisition or disposal of assets by the Company. SIH will make announcements if it decides on anything that requires disclosure pursuant to the Takeovers Code or the Listing Rules, as applicable.

Save for the above, SIH has no intention to introduce any major change to the existing operation of the Company, to re-deploy the fixed assets, or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Board (including all the independent non-executive Directors) considers the Transactions to be in the interests of the Company as well as the Shareholders taken as a whole for the following reasons:

(a) The Transactions will enhance operating efficiency and improve core competitiveness of the Company through sharing of management expertise and optimising asset portfolio of SIH's property development business.

As at 31 December 2010, the Company had an aggregate GFA of approximately 12.7 million sq.m. in 11 cities in the PRC. Upon Completion, the Company will have interests in 25 projects located across 13 cities in the PRC, providing an aggregate GFA of approximately 16.1 million sq.m. These projects will be operated under an integrated platform through regional management structure after Completion. Certain administrative functions of the Company and Shanghai Urban Development, such as human resources management and information technology management, will also be combined to reduce administrative costs. After Completion, the respective management of the Company and Shanghai Urban Development will have more channels to share their management expertise by exchanging management ideas and initiatives not only at the level of the Company and Shanghai Urban Development but also at levels of their respective subsidiaries through a number of training programmes and annual conferences of the Company. In addition, all the properties will be operated under the same brand name in the future, which would be able to potentially reduce marketing efforts and costs. The management believes all such initiatives will enhance the overall operating efficiency of the Group after Completion.

(b) The Transactions will increase potential debt and equity investors' awareness of the Company by enhancing the corporate governance of the Company, and should improve the Company's profile.

Shanghai Urban Development is a company with over ten years of experience in the real estate industry with its own internal control system. The Company has been improving its internal control since SIH became a controlling shareholder, and has engaged an independent professional firm to conduct a follow-up review of the findings identified in an internal control review report mentioned in the announcement of the Company dated 24 June 2010. The follow-up review has been completed and a report was issued by the independent firm on 17 May 2011. The Board and the senior management of the Company have reviewed the report and are of the opinion that the internal control weaknesses with respect to "control over contracts for material transactions", "authorisation of cash payments", "compliance and disclosure under the Listing Rules and accounting standard" and "staff code of conduct" have been substantially remediated and some progress of remediation has been made in respect of the remaining areas including "access to the control system for financial reporting", "anti-fraud policies and procedures", "internal audit", "job description, responsibilities and reporting line of key functional departments and management positions" and "risk assessment". Please refer to the section headed "Issues Arising Prior to SIH's Acquisition of a Controlling Interest in the Company — Improving the Group's internal control" for further details of the progress on the improvement of the Company's internal control system. After Completion, the Company and Shanghai Urban Development will combine the merits of their internal control systems to further enhance the corporate governance of the Company. The Company will engage a compliance adviser who will assist the management of the Company in improving corporate governance.

The Directors (including all the independent non-executive Directors) are of the view that the terms of the Agreement and the Deed, which have been agreed after arm's length negotiations between the Company and SIH, are on normal commercial terms and such terms are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Immediately after Completion, (i) the Company will continue to be a subsidiary of SIH; and (ii) members of the Target Group will continue to be subsidiaries of SIH through SIH's holding in the Company, and the assets, liabilities and results of the Company and the Target Group will continue to be consolidated into the financial statements of SIH. As such, the Transactions will be treated by SIH as an intra group transaction between SIH and the Company, and SIH is expected to record no gain or loss from the Transactions, without taking into account the estimated expenses and taxation in relation to the Transactions.

IMPLICATIONS OF THE TRANSACTIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transactions for the Company exceeds 100%, the Transactions constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. SIH is a connected person of the Company by virtue of its being a controlling shareholder of the Company. Therefore the Transactions also constitute a connected transaction of the Company and are subject to the approval by the Independent Shareholders at the SGM. SIH and its associates are required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve the Agreement, the Deed and the transactions contemplated thereunder.

In addition, the Transactions constitute a reverse takeover for the Company under Rule 14.06(6)(b) of the Listing Rules, on the basis that the Transactions constitute a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and at the same time involve acquisition of assets from SIH within 24 months of SIH gaining control (as defined under the Takeovers Code) of the Company. Accordingly, under Rule 14.54 of the Listing Rules, the Company is being treated as if it were a new listing applicant. The Transactions are therefore also subject to the approval by the Listing Committee of a new listing application made by the Company. Such new listing application is required to comply with all the requirements under the Listing Rules, in particular the requirements under Chapters 8 and 9 of the Listing Rules.

J.P. Morgan has been appointed as the sponsor in respect of the new listing application of the Company. A new listing application was submitted to the Stock Exchange on 17 May 2011. The Listing Committee of the Stock Exchange has given its approval in principle of the new listing application of the Company.

It is one of the conditions precedent to completion of the sale and purchase of the Sale Share and the Shareholder's Loan that the approval of the new listing application by the Listing Committee has been obtained, and the assignment of the Dividend Receivable will only become effective upon, inter alia, the Target Company becoming a wholly-owned subsidiary of the Company. **In the event that the approval for the new listing application is not granted by the Listing Committee, the Agreement and the Deed will not become unconditional and the Transactions will not proceed.**

IMPLICATIONS OF THE TRANSACTIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, SIH and parties acting in concert with it held an aggregate of 1,183,713,478 Shares, representing approximately 45.0% of the total Shares in issue. Immediately following the allotment and issue of the Consideration Shares to SIH, the shareholding of SIH and parties acting in concert with it will increase to approximately 70.0% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares but before the exercise of any Warrants or share options outstanding as at the Latest Practicable Date. Under Rule 26.1 of the Takeovers Code, SIH and parties acting in concert with it would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by SIH and parties acting in concert with it, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

An application has been made by SIH to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among other things, (i) approval of the Independent Shareholders in respect of the Whitewash Waiver at the SGM where voting on the relevant resolutions shall be taken by poll; (ii) SIH and parties acting in concert with it not having acquired any voting rights of the Company in the six months prior to the date of the Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Transactions under the Agreement and the Deed; and (iii) SIH and parties acting in concert with it not having any acquisitions or disposals of voting rights of the Company between the date of the Announcement and Completion unless with the prior consent of the Executive.

Immediately upon Completion, SIH and parties acting in concert with it will hold more than 50% of the enlarged issued share capital of the Company upon Completion. In such case, they may increase their shareholding in the Company further without triggering any further general offer obligation under the Takeovers Code.

The Executive may or may not grant the Whitewash Waiver. It is one of the conditions precedent to completion of the sale and purchase of the Sale Share and the Shareholder's Loan that the Whitewash Waiver has been obtained, and the assignment of the Dividend Receivable will only become effective upon, inter alia, the Target Company becoming a wholly-owned subsidiary of the Company. **In the event that the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Agreement and the Deed will not become unconditional and the Transactions will not proceed.**

The Agreement, the Deed and the transactions contemplated thereunder and the Whitewash Waiver are subject to approval by the Independent Shareholders (who are permitted to vote under the Listing Rules and the Takeovers Code) at the SGM. SIH, parties acting in concert with it and their respective associates together with those parties who are interested in, or involved in, the Agreement, the Deed and the Whitewash Waiver are required to abstain from voting on the Agreement and the Deed, and the Whitewash Waiver at the SGM.

Deutsche Bank AG is the financial adviser to SIH in relation to the Transactions and is deemed to be acting in concert with SIH for the purpose of the Takeovers Code. Accordingly, Deutsche Bank AG will also abstain from voting on the Agreement and the Deed, and the Whitewash Waiver at the SGM in respect of its interests in the Shares (excluding interests held by the entities of Deutsche Bank AG with exempt fund managers status under the Takeovers Code). For the avoidance of doubt, Deutsche Bank AG will also abstain from voting in respect of its long position of 35,000,000 Shares as a result of stock borrowings to the extent that Deutsche Bank AG still holds voting rights of those Shares at the SGM.

Further, all Directors who were involved in the negotiations of the Agreement and the Deed or who hold directorships in both SIH and the Company are required to abstain from voting on the Agreement and the Deed, and the Whitewash Waiver at the SGM. Mr. Cai Yu Tian, Mr. Qian Shizheng and Mr. Zhou Jun, each an executive Director, are directors of SIH. Mr. Cai Yu Tian, Mr. Qian Shizheng, Mr. Ni Jianda, Mr. Yang Biao, Mr. Chen Anmin and Mr. Jia Bowei, each being an executive Director, were involved in negotiations of the Agreement and the Deed. As at the Latest Practicable Date, Mr. Cai Yu Tian, Mr. Qian Shizheng, Mr. Zhou Jun, Mr. Ni Jianda, Mr. Yang Biao, Mr. Chen Anmin and Mr. Jia Bowei held certain share options in the Company, details of which are set out in Appendix VI to this circular and did not hold any Shares. In any event, they and their respective associates are required to abstain from voting on the Agreement and the Deed, and the Whitewash Waiver at the SGM. Mr. Cai Yu Tian, Mr. Ni Jianda, Mr. Qian Shizheng, Mr. Zhou Jun, Mr. Yang Biao and Mr. Chen Anmin are directors of Shanghai Urban Development. Save as disclosed above, none of the Directors are interested in the Transactions and therefore are not required to be abstain from voting on the resolutions at the meeting of the Board approving the Agreement, the Deed and the Whitewash Waiver.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, SIH indirectly held 1,183,692,000 Shares, representing approximately 45.0% of the total issued share capital of the Company. Pursuant to the sale and purchase agreement dated 19 January 2010 and entered into among Invest Gain, Novel Good Limited (a wholly-owned subsidiary of SIH) and Mr. Li Song Xiao (the sole shareholder of Invest Gain) in relation to the acquisition by Novel Good Limited of Shares from Invest Gain, Invest Gain equitably mortgaged and charged 50,000,000 Shares to Novel Good Limited to secure the compliance of Invest Gain in respect of a final judgment or settlement agreement and all amounts payable under such share charge should there be a breach by Invest Gain of the warranties or obligations contained in such sale and purchase agreement. Such charge is an equitable charge and SIH (through Novel Good Limited) does not hold any voting rights in the charged shares until enforcement of such charge. Such charge has not been released yet. Save for the aforesaid sale and purchase agreement and the charge on 50,000,000 Shares as stated above, there are no other relationships between Mr. Li Song Xiao/Invest Gain and SIH. SIH is not acting in concert with Mr. Li Song Xiao or Invest Gain.

As at the Latest Practicable Date, Novel Good Limited had not enforced such charge, and did not hold any voting rights of such 50,000,000 Shares that are equitably charged to it. Save for the 45.0% shareholding and the share charge of 50,000,000 Shares as stated above and the holdings of Deutsche Bank AG as set out in this section below, none of SIH nor any of parties acting in concert with it holds any shares, convertible securities, warrants, options or derivatives in respect of securities in the Company.

None of SIH and persons acting or presumed to be acting in concert with it has acquired voting rights in the Company in the six months prior to the date of the Announcement, save that a subsidiary of SIIC, the controlling shareholder of SIH, bought 300,000 Shares in cash at an average price of HK$3.50 per share on 19 November 2010, and sold the same number of Shares for cash at an average price of HK$3.5085 per share on the same date, both of which were unrelated to SIH and occurred prior to the negotiation, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Transactions. The Executive has confirmed that the abovementioned transaction does not constitute disqualifying transactions under paragraph 3(a) of Schedule VI to the Takeovers Code.

As at the Latest Practicable Date, (i) none of SIH and any parties acting in concert with it has received any irrevocable commitment to vote in favour of or reject the Agreement and the Deed, and the Whitewash Waiver; (ii) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Transactions and the Whitewash Waiver; (iii) there are no agreements or arrangements to which SIH is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Transactions or the Whitewash Waiver (other than conditions precedent to Completion as contained in the Agreement and the Deed, as the case may be); (iv) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which SIH and any of parties acting in concert with it has borrowed or lent; (v) no benefit had been given or will be given to any Directors as compensation for loss of office or otherwise in connection with the Transactions and/or the Whitewash Waiver; (vi) there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Whitewash Waiver or otherwise connected with the Transactions and/or the Whitewash Waiver; (vii) other than the Transactions, there was no agreement, arrangement or understanding (including any compensation arrangement) between SIH or any party acting in concert with it and any of the Directors, recent directors of the Company, shareholders or recent shareholders of the Company having any connection with or dependence upon the outcome of the Transactions and/or the Whitewash Waiver; (viii) there was no material contract entered into by SIH or any party acting in concert with it in which any Director had a material personal interest; (ix) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between SIH or any party acting in concert with it, or any other associate of SIH, and any other person; (x) there was no agreement, arrangement or understanding to charge, pledge or transfer the Shares acquired in the Transactions to any other persons.

Deutsche Bank AG, Hong Kong Branch is the financial adviser to SIH in relation to the Transactions, and is deemed to be acting in concert with SIH for Takeover Code purposes. As at the Latest Practicable Date, Deutsche Bank AG was interested in 21,478 Shares. Deutsche Bank AG was also a holder of a Warrant, pursuant to which Deutsche Bank AG was entitled to purchase 27,383,000 Shares at an exercise price of HK$6.72 per Share. Oppenheim Asset Management Services S.a.r.l., which is an indirect wholly-owned subsidiary of Deutsche Bank AG, was a holder of a Warrant, pursuant to which Oppenheim Asset Management Services S.a.r.l. was entitled to purchase 2,715,000 Shares at an exercise price of HK$6.72 per Share. Deutsche Bank AG returned 1,000,000 Shares to its counterparty on 27 July 2011 pursuant to pre-existing contracts of stock borrowing made prior to the date of Announcement. Such return of Shares was conducted in the capacity of an entity of Deutsche Bank AG holding exempt principal trader status under the Takeovers Code. As a result, as at the Latest Practicable Date, Deutsche Bank AG had a long and short position of 35,000,000 Shares as a result of stock borrowings involving Shares. Deutsche Bank AG also had short position in 1,248 Shares. Save as disclosed above, Deutsche Bank AG did not hold any shares, convertible securities, warrants, options or derivatives in respect of securities in the Company as at the Latest Practicable Date.

EQUITY RAISING ACTIVITIES OF THE COMPANY FOR THE PAST 12 MONTHS

The Company did not conduct any equity fund raising activities in the past 12 months immediately before the Latest Practicable Date.

FINANCIAL ADVISER, SPONSOR, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

J.P. Morgan is the financial adviser to the Company in relation to the Transactions and the sponsor to the Company's new listing application.

An independent committee of the Board comprising Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Transactions and the Whitewash Waiver.

The Company, with the approval of the independent committee of the Board, has appointed KBC Bank N.V. Hong Kong Branch as the independent financial adviser in accordance with the requirements under the Listing Rules and the Takeovers Code to advise the Independent Board Committee and the Independent Shareholders on the Transactions and the Whitewash Waiver.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive and the opinions expressed in this circular have been arrived at after due and careful consideration, and there are no other matters the omission of which would make any statement in this circular misleading.

SGM

A notice of the SGM to be held at Salon 1-3, JW Marriott Ballroom (Level 3), JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 17 November 2011 at 11:00 a.m. is set out on pages N-1 to N-3 of this circular for the purpose of considering and, if thought fit, approving the Agreement and the Deed (including the Transactions and the issue of the Consideration Shares) and the Whitewash Waiver. Voting on the resolutions at the SGM will be taken by poll.

A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the SGM or any adjournment thereof if you so desire.

GENERAL

It should be noted that the Transactions are subject to a number of conditions, which may or may not be fulfilled. In addition, the approval of the new listing application made by the Company and the Whitewash Waiver may or may not be granted. Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.

RECOMMENDATIONS

The Independent Board Committee of the Company (comprising all independent non-executive Directors (namely Mr. Doo Wai-Hoi, William, Dr. Wong Ying Ho, Kennedy, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David)) has been constituted to consider (a) the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares); and (b) the Whitewash Waiver, and to make a recommendation to the Independent Shareholders. KBC Bank N.V. Hong Kong Branch has been appointed as independent financial adviser to the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, having considered the terms of the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver and after taking into account the advice from the Independent Financial Adviser, considers that the terms of the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver are fair and reasonable, and the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver.

The executive Directors consider that the terms of the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver are fair and reasonable, and the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver.

The text of the letter from the Independent Board Committee is set out on pages 51 to 52 of this circular. The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice is set out on pages 53 to 87 of this circular.

FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular, which contain further information on the Target Group and other information required to be disclosed under the Takeovers Code and the Listing Rules.

Yours faithfully,
For and on behalf of the Board of
Shanghai Industrial Urban Development Group Limited
Cai Yu Tian
Chairman

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in connection with the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver for inclusion in this circular.

上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
(incorporated in Bermuda with limited liability)
(Stock code: 563)

Executive Directors:
Mr. Cai Yu Tian *(Chairman)*
Mr. Ni Jianda
Mr. Qian Shizheng
Mr. Zhou Jun
Mr. Yang Biao
Mr. Chen Anmin
Mr. Jia Bowei

Independent non-executive Directors:
Mr. Doo Wai-Hoi, William, J.P.
Dr. Wong Ying Ho, Kennedy, BBS, J.P.
Mr. Fan Ren Da, Anthony
Mr. Li Ka Fai, David

Registered office:
Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal place of business:
Suites 3003–3007
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

31 October 2011

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION
(2) CONNECTED TRANSACTION
(3) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
AND
(4) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular issued by the Company to Shareholders dated 31 October 2011 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

The Independent Board Committee has been constituted to, among other things, give a recommendation to the Independent Shareholders in respect of Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver. KBC Bank N.V. Hong Kong Branch has been appointed as the Independent Financial Adviser to advise us in connection with the terms of the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out in its letter on pages 53 to 87 of the circular, and the additional information set out in other sections of and appendices to the circular.

Having considered the terms of the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver as well as the advice and recommendations of the Independent Financial Adviser as set out in its letter of advice, we consider that the terms of the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned. The Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver.

Yours faithfully,
Independent Board Committee
Shanghai Industrial Urban Development Group Limited
Doo Wai-Hoi, William
Wong Ying Ho, Kennedy
Fan Ren Da, Anthony
Li Ka Fai, David
Independent non-executive Directors

The following is the full text of a letter received from KBC Bank N.V. Hong Kong Branch setting out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

39/F., Central Plaza
18 Harbour Road
Hong Kong

31 October 2011

Dear Madam/Sir,

**VERY SUBSTANTIAL ACQUISITION;
CONNECTED TRANSACTION;
REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION;
AND
APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions and the Whitewash Waiver, details of which are set out in the circular of the Company dated 31 October 2011 (the "Circular") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 14 April 2011, the Company and SIH entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire, and SIH has conditionally agreed to sell, the Sale Share (representing the entire issued share capital of the Target Company) and the Shareholder's Loan (the "Acquisition") at an aggregate consideration of HK$5,640,545,824 (equivalent to approximately RMB4,748,211,475, the "Sale Consideration"), which will be satisfied by the allotment and issue of 2,014,480,651 Tranche A Consideration Shares at the issue price (the "Issue Price") of HK$2.80 per share. On the same date, the Company and SIH also entered into the Deed whereby SIH has conditionally assigned and the Company has conditionally accepted all of the right, title, benefits and advantage of and the interest in the Dividend Receivable (the "Dividend Receivable Assignment") at a consideration of RMB395,300,000 (equivalent to approximately HK$469,588,976), which will be satisfied by the allotment and issue of 167,710,349 Tranche B Consideration Shares at the Issue Price per share.

By virtue of SIH being the controlling Shareholder, SIH is a connected person of the Company and the Transactions constitute a connected transaction of the Company under the Listing Rules. As the percentage of the revenue ratio (as defined under the Listing Rules) in respect of the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) exceeds 100%, the Transactions also constitute a very substantial acquisition of the Company under the Listing Rules. Accordingly, the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) are subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. In addition, since the Transactions constitute a reverse takeover of the Company under the Listing Rules on the basis that the Transactions constitute a very substantial acquisition of the Company under the Listing Rules and at the same time involve acquisitions of assets from SIH within 24 months after SIH obtained control (as defined under the Takeovers Code) of the Company, the Company is treated as if it were a new listing applicant. As a result, the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) are subject to the approval by the Listing Committee of a new listing application made by the Company. The new listing application was submitted to the Stock Exchange on 17 May 2011 and the Listing Committee of the Stock Exchange gave its approval in principle of the new listing application of the Company on 31 October 2011.

As at the Latest Practicable Date, SIH and parties acting in concert with it held an aggregate of 1,183,713,478 Shares, representing approximately 45.0% of the total Shares in issue. Immediately following the allotment and issue of the Consideration Shares, the shareholding of SIH and parties acting in concert with it will increase to approximately 70.0% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares (but before the exercise of any Warrants or share options outstanding as at the Latest Practicable Date). As such, unless the Whitewash Waiver has been obtained from the Executive, SIH and parties acting in concert with it would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by SIH and parties acting in concert with it under Rule 26.1 of the Takeovers Code. An application has been made by SIH to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among other things, (i) the approval of the Independent Shareholders in respect of the Whitewash Waiver at the SGM where voting on the relevant resolutions shall be taken by poll; (ii) SIH and parties acting in concert with it not having acquired any voting rights of the Company both in the six months prior to the date of the Announcement but subsequent to the negotiations, discussions or the reaching of the understanding or agreements with the Directors in relation to the Transactions under the Agreement or the Deed; and (iii) SIH and parties acting in concert with it not having any acquisition or disposals of voting rights of the Company between the date of the Announcement and the Completion without the prior consent of the Executive.

SIH, parties acting in concert with it and their respective associates together with those parties who are interested in, or involved in, the Agreement, the Deed (including the Transactions and the issue of the Consideration Shares) and the Whitewash Waiver are required to abstain from voting on the Agreement, the Deed (including the Transaction and the issue of the Consideration Shares) and the Whitewash Waiver at the SGM. The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David, has been formed to advise the Independent Shareholders in respect of the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver. We, KBC Bank N.V. Hong Kong Branch, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have reviewed, among other things, (i) the Circular; (ii) the Agreement and the Deed; (iii) the interim report of the Company for the six months ended 30 June 2011 and the annual report of the Company for the year ended 31 December 2010 (collectively, the "Financial Reports"); and (iv) the valuation reports prepared by DTZ in respect of the properties held by the Target Group and the Group (the "Valuation Reports") as contained in Appendices IVA and IVB to the Circular. We have assumed that all information, opinions and representations supplied to us by the Company are true, complete and accurate in all material respects and we have relied on the same. Also, we have relied on the representations made by the Company that having made all reasonable enquiries, and to the best of the knowledge and belief of the management of the Company, there is no other material fact relating to the Group or to the Target Group, the omission of which would make any statement contained in the Circular (including this letter) misleading. We have also assumed that all information, statements and representations made or referred to in other parts of the Circular, which have been provided to us by the Company, and for which it is wholly responsible, are true, complete and accurate in all material respects at the time they were made and continue to be so as at the Latest Practicable Date.

We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company; nor have we conducted any independent in-depth investigation into the business and affairs of the Company and its associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our independent advice in relation to the Transactions and the Whitewash Waiver, we have taken into account the following principal factors:

1. Recent development of the Group

The Group is principally engaged in the property development, property investment and hotel operations in the PRC. SIH, one of the listed investment arms of SIIC, a conglomerate controlled by the Shanghai Municipal Government, which in turn controls a number of listed (including SIH) and unlisted companies in the PRC, Hong Kong and overseas, became the controlling Shareholder in June 2010. Since then, the Group has received strong support from SIH on various aspects (such as capital, talents and brand).

The Group currently has interests in 15 property development projects (including the Mei Long Nanfang Shangcheng in which the Group has 25% interest) with an aggregate gross floor area of approximately 12.7 million sq.m. as at 30 June 2011 comprising mid-to-high end residential units, service apartments, hotels, commercial and office buildings spanning across 11 cities in the PRC. Set out below is a summary of the Group's property development projects:

Project	City	Aggregate gross floor area *(sq.m.)*	% of interest attributable to the Company	Total saleable gross floor area *(sq.m.)*	Completed gross floor area *(sq.m.)*	Under development *(sq.m.)*	Expected completion date	Future development *(sq.m.)*
1. American Rock	Beijing	523,833	100%	454,610	454,610	–	Completed	–
2. Youngman Point	Beijing	348,664	100%	295,114	261,653	33,461	2007 – 2013, in phases	–
3. West Diaoyutai	Beijing	250,930	90%	230,802	181,514	–	2007 – 2013, in phases	49,288
4. Yanjiao	Sanhe	666,600	100%	666,600	–	–	2012 – 2014, in phases	666,600
5. Laochengxiang	Tianjin	752,883	100%	646,205	536,967	62,434	2006 – 2013, in phases	46,804
6. Beichen	Tianjin	2,263,000	40%	2,125,500	–	–	2012 – 2014, in phases	2,125,500
7. Jiujiu Youth City	Shanghai	212,126	100%	164,687	143,819	20,868	2009 – 2012, in phases	–
8. Mei Long Nanfang Shangcheng *(Note 1)*	Shanghai	421,300	25%	421,300	–	–	Not yet scheduled	421,300
9. Neo Water City	Xi'an	3,534,736	72%	3,205,699	463,512	1,429,239	2008 – 2014, in phases	1,312,948
10. Tai Yuan Street	Shenyang	239,651	80%	198,551	–	198,551	2012 – 2014, in phases	–
11. Top City	Chongqing	785,225	100%	707,969	534,864	173,105	2008 – 2014, in phases	–
12. Park Avenue	Chengdu	625,670	100%	521,836	–	295,482	2011 – 2014, in phases	226,354
13. Forest Garden	Changsha	895,705	67%	864,842	190,529	53,690	2007 – 2014, in phases	620,623
14. Qi Ao Island	Zhuhai	1,090,000	100%	770,000	–	–	Not yet scheduled	770,000
15. Phoenix Tower	Shenzhen	106,190	91%	79,391	79,391	–	Completed	–
Total		**12,716,513**		**11,353,106**	**2,846,859**	**2,266,830**		**6,239,417**

Source: The Financial Reports

Notes:

1: Save for the Mei Long Nanfang Shangcheng Project in which the Group has 25% interest and the Target Group has 75% interest, as at the Latest Practicable Date, the Target Group did not have any interest in the above property development projects.

2: Extracted from the Company's interim report as at 30 June 2011.

As illustrated in the summary of the Group's financial performance for the year ended 31 December 2010 and the six months ended 30 June 2011 below, more than 90% of the Group's revenue was derived from the sale of properties for both periods:

	For the year ended 31 December 2010		**For the six months ended 30 June 2011**	
	HK$'000	%	*HK$'000*	%
Revenue				
– Property development	4,033,379	98.1%	798,222	90.5%
– Property leasing	17,278	0.4%	32,871	3.7%
– Hotel operations	59,634	1.5%	51,379	5.8%
	4,110,291	100.0%	882,472	100.0%
Segment profit/(loss)				
– Property development	(280,067)		23,371	
– Property leasing	501		323,381	
– Hotel operations	(45,391)		(21,043)	
	(324,957)		325,709	
Profit/(Loss) for the period	(835,908)		6,645	

Source: The Financial Reports

2. Background of the Target Group

The Target Company, wholly-owned by SIH and through its interest in the SUD Group, is principally engaged in the business of property development in the PRC with a focus on the development of large-scale integrated residential and commercial properties, including apartments, villas, offices, retail properties and hotels. Shanghai Urban Development was established in 1996 and became a Sino-foreign equity joint venture company in 2007 following the obtaining by SIH of 40% equity interest in Shanghai Urban Development through SIH's contribution of RMB2,130,660,600 to the capital of Shanghai Urban Development and SIH's acquisition of a further 19% equity interest in Shanghai Urban Development from Xuhui SAAC for a consideration of RMB1,568,707,100 in June and December 2007, respectively. In April 2011, SIH made a further capital contribution of RMB409,460,000 in cash into Shanghai Urban Development. Based on the above, SIH's total cost in acquiring 59% equity interest in Shanghai Urban Development amounted to approximately RMB4,108.8 million. Following the Restructuring Plan which was completed in August 2011, SIH's 59% equity interest in Shanghai Urban Development was transferred to Joy Century (a wholly-owned subsidiary of the Target Company), which was entirely financed by the Shareholder's Loan from SIH to the Target Company.

We noted that the Sale Consideration represented a premium over SIH's historical investment costs in Shanghai Urban Development; however, as represented by the management of the Company, Shanghai Urban Development has been a key property development arm of SIH and received substantial resources (in terms of managerial and networking) from SIH throughout the SUD Group's course of the business development over the past few years since it has become a subsidiary of SIH, contributing to the SUD Group's continuous profitable financial results and expansion of the scale of its property development business. SIH's investment structure, investment costs and arrangements in respect of its acquisition of Shanghai Urban Development in 2007 were the result of its negotiations with Xuhui SAAC and such acquisition took place under a different market environment and different financial results and property portfolio of the SUD Group from the Transactions. As such, we consider it more appropriate to compare the Sale Consideration to the valuation of the properties attributable to the Target Group (instead of comparing the Sale Consideration to the SIH's investment cost which disregards the resources and efforts contributed by SIH towards the property development business of the SUD Group) and focus on how the Acquisition will benefit the future development progress of the Group as a whole in assessing the Transactions.

As at 31 July 2011, the Target Group owned 10 property development projects located in four regions in the PRC, namely Shanghai, Jiangsu, Hunan and Chongqing, with a total site area of approximately 1.7 million sq.m. and total saleable gross floor area of approximately 2.8 million sq.m. In addition, the Target Group, through its 35%-owned associated company, also has an interest in a property development project in Shanghai with total saleable gross floor area of approximately 0.4 million sq.m. (i.e. the Xinzhuang Metro Superstructure Project). Set out below is a summary of the property development projects of the Target Group as at 31 July 2011:

	Project	Location	Type	Site area	% of interest attributable to the SUD Group	Total saleable gross floor area	Sold gross floor area	Pre-sold saleable gross floor area	Unsold aggregate gross floor area	Interest attributable to the SUD Group	Commence -ment Date	Year of Completion
				(sq.m.)	%	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	%		
1.	Urban Cradle	Shanghai	Residential and retail	577,463	90%	824,586	407,969	31,432	385,185	90%	2005-2012	2008 to 2013 in phases (Lot C not yet scheduled)
2.	Royal Villa	Kunshan	Residential	205,016	90%	214,212	82,204	8,067	123,941	90%	2006-2010	2008 to 2014 in phases
3.	Toscana	Changsha	Residential and retail	196,496	55%	185,969	131,724	28,197	26,048	55%	2006-2007	2010 to 2011 in phases
4.	Ivy Aroma Town	Chongqing	Residential	289,812	55%	188,236	20,522	20,438	147,276	55%	2009-2012	2011-2014 in phases
5.	Yoooou.net	Kunshan	Residential, retail and hotel	34,223	52%	112,812	–	7,449	105,363	52%	2010	2012
6.	Urban Development International Centre	Wuxi	Retail, office and hotel	24,041	100%	145,363	–	–	145,363	100%	2009	2013
7.	Shanghai Jing City	Shanghai	Residential	187,464	100%	471,996	–	–	471,996	100%	2010	2013
8.	Shanghai Jingjie	Shanghai	Residential	49,764	100%	95,594	–	–	95,594	100%	2010	2012
9.	Xujiahui Centre	Shanghai	Commercial and office	35,343	60%	168,415	–	–	168,415	60%	Not yet scheduled	N/A
10.	Mei Long Nanfang Shangcheng *(Note 1)*	Shanghai	Commercial and office	87,327	75%	421,300	–	–	421,300	75%	Not yet scheduled	N/A
				1,686,948		2,828,483	642,419	95,583	2,090,481			
11.	Xinzhuang Metro Superstructure Project *(Note 2)*	Shanghai	Residential, commercial, office, civism, public and services	117,825	35%	378,300	–	–	378,300	35%	Not yet scheduled	N/A
Total:				**1,804,773**		**3,206,783**	**642,419**	**95,583**	**2,468,781**			
				(Note 3)								

Source: The Circular

Notes:

1. *Save for the Mei Long Nanfang Shangcheng Project in which the Group has 25% interest and the Target Group has 75% interest, as at the Latest Practicable Date, the Group did not hold any interest in the above property development projects.*

2. *A property development project of an associated company of the Target Company.*

3. *Difference of one sq.m. is due to rounding in figures.*

3. Reasons for and benefits of the Transactions

(i) A good investment opportunity to acquire portfolio of quality property development projects at prime locations in the PRC

As disclosed in the section headed "Letter from the Board" of the Circular, following Completion, the Group's aggregate gross floor area will be increased from approximately 12.7 million sq.m. to 16.1 million sq.m. across 13 cities in the PRC. Set out below is a summary of the increase in total saleable gross floor area of the Enlarged Group's property development projects by regions following completion of the Transactions:

Region	Total saleable gross floor area of the Group *(Note 1)*	% of the Group's total saleable gross floor area	Total saleable gross floor area of the Target Group *(Note 2)*	% of the Target Group's total saleable gross floor area	Total saleable gross floor area of the Enlarged Group	% of the Enlarged Group's total saleable gross floor area
	sq.m.	%	*sq.m.*	%	*sq.m.*	%
Central						
– Changsha	864,842	7.6%	185,969	5.8%	1,050,811	7.4%
South						
– Shenzhen	79,391	0.7%	–	–	79,391	0.6%
– Zhuhai	770,000	6.8%	–	–	770,000	5.4%
Sub-total	849,391	7.5%	–	–	849,391	6.0%
Southwest						
– Chengdu	521,836	4.6%	–	–	521,836	3.7%
– Chongqing	707,969	6.2%	188,236	5.9%	896,205	6.3%
Sub-total	1,229,805	10.8%	188,236	5.9%	1,418,041	10.0%
East						
– Kunshan	–	–	327,024	10.2%	327,024	2.3%
– Shanghai	585,987	5.2%	2,360,191	73.6%	2,524,878 *(Note 3)*	18.0%
– Wuxi	–	–	145,363	4.5%	145,363	1.0%
Sub-total	585,987	5.2%	2,832,578	88.3%	2,997,265	21.3%
Northeast						
– Shenyang	198,551	1.7%	–	–	198,551	1.4%
North						
– Beijing	980,526	8.6%	–	–	980,526	6.9%
– Sanhe	666,600	5.9%	–	–	666,600	4.7%
– Tianjin	2,771,705	24.4%	–	–	2,771,705	19.6%
– Xi'an	3,205,699	28.3%	–	–	3,205,699	22.7%
Sub-total	7,624,530	67.2%	–	–	7,624,530	53.9%
Total	**11,353,106**	**100.0%**	**3,206,783**	**100.0%**	**14,138,589**	**100.0%**
Number of projects as at 31 July 2011	***15***		***11***		***25*** *(Note 3)*	

Source: The Financial Reports and the Circular

Notes:

1. *Based on the total saleable gross floor area of the Group as at 31 July 2011 (including Mei Long Nanfang Shangcheng in Shanghai) as disclosed in the Circular.*

2. *Based on the total saleable gross floor area of the Target Group (including Mei Long Nanfang Shangcheng and Xinzhuang Metro Superstructure Projects) as at 31 July 2011 as disclosed in the Circular.*

3. *Both the Group and the Target Group hold an interest in the Mei Long Nanfang Shangcheng Project in Shanghai (which had a saleable gross floor area of 421,300 sq.m. as at 31 July 2011). After deducting overlapping interests, the total saleable gross floor area in Shanghai and the total number of property development projects that the Enlarged Group will have interests after the Completion are 2,524,878 sq.m. and 25, respectively.*

We also set out below the economic situations and the statistics of the property markets where the Target Group has property development projects:

	GDP (RMB' Billion)					Increase/(Decrease) (%)			
	2006	2007	2008	2009	2010	2007	2008	2009	2010
Shanghai	1,057.2	1,249.4	1,407.0	1,504.6	1,687.2	18.2	12.6	6.9	12.1
Chongqing	390.7	467.6	579.4	653.0	789.4	19.7	23.9	12.7	20.9
Wuxi	330.0	385.9	442.0	499.2	575.8	16.9	14.5	12.9	15.3
Changsha	179.1	219.0	300.1	374.5	454.7	22.3	37.0	24.8	21.4
Kunshan	93.2	115.2	150.0	175.0	210.0	23.6	30.2	16.7	20.0
The PRC	**21,631.4**	**26,581.0**	**31,404.5**	**34,050.7**	**39,798.3**	**22.9**	**18.1**	**8.4**	**16.9**

	Per capita GDP (RMB)					Increase/(Decrease) (%)			
	2006	2007	2008	2009	2010	2007	2008	2009	2010
Shanghai	58,837	68,024	75,109	78,989	73,297	15.6	10.4	5.2	(7.2)
Chongqing	12,316	14,660	20,490	22,920	27,367	19.0	39.8	11.9	19.4
Wuxi	57,719	65,212	73,053	81,146	90,355	13.0	12.0	11.1	11.3
Changsha	27,853	33,711	45,765	56,620	64,551	21.0	35.8	23.7	14.0
Kunshan	91,600	101,000	120,882	135,355	144,500	10.3	19.7	12.0	6.8
The PRC	**16,500**	**20,169**	**23,708**	**25,575**	**29,039**	**22.2**	**17.5**	**7.9**	**13.5**

	Per capita disposable income of urban households (RMB)					Increase/(Decrease) (%)			
	2006	2007	2008	2009	2010	2007	2008	2009	2010
Shanghai	20,668	23,623	26,675	28,838	31,838	14.3	12.9	8.1	10.4
Chongqing	11,569.7	13,715.3	15,708.7	17,191.1	17,532.0	18.5	14.5	9.4	2.1
Wuxi	18,189	20,898	23,605	25,027	27,750	14.9	13.0	6.0	10.9
Changsha	13,924	16,153	18,282	20,238	22,814	16.0	13.2	10.7	12.7
Kunshan	19,016	21,927	24,808	27,609	30,923	15.3	13.1	11.3	12.0
The PRC	**11,759.5**	**13,785.8**	**15,780.8**	**17,174.7**	**19,109.0**	**17.2**	**14.5**	**8.8**	**11.3**

	Average selling prices for residential properties (RMB/sq.m.)					Increase/(Decrease) (%)			
	2006	2007	2008	2009	2010	2007	2008	2009	2010
Shanghai	7,039	8,253	8,182	12,364	14,213	17.2	(0.9)	51.1	15.0
Chongqing	2,081	2,588	2,640	3,266	4,040	24.4	2.0	23.7	23.7
Wuxi	3,687	4,363	5,096	5,858	7,854	18.3	16.8	15.0	34.1
Changsha	2,431	3,213	3,060	3,533	4,322	32.2	(4.8)	15.5	22.3
Kunshan*	3,835	4,262	4,971	5,735	7,556	11.1	16.6	15.4	31.8
The PRC	**3,119**	**3,645**	**3,576**	**4,459**	**4,725**	**16.9**	**(1.9)**	**24.7**	**6.0**

* *represented the average selling price for commodity properties*

Source: The Circular

Geographical location is a key factor to the success of a property development project and, for a property developer which heavily relies on income from sale of properties like the Group, its ability to acquire suitable development sites to replenish land reserve is critical to its business growth. As illustrated in the above table, the Target Group has a major focus in the eastern region of the PRC, namely Shanghai, Kunshan and Wuxi (which accounted for almost 90% of total saleable gross floor area of the Target Group's property development projects) and in 2010, the growth rates of the average selling prices per sq.m. for residential properties compared to the prior year in Shanghai, Wuxi and Kunshan were higher than national average. Furthermore, the per capita disposable income of Shanghai, Wuxi and Kunshan in 2010 of RMB31,838, RMB27,750 and RMB30,923 were also 66.6%, 45.2% and 61.8% higher than the national average, indicating stronger potential consumption power in these cities.

On the other hand, the Group had a portfolio of property development projects spanning across different regions in the PRC with a majority of them located in the northern region of the PRC (accounting for nearly 70% of the total saleable gross floor area of the Group's property development projects) as at 31 July 2011. The Transactions will not only expand the Group's portfolio by adding 10 property development projects (including the Mei Long Nanfang Shangcheng Project in which the Group also has 25% interest, or a total of 11 projects if the Xinzhuang Metro Superstructure Project is also taken into account) and increasing its total saleable gross floor area by approximately 25%, but will also enhance its market presence in the Yangtze River Delta such that the increase of its total saleable gross floor area in the region (namely Shanghai, Kunshan and Wuxi) will be increased by more than 4 times (or 17 times if excluding the Group's minority interest of 25% in the Mei Long Nanfang Shangcheng Project). This is in line with the Group's development strategy in taking up a larger proportion of business in the Yangtze River Delta region as stated in the Financial Reports.

The amount of revenue derived from the sale of properties in each period is subject to market conditions, which may be cyclical, and a number of other factors including the type and the total saleable gross floor area of properties that the Group has completed and are available for sale, as well as the market demand and the prices of these properties and the general condition of the national and local property markets. As disclosed in the Financial Reports, it is the Group's long-term goal to increase the proportion of the relatively stable rental income derived from investment properties so as to balance against the fluctuation of the revenue derived from sale of properties due to the above reasons. Given that the Target Group has consistently recorded rental income from investment properties of over RMB170 million throughout each of the three years ended 31 December 2008, 2009 and 2010 (as compared with Group's rental income of approximately HK$17.3 million and HK$32.9 million during the year ended 31 December 2010 and the six months ended 30 June 2011, respectively) and the Target Group is currently in the progress of developing a number of properties for retail, commercial, office or hotel uses, it is expected that the Enlarged Group will derive further rental income upon completion of these investment properties which will in turn strengthen its fixed revenue stream (hence cash inflow) in the future.

Having considered the above, we concur with the management of the Company that the Acquisition is in line with the Group's business development strategy and is conducted in the ordinary and usual course of the business of the Group.

(ii) Retention of capital for existing and future development of the Group

The property development business is capital intensive in nature and usually has prolonged cash operating cycles. Substantial capital outlays are usually required for land acquisitions and property development, and may take months or even years before cash inflows, if any, can be generated from the pre-sale or sale of completed properties. As such, capital sufficiency is crucial to property developers like the Group and the Target Group for their continuous business development and expansion, and essential to keep their businesses sustainable.

It is typical for property developers to fund their property development projects by bank borrowings and cash receipts from pre-sale and sale of properties. However, bank loans have become increasingly difficult to obtain following the PRC government's moves to tighten its monetary policies by raising benchmark interest rates, lifting reserve requirement ratio and setting new loan quotas for commercial banks with a view to promoting sustainable economic growth and curbing inflation. In particular, commercial banks in the PRC have become more cautious in extending property development loans to meet the PRC government's directives in tightening lending requirements for property developers in an attempt to curtail the overheated property market and discourage speculation in the residential property market.

In light of the credit-tightening policy in the PRC, especially in the real estate sector, property developers are facing increasing challenges in securing onshore debt financings to fund their capital requirements for existing development, replenishing land banks and refinancing existing borrowings. Unlike many other property developers which have turned to the offshore debt markets to obtain additional funds for their existing development projects and expansion plans, the Group will finance the Acquisition by the issue of new Shares to SIH at the Issue Price of HK$2.8, which represents a premium to the current market price of the Shares (the Issue Price represented a premium of approximately 87.9% over the closing price of the Shares of HK$1.49 as at the Latest Practicable Date). The Acquisition will not only enable the Group to accelerate its development pace by adding 10 property development projects (including the Mei Long Nanfang Shangcheng Project in which the Group has 25% interest, or 11 projects if the Xinzhuang Metro Superstructure Project is also taken into account) to the Group's property development portfolio, but will at the same time, allow the Group to retain its working capital for existing and future property development projects following Completion without materially deteriorating the financial position of the Group (as detailed below, the Group's gearing ratio would decrease from 56.1% to 42.2% following the completion of the Transactions based on the pro forma financial information of the Enlarged Group contained in Appendix III to the Circular). All of these, together with the stronger equity base of the Company as a result of the Transactions, is expected to enhance the financial flexibility of the Group in the future and strengthen the Group's long-term competitiveness in the property development market in the PRC.

(iii) Synergies from the consolidation of the Group and the Target Group

There are overlaps among the regions in which the Group and the Target Group currently operate their property development businesses in the PRC. As stated in the section headed "Letter from the Board" of the Circular, the property development projects of the Enlarged Group will be operated under an integrated platform through regional management structure after Completion and certain administrative functions of the Company and Shanghai Urban Development, such as human resources management and information technology management, will be combined to reduce administrative costs. As such, it is expected that the Enlarged Group will be able to take advantage of the streamlined management structure and redundant costs saving as a result of the synergetic effect and enhance its overall operating efficiency.

In addition, as described in the section headed "Letter from the Board" of the Circular, it is expected that the Company will improve its core competitiveness through the sharing of management expertise and exchanging management ideas and initiatives among the Group and the Target Group through a number of training programmes and annual conferences of the Company. Furthermore, all the properties of the Enlarged Group will be operated under the same brand name in the future. It is expected that such initiatives will enable the Enlarged Group to formulate a more effective strategic development plan whereby marketing efforts and costs can be potentially reduced. Given the well-established property development network of the Target Group and its brand name in the Yangtze River Delta, the Acquisition will also allow the Group to widen its business network and extend its market coverage to other regions of the PRC, and thus enhance its market recognition.

Moreover, the enlarged asset base, property portfolio and operating scale as well as the enhanced credit profile of the Group and its closer relationship with SIH following the Completion would also allow the Enlarged Group to gain a stronger bargaining power in negotiating for financing with more favourable terms (e.g. financing amount, collateral requirements, cost of financing, flexibility in financing structure, etc., especially under the tightening credit policies introduced by the PRC government as mentioned above) and in daily operations (e.g. negotiating with construction companies, material purchase, etc), thereby increasing the Group's competitiveness over those other property developers in the PRC which do not have similar advantages.

(iv) The profitable track record of the Target Group

Set out below is a summary of the financial performance of the Target Group for the three years ended 31 December 2010 and the four months ended 30 April 2011:

	For the year ended 31 December			For the four months ended 30 April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue				
– Sales of properties	2,181,710	1,676,116	3,555,018	720,507
– Rental income	178,942	171,930	171,178	56,340
	2,360,652	1,848,046	3,726,196	776,847
Gross profit	584,660	854,245	1,163,873	437,495
Gross profit margin	24.8%	46.2%	31.2%	56.3%
Net profit after taxation *(Note)*	705,116	454,714	398,995	165,114

Source: The Circular

Note: *Net profit after taxation for the year ended 31 December 2008 included an amount of approximately RMB460 million arisen from the one-off increase in fair value due to reclassification of certain properties under development to investment properties upon commencement of the lease of such properties.*

As disclosed in the section headed "Financial Information of the Target Group", revenue of the Target Group decreased by 21.7% from approximately RMB2,360.7 million in 2008 to RMB1,848.0 million in 2009 which was mainly due to a decrease in total gross floor area sold in 2009, even though the average selling price per sq.m. increased during 2009. The increase in average selling price per sq.m. in 2009 was primarily a result of the increase in selling prices of the villas in the Urban Cradle project delivered (which command higher average selling prices per sq.m. than the non-villas type) whereas the properties delivered in 2008 were primarily non-villa type. As such, the Target Group recorded an increase in the gross profit margin from 24.8% in 2008 to 46.2% in 2009. In addition, as the leases of offices in Urban Development International Tower commenced during 2008, the Target Group recognised an increase of RMB460.0 million from the change in the fair value of properties under development upon transfer to investment properties. However, since no such transfer of properties of the Target Group had been made in 2009 and 2010, the Target Group recorded a drop in net profit after tax in 2009 when compared to that in 2008.

The Target Group recorded an increase of approximately 101.6% in revenue to approximately RMB3,726.2 million in 2010 from 2009 which was primarily due to an increase in total gross floor area sold in 2010. Such increase in the gross floor area sold in 2010 was attributable to the completion and delivery of property development projects such as Urban Cradle, Rose Town City Villa and Ivy Aroma Town. However, since the Target Group delivered a higher number of villas in the Urban Cradle project in 2009 (which command a higher average selling price) than 2010, the gross profit margin in 2010 dropped to 31.2%. Under the circumstances, the Target Group recorded a decrease of approximately 12.3% in net profit after tax from approximately RMB454.7 million in 2009 to RMB399.0 million in 2010. Notwithstanding the fluctuations of the Target Group's net profit after tax experienced during the three years ended 31 December 2010, the Target Group's operation has been profitable. If the Target Group's property development business in the PRC continues to succeed, its financial performance will contribute positively to the Enlarged Group's future financial and business performance.

4 . Relationship with Controlling Shareholders

Non-compete Undertaking

We noted that SIIC (the controlling shareholder of SIH), SIH, SIDC (a non wholly-owned subsidiary of SIH) and the Group had been engaging in the property development business in the PRC before the Acquisition, and as a result, potential business competition amongst the parties had existed. As stated in the paragraph "Non-Compete Undertaking" under the section headed "Relationship with Controlling Shareholders" in the Circular, in order to address any future competition between the respective property business of SIIC, SIH and the Group, SIIC and SIH have entered into a deed of non-competition (the "Non-compete Undertaking") in favour of the Company for itself and on behalf of its subsidiaries, pursuant to which each of SIIC and SIH has undertaken to the Company that, conditional upon the Completion and during the non-compete period (being the period commencing on the date of the completion of the Transactions and ending on the earlier of the date on which (i) the Company ceases to be a subsidiary of SIH; and (ii) the Shares cease to be listed on the Stock Exchange and any other recognised stock exchanges), other than the SIH Excluded Business and the SIIC Excluded Business, each of them will not whether as principal or agent and whether undertaken directly or indirectly (including through any of their associates, subsidiaries, partnerships, joint ventures or other contractual arrangements) and whether for profit or otherwise, carry on, engage, invest, participate or otherwise be interested in any business of property development in the PRC (the "Restricted Business") which is in competition, directly, or indirectly, with the Restricted Business of the Group.

Notwithstanding the foregoing, each of SIIC and SIH may:

(i) carry on, engage, invest, participate or otherwise be interested in such Restricted Business where the pursuance of the opportunity by SIIC or SIH to carry on, engage, invest, participate or otherwise be interested in such Restricted Business has been reviewed and approved by the independent non-executive Directors or the independent Shareholders; or

(ii) have interests in shares or other securities of a company conducting any Restricted Business whose shares are listed on the Stock Exchange or any other recognised stock exchange, provided that SIIC, SIH and their associates taken together are not so interested as to be able to exercise or control the exercise of 5% or more of the voting power at general meetings of such company or control the composition of a majority of the board of directors of such company.

The Non-compete Undertaking shall not restrict the holding of the Shares, or any interests in SIDC by SIH or any company or entity controlled by it. In addition, the Non-compete Undertaking shall not restrict SIDC, its subsidiaries and any company in which SIDC and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at the general meeting and any other company which is its subsidiary from engaging in the Restricted Business. The Company's independent non-executive Directors will review each of SIIC's and SIH's compliance with the Non-compete Undertaking on an annual basis, and for the purpose of this review, each of SIIC and SIH will provide the independent non-executive Directors all information reasonably necessary and within SIIC's or SIH's (as the case may be) possession. Each of SIIC and SIH will also make an annual declaration in the Company's annual report on its compliance with the undertakings under the Non-compete Undertaking.

We also noted that the Company has considered the option of obtaining a non-compete undertaking from SIDC and has been advised that such an undertaking is not feasible. The PRC legal advisers of SIH have confirmed that pursuant to《上市公司治理準則》(the Guidelines for Corporate Governance of Listed Companies, the "Corporate Governance Guidelines"), a controlling shareholder and its executive agencies have no authority to make any binding decisions for a listed company or its subsidiaries regarding the business of the listed group. In addition, the controlling shareholder is not permitted to interfere with the business operations of the listed company in any way other than exercising its voting rights in shareholders meetings. As such, SIH is not in a position to procure SIDC to issue a non-compete undertaking in favour of the Company. The PRC legal advisers of SIH have further advised that as a listed company, SIDC owes duties to its shareholders as a whole and is required under the PRC laws and regulations to treat all shareholders equally. It may not carry out any actions which favour the controlling shareholder or any particular shareholder at the expense of, or which are detrimental to, the interest of the other minority shareholders. Accordingly, it would be against this principle of fair treatment to shareholders if SIDC was to give a non-compete undertaking to the Company. In addition, if SIDC was required to issue a non-compete undertaking in favour of the Company, this may also constitute a breach of the SIDC Undertaking (as defined below) given to CSRC that SIIC and SIH (as the controlling shareholders of SIDC) would not compromise the interest of SIDC as such non-competition undertaking from SIDC will in effect limit the development strategies of SIDC and may adversely impact SIDC's business operations and financial results.

As disclosed in the paragraph "Future Plans" under the section headed "Relationship with Controlling Shareholders" in the Circular, with a view to further addressing the future potential competition issues, SIH and the Company have entered into arrangements such that, among other things:

(i) in the event that the Company wishes to waive its rights under the Non-Compete Undertaking between itself, SIIC and SIH or if a decision needs to be made by the board of SIIC, SIH or SIDC and the Company in relation to any business opportunity in which SIIC, SIH or SIDC and the Company may compete against each other, all overlapping Directors will be absent from the relevant board meeting and will not participate in the decision making process by the Directors voting or otherwise interfere with the relevant decision reached; and

(ii) if any property development opportunity or business opportunity becomes available to SIH and/or SIIC (excluding SIDC) which directly or indirectly competes, or may compete, with the business of the Company (the "New Project"), SIH and/or SIIC shall, subject to the relevant PRC laws, regulations and governmental approvals, notify both the Company and SIDC at the same time in writing within 15 days from its awareness of a New Project or that relevant business opportunity and provide the Company and SIDC equally with all available information which is reasonably necessary for them to consider whether or not to participate in the New Project or that relevant business opportunity. In the event that both the Company and SIDC are interested in taking up the New Project or that relevant business opportunity, the Company and SIDC will use their own resources to pursue such opportunities on arm's length basis.

SIH's and SIIC's obligation under this arrangement is in addition to their obligation under the Non-Compete Undertaking and neither SIH nor SIIC will interfere with any decision to be made by the Company under this arrangement. In addition to the above, as part of the Company's internal and corporate governance arrangements, overlapping Directors will, in addition to abstaining from voting, absent themselves from the relevant board meetings and will not participate in the decision making process by the other voting Directors.

Given the above, we concur with the Directors' view that the above arrangement would effectively reduce the potential competition issue between the Group and SIH and/or SIIC and provide a fair basis for the Group and SIDC to compete in the event when future properties development opportunities are available from SIH or SIIC.

Furthermore, as disclosed in the paragraph "Reasons for SIH retaining its property development business" under the section headed "Relationship with Controlling Shareholders" in the Circular, we noted that upon Completion, the Enlarged Group will have interest in 25 projects in the PRC, 13 of which are located in the cities where SIDC has no existing property development projects, including Beijing, Sanhe, Xi'an, Shenyang, Changsha, Zhuhai, Shenzhen, Kunshan and Wuxi, and 12 of them are located in cities where SIDC has project development projects, namely, Shanghai, Chongqing, Tianjin and Chengdu. After having taken into accounts that the aggregate gross floor area of the projects of SIDC in the aforesaid four overlapping cities only amounted to approximately 1.82 million sq.m., which represented 11.3% of the Enlarged Group's aggregate gross floor area of 16.1 million sq.m. as at 31 July 2011, despite competition between the Enlarged Group and the SIDC Group will still exist after the Completion, we concur with the Directors' view that the business of SIDC does not pose significant competition to the business operation of the Enlarged Group.

SIDC Undertaking

We noted that during the time when SIH proposed to acquire 63.7% equity interest in SIDC in 2010, an undertaking (the "SIDC Undertaking") has been given to the CSRC to ensure that SIIC/SIH will be in compliance with the Corporate Governance Guidelines. Article 27 of the Corporate Governance Guidelines requires that a listed company's business should be completely independent from its controlling shareholder. The controlling shareholder and its affiliated entities are not allowed to engage in the same or similar business as that of the listed company and it should take effective measure to avoid such competition. Under the SIDC Undertaking, SIIC has undertaken that within 36 months after completion of the share acquisition in SIDC by SIH (which commenced from July 2011 when such share acquisition in SIDC by SIH was completed), SIIC shall procure that the relevant group companies (which include SIH, the Company, and SIDC) would, pursuant to the applicable laws, rules and regulations and policies in the PRC and Hong Kong, consolidate their listed property businesses into either the A shares listing platform or the Hong Kong listed property platform by way of asset injection, merger and acquisition or any other method permissible under the applicable laws, rules, regulation and policies. SIH considers that there are two possible ways for it to further consolidate its listed real estate businesses as contemplated under the SIDC Undertaking: either by injecting SIDC into the Company or vice versa. As at the Latest Practicable Date, SIH had no concrete consolidation plans in respect of its interest in SIDC and the Company, the implementation of which will be subject to the legal and regulatory requirements and the financial conditions of SIDC and the Company. SIH considers that restructuring its interest in SIDC and the Company in a short time frame would be difficult as it involves significant costs and uncertainties as to the timing, and would be subject to the approval from the relevant shareholders of the Company, SIDC and/or SIH, as well as approval from both Hong Kong and Shanghai regulatory authorities. In particular, the PRC legal adviser of SIH has advised that, the acquisition by SIDC of the Company will be regarded as an intra-group reorganisation within SIH and would therefore be subject to CSRC approval; however CSRC has suspended all acceptance and processing of applications for the restructuring of property development entities since 15 October 2010 pursuant to《關於堅決遏制部分城市房價過快上漲的通知》(The Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities) issued by the State Council on 17 April 2010. Based on the above, the directors of SIH were then and are of the view that it is not practicably feasible to inject the Company into SIDC under the current regulatory circumstances in the PRC (and for the same reason, SIH did not inject Shanghai Urban Development into SIDC). The PRC legal adviser of SIH has further advised that in the event that SIDC proposes to acquire an interest in the Company, it is required to observe the relevant applicable procedures and obtain the approval from the Ministry of Commerce, CSRC and other official bodies in the PRC, and there may also be legal impediments for SIDC to obtain such approvals (as advised by the PRC legal advisers of SIH, the acquisition by the Company of SIDC will also be subject to CSRC approval, and The Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities as mentioned above would also apply). In the event SIH chooses to inject the property development business of the Enlarged Group into the SIDC Group (the "Asset Injection"), it will be subject to, among other things, the approval from the then independent shareholders of the Company, SIDC (as the case may be), and/or SIH (as the case may be). The Company will also be required to follow the applicable requirements under the Listing Rules, including the independent shareholders' approval requirements and the issue of the circular to the Shareholders containing details of, among other things, structure of the reorganisation and the impact on the Enlarged Group (in terms of both business operations and financial results).

Due to the existence of the SIIC's undertaking given to the CSRC when SIH proposed to acquire the interests in SIDC back in 2010, there remains the possibility that the Enlarged Group might be injected into the SIDC Group. However, this possibility has been in existence since 2010 before the announcement of the Acquisition and will continue to exist regardless of whether the Acquisition takes place or not. Having considered that (i) the legal obstacles referred to the above which SIDC has to overcome to acquire an interest in the Company (hence the Enlarged Group after the Completion); (ii) the relevant overlapping directors of the Enlarged Group will be absent from the relevant board meetings and will not participate in the decision process by the other Directors voting in relation to major matters such as the Assets Injection to avoid their potential conflict of interest; (iii) an independent financial adviser will be appointed to (a) opine on the fairness and reasonableness of the Asset Injection (including the consideration payable by SIDC) which will constitute a connected transaction under the Listing Rules and whether the Asset Injection will be in the interest of the Enlarged Group and its shareholders as a whole and (b) to advise how the independent board committee and independent shareholders of the Enlarged Group should vote in respect of the Asset Injection; and (iv) despite the completion of the Acquisition, the independent Shareholder's right to decide on whether to approve the Asset Injection is preserved, i.e. independent Shareholders who have approved the Acquisition will still be entitled to exercise their voting rights in respect of the Asset Injection, we consider that the interest of the Independent Shareholders in the Enlarged Group can be protected.

5. Consideration

The aggregate consideration (the "Consideration") for the Transactions amounts to HK$6,110,134,800, comprising the Sale Consideration of HK$5,640,545,824 (equivalent to approximately RMB4,748,211,475) for the Acquisition and RMB395,300,000 (equivalent to approximately HK$469,588,976) for the Dividend Receivable Assignment. The consideration for the Dividend Receivable Assignment was equivalent to the monetary value of the Dividend Receivable of RMB395,300,000 as at the date of the Deed.

(i) Comparison with net asset value and comparable transactions

Based on the audited combined net asset value of the Target Company attributable to its shareholders (comprising the Target Company's 59% equity interest in the SUD Group) of approximately RMB4,673.7 million (equivalent to approximately HK$5,552.1 million, the "Net Asset Value") as at 30 April 2011, the Sale Consideration represented a premium of approximately 1.6% over the Net Asset Value. Given that the Sale Consideration of approximately HK$5,640.5 million will imply a valuation of approximately HK$9,560.2 million for 100% equity interest of the SUD Group, we have, based on our best knowledge and the information available from the Stock Exchange's website, identified all companies listed in Hong Kong (the "Comparable Companies"), which (i) are principally engaged in similar line of business of the Target Group, i.e. property development and/or investments primarily in the PRC and (ii) have a market capitalisation between HK$5 billion and HK$15 billion as at the Latest Practicable Date as our selection criteria. We have excluded property companies which have a market capitalisation of less than HK$5 billion and those exceeding HK$15 billion on the basis that market capitalisation of

HK$5 billion to HK$15 billion will provide a reasonable spread of range and it is a range within which the implied valuation of the SUD Group falls. The following table sets forth certain details of the Comparable Companies:

	Company name	Stock code	Closing share price as at the Latest Practicable Date	Closing share price as at the Last Trading Day	Increase/ (Decrease)	Market capitalisation as at the Latest Practicable Date	Audited/ unaudited consolidated net asset value attributable to shareholders	Premium/ (discount) of market capitalisation to the consolidated net asset value attributable to shareholders
			HK$	*HK$*	*%*	*HK$'million (Note 1)*	*HK$'million (Note 2)*	*Approx. %*
1.	Mingfa Group (International) Company Limited	846	2.24	2.58	(13.2)	13,575.1	8,005.6	69.6
2.	Kaisa Group Holdings Ltd.	1638	1.63	2.73	(40.3)	7,995.8	12,995.4	(38.5)
3.	Greentown China Holdings Limited	3900	5.07	8.25	(38.6)	8,314.5	12,376.1	(32.8)
4.	KWG Property Holding Limited	1813	3.36	6.04	(44.4)	9,721.0	14,576.3	(33.3)
5.	Franshion Properties (China) Limited	817	1.63	2.36	(30.9)	14,933.2	24,897.8	(40.0)
6.	Glorious Property Holdings Limited	845	1.28	2.14	(40.2)	9,974.6	18,710.3	(46.7)
7.	Tian An China Investments Company Limited	28	4.15	4.82	(13.9)	6,253.1	13,323.0	(53.1)
8.	Poly (Hong Kong) Investments Limited	119	3.92	6.90	(43.2)	14,145.1	22,575.5	(37.3)
9.	Yuexiu Property Company Limited	123	1.24	1.71	(27.5)	11,512.2	24,009.3	(52.1)
10.	Shui On Land Limited	272	2.45	3.67	(33.2)	12,768.4	30,064.1	(57.5)
11.	New World China Land Limited	917	1.89	2.94	(35.7)	10,891.3	41,694.2	(73.9)
12.	Shenzhen Investment Limited	604	1.72	2.60	(33.9)	6,088.7	14,619.5	(58.4)
13.	Hopson Development Holdings Limited	754	5.15	8.29	(37.9)	9,024.7	41,221.5	(78.1)
14.	Powerlong Real Estate Holdings Limited	1238	1.24	2.50	(50.4)	5,044.9	15,514.5	(67.5)
15.	Sunac China Holdings Limited	1918	1.80	2.50	(28.0)	5,400.0	5,931.1	(9.0)
	The Acquisition					**5,640.5** *(Note 3)*	**5,552.1**	**1.6**

Source: Website of Stock Exchange and Bloomberg

Notes:

1. *The closing share prices and market capitalisation of the Comparable Companies as at the Latest Practicable Date are sourced from the website of the Stock Exchange. The market capitalisation of the Comparable Companies is calculated based on the respective Comparable Companies' closing price and number of issued shares available from the website of the Stock Exchange as at the Latest Practicable Date.*

2. *For the purpose of this table, the translation of RMB into HK$ are based on HK$1 to RMB0.8418 for illustration purpose only. Information on the Comparable Companies' consolidated net asset value attributable to the shareholders is based on the respective Comparable Companies' latest published annual or interim reports.*

3. The amount represents the valuation of the Target Group based on the Sale Consideration of HK$5,640.5 million.

As at the Latest Practicable Date, the market capitalisation of the Comparable Companies to their respective net asset values attributable to shareholders ranged from a premium of approximately 69.6% to a discount of approximately 78.1%, with only Mingfa Group (International) Company Limited (the "Mingfa Group") having market capitalisation at premium over its net asset value attributable to its shareholders, whilst the market capitalisation of all other Comparable Companies being at discount to their respective net asset value attributable to the shareholders. If we had excluded the Mingfa Group as an outlier, the market capitalisation to the consolidated net asset value of the Comparable Companies would have ranged from a discount of approximately 9% to 78.1%. The premium of approximately 1.6% represented by the Sale Consideration over the Net Asset Value is higher than the discounts of the Comparable Companies (other than the Mingfa Group). However, it is also noted that following the entering into of the Agreement, there has been a general decline in the stock market in Hong Kong. The Hang Seng Index dropped by approximately 17.1% from 24,135 as at the Last Trading Day to 20,019 as at the Latest Practicable Date and the closing share prices of the Comparable Companies dropped by an average of approximately 34.1% during the same period. The closing price of the Shares also decreased by approximately 48.8% from HK$2.91 as at the Last Trading Day to HK$1.49 as at the Latest Practicable Day. Given that the Sale Consideration will be satisfied entirely by the issue of 2,014,480,651 Tranche A Consideration Shares, the fair value (based on the closing share price as at the Latest Practicable Date of HK$1.49) of the Sale Consideration would have amounted to approximately HK$3,001.6 million, representing a discount of approximately 46.8% to the Net Asset Value which is within the range of the above discount rates calculated by the market capitalisation to the consolidated net asset value attributable to the shareholders of the Comparable Companies (except the Mingfa Group).

Since the Acquisition will imply the acquisition of a controlling stake in the portfolio of property developments held by the Target Group, we have further, to the best of our knowledge and based on information available from the Stock Exchange's website, identified all transactions (the "Comparable Transactions") involving acquisition of controlling stakes in companies holding property development project(s) in the PRC with positive net asset value by companies listed on the Main Board of the Stock Exchange announced during the period from 15 January 2011, being three months prior to the date of the Agreement, and up to the

Latest Practicable Date, for the purpose of comparing the transaction price for acquisition of property development companies in the PRC to their net asset values and such transactions are summarised as follows:

	Announcement date	Company name	Stock code	Net asset value attributable to the acquisition *(HK$' million)* *(Notes 1, 2)*	Net profit/ (loss) after tax of the target company *(HK$' million)* *(Note 1)*	Consideration payable *(HK$' million)* *(Note 1)*	Valuation of the property development project attributable to the acquisition *(HK$' million)*	Premium/ (discount) of consideration payable to the net asset value attributable to the acquisition *approx. %*	Premium/ (discount) of consideration over/to the valuation of the underlying property development projects of the target company *approx. %*
	2011								
1.	18 January	Kaisa Group Company Limited	1638	720.4	(6.0)	792.6	N/A *(Note 4)*	10.0%	N/A
2.	19 January	Birmingham International Holdings Limited	2309	22.9	(0.4)	502.1 to 1,551.8	570.9 to 1,840.7 *(Note 6)*	21 to 67 times	(12.1)% to (15.7)%
3.	21 January	Evergrande Real Estate Group Limited	3333	742.3	251.8	1,972.0	N/A *(Note 4)*	165.7%	N/A
4.	22 March	China Aoyuan Property Group Limited	3883	227.9 *(Note 7)*	(1.8)	455.0	N/A *(Note 4)*	99.6%	N/A
5.	13 April	Glorious Property Holdings Limited	845	735.9	6.3	967.2	N/A *(Note 4)*	31.4%	N/A
6.	17 April	Mingfa Group (International) Company Limited	846	252.3	(0.03)	800.0	N/A *(Note 4)*	217.1%	N/A
7.	11 May	Shenyang Public Utility Holdings Company Limited	747	292.1	(2.8)	368.3	368.3 *(Note 5)*	26.0%	–
8.	13 May	Kowloon Development Company Limited	34	867.5	(12.8)	1,319.7	1,614.7	52.1%	(18.3)%
9.	16 May	Century Ginwa Retail Holdings Limited	162	423.9	–	597.0	1,435.2	40.8%	(58.4)%
10.	28 June	Fantasia Holdings Group Co., Ltd.	1777	148.1	87.1	378.6	N/A *(Note 4)*	155.6%	N/A
11.	16 August	Top Spring International Holdings Limited	3688	189.4	–	553.1	N/A *(Note 4)*	192.0%	N/A
12.	19 August	China Resources Land Limited	1109	6,780.0	(31.0)	7,002.5	9,035.3	3.2%	(22.5)%
13.	22 August	China Overseas Grand Oceans Group Limited	81	94.4	(12.50)	168.0	N/A *(Note 4)*	78.0%	N/A
14.	27 September	Sunac China Holdings Limited	1918	18.4	179.0	1,722.5	4,567.0	93 times	(62.3)%
15.	6 October	Oriental Ginza Holdings Limited	996	1,248.4 *(Note 7)*	(27.1)	4,300.0	4,702.2 *(Note 6)*	244.4%	(8.5)%
16	20 October	Beijing Capital Land Ltd.	2868	1,901.7	219.7	1,904.8	1,930.2 *(Note 5)*	0.2%	(1.3)%
17.	24 October	China Overseas Grand Oceans Group Limited	81	214.2	(0.4)	865.9	N/A (Note 4)	3 times	N/A
		The Acquisition		**5,552.1**	**474.0**	**5,640.5** *(Note 3)*	**12,131.6** *(Note 8)*	**1.6%**	**(53.5)%**
							9,375.3 *(Note 9)*		**(39.8)%**

Source: Website of the Stock Exchange

Notes:

1. *The amounts are based on the exchange rates stated in the relevant announcement/circular of the companies or HK$1 = RMB0.8418 (if applicable).*

2. *The amounts are based on the aggregate of the net asset value of the target company and relevant shareholders' loan (if any) attributable to the acquisition according to the relevant announcement or circular (if applicable).*

3. *The amount represents the implied valuation of the Target Group based on the Sale Consideration of HK$5,640.5 million.*

4. *Since the underlying transactions only constituted a discloseable transaction for the relevant Comparable Companies, the information published by the Comparable Companies does not include a valuation on the properties.*

5. *The amounts includes the valuation of the property and the shareholders' loan.*

6. *The amount represents the valuation amount as indicated in the announcement as the relevant circulars to the shareholders relating to these Comparable Transactions are yet to be despatched.*

7. *The amount represents the combined net asset value of the members of the target group since no consolidated financial information is available.*

8. *The amounts represents 59% of the valuation attributable to the SUD Group of RMB17,309.1 million (equivalent to approximately HK$20,562.0 million) as stated in the section headed "Property Valuation of the Target Group" set out in Appendix IVA to the Circular.*

9. *The amount represents the Adjusted Appraised Value (as defined in the sub-paragraph "Comparison with adjusted appraised value" below).*

As noted from above, the considerations payable generally represent a premium over the attributable net asset value acquired which ranged from approximately 0.2% to 93 times. The Sale Consideration is of close proximity to or, represents a premium of 1.6% over the Net Asset Value and such premium is at the low end of the range of the Comparable Transactions. Although it is noted that the size of the attributable net asset value acquired and consideration payable of the Comparable Transactions (except the acquisitions made by China Resources Land Limited and Beijing Capital Land Ltd.) are significantly smaller than the Acquisition, the above table nevertheless indicates the magnitude of premium demanded for acquisition of a controlling stake in property development projects.

In addition, as detailed in the above tables on the Comparable Companies and the Comparable Transactions, there is a divergence in the ratios between market capitalisation/net asset value of Comparable Companies and consideration payable/net asset value of the Comparable Transactions, i.e. the share prices of the Comparable Companies (except the Mingfa Group) were traded at discount to their respective net asset value attributable to the shareholders per share while on the other hand, there is usually a premium of the consideration for the Comparable Transactions over the net asset value acquired for acquisition of controlling stakes in company(ies) holding property development project(s). We consider such divergence is attributable to the different transaction nature, namely (i) closing prices of the Comparable Companies reflect the prices for acquiring the respective shares on the Stock Exchange, which involve only a very minority interest in the issued share capital of the Comparable Companies; and (ii) the Comparable

Transactions refer to the acquisition of controlling stakes in property development project(s) where a premium over the net asset value is usually demanded by the sellers as suggested by the Comparable Transactions. Since the Acquisition essentially represents the acquisition of a controlling stake in the portfolio of property development projects held by the Target Group, we considered that the analysis of the Comparable Transactions is more relevant than that of the Comparable Companies in this context. As shown in the table above, the premium represented by the Sale Consideration over the Net Asset Value only amounted to approximately 1.6%, which is at the low end of the range of the premium amongst the Comparable Transactions. In addition, it is also noted that the discount of approximately 53.5% of the consideration payable to the valuation attributable to the property development projects as implied by the Acquisition is also greater than the average and the median implied by the Comparable Transactions of approximately 26.2% to 26.7% and 18.3%, respectively.

(ii) Comparison with adjusted appraised value

Under the Hong Kong accounting standards, it is required that inventories (such as properties held for sale and property under development held for sale) should be stated at the lower of historical cost and net realisable value. Given that the underlying market value of any property or property development project will be determined by a number of factors which may not have direct relationship with the amount of historical cost incurred, for instances, geographical locations, the accessibility to supporting facilities (such as transportation network, supermarkets, schools and hospital, etc), the then market and economic sentiments (both in terms of global and regional) as well as the then relevant government policies, etc., the market value of property development projects may vary from time to time and may differ from region to region even they may carry an equal amount of net asset value/cost incurred.

As such, we have also taken into account the appraised values of all the properties attributable to the Target Group as stated in the section headed "Property Valuation of the Target Group" set out in Appendix IVA to the Circular (the "Target Group Property Valuation Report") and the debt level of the Target Group. Based on 59% of (i) the appraised value of all the properties attributable to the SUD Group as at 31 July 2011 in the amount of approximately RMB17,309.1 million (equivalent to approximately HK$20,562.0 million), less (ii) the interest-bearing bank and other borrowings of the Target Group as at 30 April 2011 of approximately RMB7,179.8 million (equivalent to approximately HK$8,529.1 million); and plus (iii) the aggregate value of cash and cash equivalent, pledged and restricted bank deposits of the Target Group as at 30 April 2011 of approximately RMB3,247.2 million (equivalent to approximately HK$3,857.4 million), the adjusted appraised value of the Target Group (the "Adjusted Appraised Value") would amount to approximately RMB7,892.1 million (equivalent to approximately HK$9,375.3 million) and the Sale Consideration would represent a discount of approximately 39.8% to the Adjusted Appraised Value.

We have reviewed and discussed with DTZ regarding the methodology of, and the bases and assumptions adopted for arriving at the valuation (the "Valuation") of the properties held by the Target Group as at 31 July 2011 as stated in the Valuation Reports. We note that the Valuation is primarily based on direct comparison approach by making reference to the comparable sales evidence available in the relevant market. For the properties under development of the Target Group, DTZ has also taken into account the expended construction costs and the estimated total construction costs based on the latest development proposal as at the valuation date provided by the Target Group. We understand that DTZ has complied with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institutes of Surveyors in valuing the Properties as at the valuation date. We consider that such methodology represents a reasonable approach to assess the market values of the properties held by the Target Group.

As illustrated in the analysis on the Comparable Companies and the Comparable Transactions, (i) the fair value of the Sale Consideration based on the closing price of the Shares as at the Latest Practicable Date and the number of Tranche A Consideration Shares would represent a discount of approximately 46.8% to the Net Asset Value which falls within the range of the discount rates of the Comparable Companies (except the Mingfa Group); (ii) the premium of the Sale Consideration over the Net Asset Value of approximately 1.6% is at the low end of the range of the Comparable Transactions; and (iii) the discount of the consideration payable to the valuation attributable to the property development projects under the Acquisition of approximately 53.5% is greater than the average and the median of those under the Comparable Transactions. The Sale Consideration is comparable to those discount and/or premium rates (as the case may be) implied under the Comparable Companies and the Comparable Transactions. Having considered that (i) different property developers (such as the Comparable Companies and the Target Group) will have different financing structure and portfolio of property development projects, including their geographical locations, the types of property developed/under development and target customers; and (ii) the locations, the size and stages of development of the property development projects, the then market situations and the structure of the transactions under the Comparable Transactions would also be different from the Transactions, we consider that the Adjusted Appraised Value, which is primarily calculated based on the independently appraised valuation of the properties attributable to the SUD Group (hence the Target Group) and has taken into account the net debt level of the Target Group, is the most direct and case specific benchmark to compare the Sale Consideration when compared with the findings under the Comparable Companies and Comparable Transactions. Accordingly, in assessing the fairness and reasonableness of the Sale Consideration, we are of the view that it will be more meaningful and reasonable to use the Adjusted Appraised Value for purpose of assessing the fairness and reasonableness of the Sale Consideration.

(iii) Other adjustments factors to consider

Capital gain tax and withholding tax to be borne by the Group

As disclosed in the section headed "Letter from the Board" of the Circular, after arm's length negotiation, it is agreed that the Company will bear the capital gain tax in the PRC arising from the sale of the Sale Share and the Shareholders' Loan and the withholding tax in the PRC in respect of the Dividend Receivable to be paid by Shanghai Urban Development, subject to an aggregate cap of RMB85 million (equivalent to approximately HK$101 million). According to the section headed "Unaudited Pro forma Financial Information of the Enlarged Group" contained in Appendix III to the Circular (the "Pro forma Financial Statement"), it is estimated that the relevant capital gain tax and withholding tax would amount to approximately RMB64.7 million (equivalent to approximately HK$76.8 million) and RMB19.8 million (equivalent to approximately HK$23.5 million), respectively. Save for the capital gain tax and withholding taxes as described above, each party will bear its own tax resulting from the Transactions.

Litigation relating to Shanghai Wan Yuan

It is disclosed in the sub-section "Legal Proceedings" under the section headed "Business of the Target Group" of the Circular that the Target Group has been involved in a litigation case (the "Litigation") in which the two original shareholders (the "Plaintiffs") of Shanghai Wan Yuan, a 90% owned subsidiary of Shanghai Urban Development and the developer of Urban Cradle, brought a lawsuit against Shanghai Urban Development on 14 December 2007 in respect of an alleged unpaid consideration in the amount of RMB154.5 million pursuant to the agreements (the "Wan Yuan Agreements") in relation to Shanghai Urban Development's acquisition of 90% equity interest in Shanghai Wan Yuan in 2002 (further details of which are disclosed under the paragraph headed "Legal Proceedings" under the section headed "Business of the Target Group"). As at the Latest Practicable Date, the proceedings were still on-going. The Plaintiffs have requested the court to order that (i) the Wan Yuan Agreements be terminated; (ii) Shanghai Urban Development to cease the development and sale of Urban Cradle; (iii) Shanghai Urban Development to pay a liquidated damage in the amount of approximately RMB333.6 million for the late payment under the Wan Yuan Agreements; and (iv) Shanghai Urban Development to bear the cost of the Litigation. The PRC litigation attorney advising Shanghai Urban Development on the Litigation is of the opinion that (i) Shanghai Urban Development has performed its payment obligations in accordance with the provisions of the Wan Yuan Agreements; and (ii) the possibility that the court will order the termination of the Wan Yuan Agreements and order Shanghai Urban Development to cease the development and sale of Urban Cradle is low given the advanced stage of development of Urban Cradle. Furthermore, according to the legal opinion of the PRC litigation attorney in October 2011, in the event that the court makes a ruling that Shanghai Urban Development has breached the Wan Yuan Agreements as a result of its failure to perform its payment obligations in accordance with the Wan Yuan Agreements, Shanghai Urban Development may be ordered to pay damage in an amount not exceeding approximately RMB333.6 million and to bear the costs of the claims and counterclaims in the amount of approximately RMB1.7 million and RMB0.8 million, respectively. In addition, the PRC litigation attorney is also of the opinion that in the unlikely event that the court orders the termination of the Wan Yuan Agreements and Shanghai Wan Yuan shall cease the development and sale of Urban Cradle, given that the Plaintiffs did not ask the court to restore the parties to the position as if the Wan Yuan Agreements had not been entered into and in view that the Wan Yuan Agreements have been substantially performed, it is fairly remote that Shanghai Urban Development will be ordered to return its 90% interest in Shanghai Wan Yuan. Based on the opinion from the PRC litigation attorney that Shanghai Urban Development has performed its payment obligations under the Wan Yuan Agreements and it is possible that Shanghai Urban Development would have a favourable judgment, the directors of Shanghai Urban Development are of the opinion that no provisions are required to be made to the financial statements of the Target Group in respect of the litigation case at this stage.

Other receivables due from entities controlled by Xuhui SAAC

As at 30 April 2011, the Target Group had an aggregate amount of approximately RMB102.3 million (the "Receivables") due from entities controlled by Xuhui SAAC, which are unsecured, non-interest bearing and repayable on demand. Xuhui SAAC is an entity directly under the district government and authorised by Shanghai Xuhui District People's Government to exercise its state-owned shareholders' duties and obligation and to supervise and manage state-owned assets in the possession of Xuhui District. Xuhui SAAC currently holds interest in and participates in the management of various large-scale state-owned enterprises. As disclosed in the section headed "Financial Information of the Target Group" of the Circular, the directors of Shanghai Urban Development confirm that they are currently not aware of any circumstances affecting the ability of Xuhui SAAC to meet its repayment obligation and the management of Shanghai Urban Development, after having taken into the proven repayment capability of these borrowers, are of the view that no provision for bad debt is necessary in respect of the Receivables.

We understand from the management of the Company that they have taken into account the impact of the above matters in determining the Consideration. Set out below is an analysis on the potential impact due to the above matters on the Sale Consideration and the Adjusted Appraised Value:

	Sale Consideration *(RMB' Million)*	**Adjusted Appraised Value** *(RMB' Million)*	**Discount of the Sale Consideration to the Adjusted Appraised Value (as adjusted)**
Initial amount:	4,748.2	7,892.1	39.8%
– Maximum amount of capital gain tax and withholding tax to be borne by the Group under the Transactions	85.0	–	
Adjusted amount:	4,833.2	7,892.1	38.8%
– Aggregate potential damage and the relevant cost of claims and counterclaims to be paid by Shanghai Urban Development in respect of the Litigation	–	(336.1)	
– Potential bad debt for the Receivables	–	(102.3)	
Adjusted amount:	4,883.2	7,453.7	34.5%

Although the Agreement has not contained indemnity for the loss that may be incurred by the Group in relation to the Litigation, after having considered the above, in particular, (i) the Sale Consideration approximates Net Asset Value; (ii) the Sale Consideration, as adjusted by capital gain tax and the withholding tax to be borne by the Company (the "Adjusted Sale Consideration") still represents a discount of approximately 38.8% to the Adjusted Appraised Value; (iii) the Adjusted Sale Consideration also represents a discount of approximately 34.5% to the Adjusted Appraised Value after taking into account the potential impact resulting from the non-recovery of the Receivables and the potential damage and the relevant costs of claims and counterclaims in relation to the Litigation to be paid by Shanghai Urban Development; (iv) the PRC litigation attorney is of the opinion that it is possible that Shanghai Urban Development would have a favourable judgment in respect of the Litigation and it is fairly remote that Shanghai Urban Development will be ordered to return its 90% interest in Shanghai Wan Yuan, and (v) the consideration of the Dividend Receivable

Assignment equals the monetary value of the Dividend Receivable (or based on the closing price of the Shares of HK$1.49 on the Latest Practicable Date and the 167,710,346 Tranche B Consideration Shares, the fair value of the consideration for the Dividend Receivable Assignment would amount to approximately HK$249.9 million, representing a discount of approximately 46.7% to the monetary value of the Dividend Receivable), we are of the view that the terms of the Agreement (including the Sale Consideration) are fair and reasonable in so far as the Independent Shareholders are concerned. However, if under the extreme scenario that the Wan Yuan Agreements were being ordered to be terminated and the discount of the Sale Consideration/Adjusted Sale Consideration to the Adjusted Appraised Value may be different, depending on the then final judgments from the courts.

The Issue Price

The Consideration of approximately HK$6,110 million will be satisfied by the allotment and issue of the Consideration Shares at the issue price of HK$2.80 per Consideration Share (the "Issue Price"), which represents:

(i) a premium of approximately 87.9% over the closing price of the Shares of HK$1.49 per share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 3.8% to the closing price of HK$2.91 per Share as quoted on the Stock Exchange on the Last Trading Day;

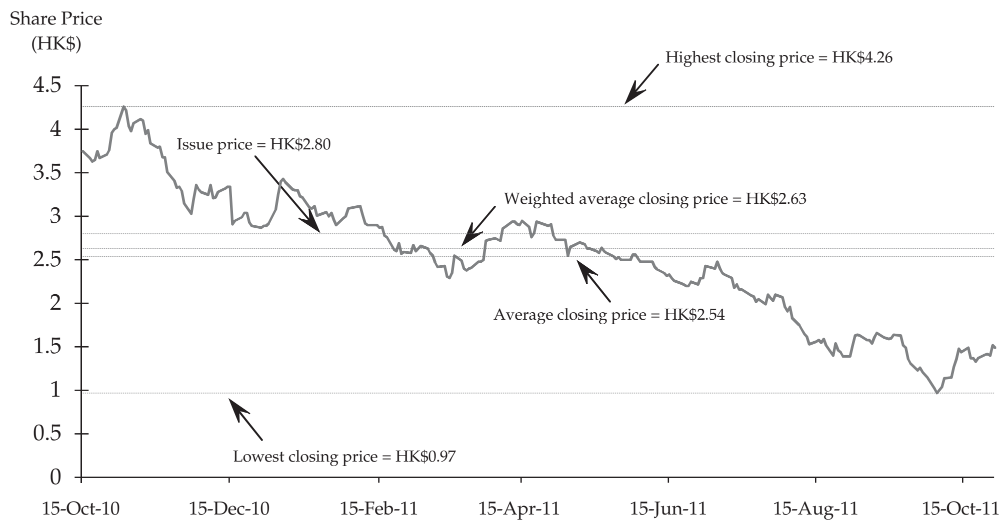
(iii) a discount of approximately 3.6% to the average of the closing price per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK$2.906 per Share;

(iv) a premium of approximately 0.2% over the average of the closing price per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK$2.795 per Share;

(v) a premium of approximately 8.5% over the average of the closing price per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK$2.58 per Share; and

(vi) a premium of approximately 0.7% over the net asset value (excluding non-controlling interest) per Share of HK$2.78 (based on the unaudited consolidated net asset value of the Company attributable to Shareholders of approximately HK$7,321.2 million as at 30 June 2011 and the 2,629,332,189 issued Shares as at the Latest Practicable Date).

The chart set out below illustrates the closing prices of the Shares during the period from 15 October 2010, being six months prior to the date of the Agreement, including and up to the Latest Practicable Date (the "Review Period"), which we consider to be a reasonable period for reviewing the recent market price trend of the Shares given the volatility of the general stock market during the Review Period:



Source: Bloomberg

As illustrated above, the Shares were traded within the range of HK$0.97 and HK$4.26 per Share during the Review Period. The Issue Price is higher than the average closing price of the Shares of approximately HK$2.54 per Share and the average closing price of the Shares weighted by trading volume of approximately HK$2.63 during the Review Period and is at a substantial premium to the recent closing price of the Shares. The Issue Price also represents premium of approximately 0.7% over the net asset value (excluding non-controlling interest) per Share of HK$2.78.

Comparison of the Issue Price with comparable whitewash transactions

For the purpose of assessing the fairness and reasonableness of the Issue Price, we have, based on information available from the Stock Exchange's website and to the best of our knowledge, identified all the transactions (the "Comparable Whitewash Transactions") that involved issues of new shares by companies listed on the Stock Exchange for acquisitions of assets/businesses and application of whitewash waivers during the Review Period which we consider a reasonable period in identifying the Comparable Whitewash Transactions:

Announcement date	Company	Stock code	Issue price	Premium over/(discount to) the average closing price of the Shares for the 10 consecutive trading days up to the date preceding the announcement date
7 November 2010	Lumena Resources Corp.	67	3.15	4.9%
14 December 2010	Golden Resorts Group Limited	1031	0.80	18.0%
1 February 2011	China Daye Non-Ferrous Metals Mining Limited	661	0.50	(14.7)%
8 March 2011	K.P.I. Company Limited	605	0.40	(10.7)%
11 March 2011	Madex International (Holdings) Limited	231	0.11	(13.5)%
13 April 2011	Victory City International Holdings Limited	539	1.747	8.0%
6 May 2011	Shougang Concord International Enterprises Company	697	1.01	(4.3)%
	The Acquisition		**2.80**	**0.2%**

Source: Website of the Stock Exchange

As illustrated above, the underlying new shares of the Comparable Whitewash Transactions were issued at a range from a discount of approximately 14.7% to a premium of approximately 18.0% when compared with the average closing prices of their respective shares as quoted on the Stock Exchange for the 10 consecutive trading days up to the date preceding the announcement date whilst the Issue Price represents a premium of approximately 0.2%.

Since the Issue Price (i) is higher than the average and weighted average closing price of the Shares during the Review Period; (ii) represents a substantial premium over the recent closing price of the Shares; (iii) represents a premium of approximately 0.7% over the consolidated unaudited net asset value attributable to the Shareholders per Share as at 30 June 2011; and (iv) represents a premium over the 10-day average closing price of the Shares prior to the date of announcement in relation to the Transactions as opposed to the average discount as noted from the Comparable Whitewash Transactions, we consider that the Issue Price is fair and reasonable in so far as the Independent Shareholders are concerned.

6. Dilution impact of the Transactions

The Consideration will be satisfied by the allotment and issue of 2,182,191,000 Consideration Shares, representing approximately 83.0% of the total Shares in issue as at the Latest Practicable Date and approximately 45.4% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares but before the exercise of any Warrants or share options outstanding as at the Latest Practicable Date. Following the issue of the Consideration Shares, the shareholding of the Independent Shareholders in the Company would be diluted from approximately 55.0% as at the Latest Practicable Date to approximately 30.0%. According to the Pro forma Financial Statements, the consolidated net asset value of the Group attributable to the Shareholders assuming the Transactions were completed on 30 April 2011 will increase from approximately HK$7,321 million to approximately HK$13,149 million and the consolidated net asset value of the Enlarged Group attributable to the Shareholders per Share will fall slightly from HK$2.78 (based on 2,629,332,189 Shares in issue as at the Latest Practicable Date) to HK$2.73 following the issue of the Consideration Shares (based on 4,811,523,189 Shares in issue immediately following Completion). However, the above calculation for consolidated net asset value per Share of the Enlarged Group is based on the carrying value of the properties and does not reflect the current valuation of the properties and properties under development (except for the investment properties).

Having considered (i) the fairness and reasonableness of the terms of the Agreement and the Deed and the transactions contemplated thereunder; (ii) the reasons for and benefits of the Transactions as mentioned above; (iii) the Issue Price representing a substantial premium over the recent market price of the Shares; and (iv) the decrease of only less than 2% in the net asset value per Share resulting from the Transactions, we are of the view that such insignificant dilution impact on the shareholdings of the Independent Shareholders as a result of the issue of the Consideration Shares is acceptable.

7. The Whitewash Waiver

As at the Latest Practicable Date, SIH and parties acting in concert with it held an aggregate of 1,183,713,478 Shares, representing approximately 45.0% of the total Shares in issue, and immediately following the allotment and issue of the Consideration Shares, the shareholding of SIH and parties acting in concert with it will increase to approximately 70.0% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares (but before the exercise of any Warrants or share options outstanding as at the Latest Practicable Date). As such, unless the Whitewash Waiver has been obtained from the Executive, SIH and parties acting in concert with it would be required to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by SIH and parties acting in concert with it under Rule 26.1 of the Takeovers Code. An application has been made by SIH to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code and the Whitewash Waiver, if granted, will be subject to, among other things, the approval of the Independent Shareholders in respect of the Whitewash Waiver at the SGM where voting on the relevant resolutions shall be taken by poll.

It is one of the conditions precedent to completion of the sale and purchase of the Sale Share and the Shareholder's Loan that the Whitewash Waiver has been obtained, and the Dividend Receivable Assignment will only become effective upon, inter alia, the Target Company becoming a wholly-owned subsidiary of the Company. In the event that the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Agreement and the Deed will not become unconditional and the Transactions will not proceed and thus the Group and the Shareholders will not be able to enjoy the various benefits arising from the Transactions as mentioned above.

8. Financial impact of the Transactions

(i) Earnings

Following Completion, Shanghai Urban Development will be indirectly owned as to 59% by the Company and its assets, liabilities and financial results will be consolidated into the financial statements of the Group. As disclosed in the Pro forma Financial Statements, the acquisition of the Target Group is considered as a business combination under common control because the Company and the Target Company are ultimately controlled by SIH both before and after the Transactions. The Acquisition will be accounted for using the principles of merger accounting.

As illustrated in the Pro forma Financial Statements, the Enlarged Group's consolidated net loss attributable to the Shareholders for the year ended 31 December 2010 (assuming the Transactions had been completed on 1 January 2010) will be substantially reduced by the consolidated net profit of the Target Group during the corresponding year, from approximately HK$750 million to approximately HK$567 million (representing a reduction in loss of approximately 24.4%). In addition, the loss per Share will also be decreased from approximately HK$0.29 per Share (based on 2,629,332,189 Shares in issue as at the Latest

Practicable Date) to HK$0.12 per Share (based on 4,811,523,189 Shares in issue immediately following Completion and assuming no Warrants and share options outstanding as at the Latest Practicable Date are exercised).

Moreover, according to the sectioned headed "Financial Information of the Target Group", the Target Group has, through entrusted loan arrangements, made advancement to the Group which amounted to RMB1,000 million as at the Latest Practicable Date and born interest rates in the range of approximately 6.97% and 7.87% per annum. Upon Completion, such entrusted loan will become inter-group balance within the Enlarged Group and will be eliminated upon consolidation.

(ii) Net asset value

As mentioned above, the Acquisition will be accounted for using the merger accounting method. According to the Pro forma Financial Statements, the net asset value attributable to the Shareholders will be substantially increased from approximately HK$7,321.2 million to approximately HK$13,148.6 million.

(iii) Gearing ratio and working capital

As at 30 June 2011, the Group's total borrowings, cash and bank balances (including restricted and pledged bank deposits) and the total equity of the Company amounted to approximately HK$5,649.4 million, HK$1,280.9 million and HK$7,788.4 million, respectively. Accordingly, the gearing ratio of the Group (expressed as a percentage of the Group's net debt (being total borrowings less cash and bank balances or "Net Debt") over the shareholders equity) as at 30 June 2011 amounted to approximately 56.1%. As stated in the Pro Forma Financial Statements, the Enlarged Group's total borrowings, cash and bank balances (including restricted and pledged bank deposits) and total equity amounted to approximately HK$13,528.2 million, HK$5,110.9 million and HK$19,934.6 million, respectively. As such, the gearing ratio of the Enlarged Group according to the Pro Forma Financial Statement will be decreased to approximately 42.2%. In addition, we also noted in the paragraph "Working Capital" under the section headed "Financial Information of the Target Group" of the Circular, the Directors, after taking into account the cash from operating activities, the Group's and the Target Group's current financing arrangements in place which will provide funding to the Group and the Target Group of up to HK$1,203.9 million and RMB14,935.0 million, respectively as at 31 August 2011, bank borrowings and shareholder loans that are currently available and expected to become available to the Enlarged Group in the future, are of the opinion that the Enlarged Group will have sufficient fund to meet its working capital requirements and finance its capital expenditure for at least the next 12 months from the date of the Circular.

CONCLUSION AND RECOMMENDATION

Having considered the principal factors referred to above, particularly:

(i) the stronger asset base of the Group and the accelerated development of the Group's business as a result of the Transactions;

(ii) the strengthening of its competitive position in the Yangtze River Delta which is in line with the development strategy of the Group;

(iii) the structure of the Transactions which allows the Group to retain working capital for the business operations of the Enlarged Group;

(iv) the Sale Consideration/Adjusted Sale Consideration representing a discount of over 30% to the Adjusted Appraised Value (and after taking into account the potential impact resulting from the non-recovery of the Receivables and the potential damage and the relevant cost relating to the Litigation) and the Issue Price representing a premium over the recent market prices of the Shares; and

(v) the Non-compete Undertaking and the relevant arrangement following the Acquisition to avoid future intra-group competition among SIIC, SIH, SIDC and the Enlarged Group as well as the protection of the Shareholders' right in respect of the Asset Injection;

we are of the view that the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) are conducted in the ordinary and usual course of business of the Group on normal commercial terms and the terms of the Transactions (including the Agreement, the Deed and the allotment and issue of the Consideration Shares) and the Whitewash Waiver are fair and reasonable in so far as the interests of the Company and the Independent Shareholders are concerned. Accordingly, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Transactions (including the Agreement, the Deed, the allotment and issue of the Consideration Shares) and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
KBC Bank N.V. Hong Kong Branch

Kenneth Chan	**Gaston Lam**
Head of Corporate Finance, Greater China	*Corporate Finance*

This circular contains forward-looking statements that state the intentions, beliefs, expectations or predictions of the Group, the Target Group and SIH for the future that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this circular. These forward-looking statements include all statements in this circular that are not historical fact, including, without limitation, statements relating to:

- the Enlarged Group's operations and business prospects;
- the future developments, trends and conditions in the PRC property development sector;
- the Enlarged Group's strategies, plans, objectives and goals and its ability to implement such strategies and achieve its plans, objectives and goals;
- the Enlarged Group's future capital needs and capital expenditure plans;
- the amount and nature of, and potential for, future development of the Enlarged Group's business;
- the regulatory environment relating to, and the general industry outlook for, the PRC property development sector;
- prospective financial matters regarding the Enlarged Group's business, results of operations and financial condition;
- SIH's continual review of its strategy regarding its real estate business in the PRC;
- the competitive markets for property developers and the actions and developments of the Group's competitors in the PRC; and
- the general political and economic environment in the PRC.

When used in this circular, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to the Group, the Target Group and/or the Enlarged Group, are intended to identify forward-looking statements. However, all statements in this circular other than statements of historical fact are forward-looking statements. Such forward-looking statements reflect the views of the management of the Group, the Target Group or SIH as the case may be as at the date of this circular with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this circular. Although the Directors believe that the expectations reflected in such forward-looking statements are reasonable, actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including:

- the performance of the PRC property market;
- the Enlarged Group's ability to successfully complete and realise benefits from its development projects;

- the Enlarged Group's ability to obtain adequate financing on terms acceptable to it;
- the Enlarged Group's levels of indebtedness and interest payment obligations;
- the Enlarged Group's ability to effectively manage its planned expansion;
- the performance of its independent contractors;
- the Enlarged Group's ability to stay abreast of market trends;
- the Enlarged Group's ability to continue to use certain properties in an undisrupted manner;
- changes in the fair value of the Enlarged Group's investment properties;
- the Enlarged Group's ability to effectively manage its operational and project development costs;
- the Enlarged Group's ability to retain core team members and attract qualified and experienced personnel;
- the Enlarged Group's ability to liquidate assets in response to changes in economic and financial conditions, as necessary;
- the Enlarged Group's ability to maintain and renew the permits and licences it requires to undertake its business operations;
- prospective financial information of Enlarged Group; and
- other factors beyond the Company's control.

Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, the results of operations and financial condition of the Group and/or the Target Group may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by the Company that its plans and objectives will be achieved or realised.

The forward-looking statements in this circular reflect the views of the management of the Group as of the date of this circular and are subject to change in light of future developments. Subject to the requirements of the Listing Rules, the Company does not intend to update or otherwise revise the forward looking statements in this circular, whether as a result of new information, future events or otherwise.

In addition to other information contained in this circular, you should take into account the following risks in considering the Transactions. If any of the possible events described below occurs, the business or financial condition of the Enlarged Group could be adversely affected.

RISKS RELATING TO THE TRANSACTIONS

Completion is subject to the fulfilment of the conditions precedent and there is no assurance that they can be fulfilled and/or the Transactions will be completed as contemplated.

A number of the conditions precedent to Completion as set out in the paragraphs headed "The Transactions – The Agreement – Conditions precedent" and "The Transactions – The Deed – Conditions precedent" in the section headed "Letter from the Board" of this circular involve the decisions of third parties, including approvals by the Independent Shareholders at the SGM, the consent of the holders of the 9.75% senior notes due 2014 of the Company, the approval by the Listing Committee of the Stock Exchange for the new listing application of the Company and for the listing of and permission to deal in the Consideration Shares on the Main Board of the Stock Exchange, and the granting of the Whitewash Waiver by the Executive. As fulfilment of such conditions precedent is not within the control of the parties involved in the Transactions, there is no assurance that the Transactions will be completed as contemplated.

The shareholding percentages of the existing Shareholders in the Company will be substantially diluted immediately following Completion.

Pursuant to the Agreement and the Deed, the Company will issue a total of 2,182,191,000 Consideration Shares to SIH. The Consideration Shares represent approximately 45.4% of the total Shares in issue as enlarged by the allotment and issue of the Consideration Shares but before the exercise of any Warrants or share options outstanding as at the Latest Practicable Date. As a result, the shareholding percentages of the existing Shareholders in the Company would be substantially diluted. Any value enhancement of the Shares as a result of the Transactions may not necessarily be reflected in their market price and may not offset the dilution effect to the Shareholders.

Existing Shareholders will experience further dilution if the Company issues additional Shares in the future.

In order to expand the business of the Company, the Company may consider offering and issuing additional Shares in the future. Shareholders may experience further dilution in the net tangible asset book value per Share of their Shares, if the Company issues additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

The property valuation reports may materially differ from prices that can be achieved.

Under HKFRS, gains or losses arising from changes in the fair value of the Group's or the Target Group's investment properties are included in their respective income statements in the period in which they arise. The valuations of the Target Group's and the Group's properties as at 31 July 2011, prepared by DTZ, are contained in the property valuation reports included in Appendices IVA and IVB to this circular, respectively. The valuations are based upon certain assumptions, which, by their nature, are subjective and uncertain and may materially differ from actual values. With respect to the properties under development and properties held for future development, the valuations are based on the assumptions that (i) the properties will be completed or developed as currently proposed; (ii) regulatory and governmental approvals for the proposals have been or will be obtained without onerous conditions or delays; (iii) unless otherwise stated, the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and any premium payable has already been fully paid; (iv) the Enlarged Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted; and (v) unless otherwise stated, the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values. For properties owned by the subsidiaries or associated project companies of the Enlarged Group in which the Enlarged Group has an attributable interest of less than 100%, the valuation assumes that the Enlarged Group's interest in the aggregate market value of the properties is equal to its proportionate attributable interest in such properties. These valuations are not a prediction of the actual value the Group or the Target Group, as the case may be, may achieve from its properties in a public market transaction as of the date of valuation. Unforeseen changes in a particular property development or in general or local economic conditions, and other factors, could affect the value of the Enlarged Group's properties.

Immediately following Completion, the controlling shareholders of the Company will have substantial influence over the Company and their interests may not be aligned with the interests of the other Shareholders.

SIH has substantial influence over the Group's business, including matters relating to its management and policies and decisions regarding mergers, expansion plans, consolidations and the sale of all or substantially all of the Group's assets, election of directors and other significant corporate actions.

Immediately following Completion and assuming that no further Shares will be issued pursuant to the exercise of any Warrants or share options granted under the Share Option Scheme, SIH will hold approximately 70% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. SIH may increase its shareholding in the Company further without triggering any further general offer obligation under the Takeovers Code.

This concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company and might reduce the price of the Shares. These events may occur even if they are opposed by the other Shareholders. In addition, the interests of SIH may differ from the interests of the other Shareholders. It is possible that SIH may exercise its substantial influence over the Group and cause it to enter into transactions or take, or fail to take, other actions or make decisions which conflict with the best interests of the other Shareholders.

RISKS RELATING TO THE ENLARGED GROUP

The Enlarged Group maintains a substantial level of indebtedness to finance its capital intensive business, and it may not have adequate cash flow to fund its operations or to service its financing obligations.

The property development business is capital intensive. It typically requires substantial capital outlays for land acquisition and property development and may take months or years before a cash inflow, if any, can be generated by the pre-sale or sale of a completed property development. There is no assurance that the Enlarged Group will be able to achieve or maintain a net cash inflow from operating activities in the future. For the year ended 31 December 2010 and for the four months ended 30 April 2011, the Target Group had net cash used in operating activities of RMB1,761.2 million and RMB1,928.2 million, respectively. For the year ended 31 December 2010, the Group had net cash used in operating activities of RMB HK$1,137.4 million. Any decline or under-performance of the Enlarged Group's pre-sale or sale, and any other matter adversely impacting the net cash outflow of the Enlarged Group, could significantly affect its cash flow position.

In order to finance its business, the Enlarged Group has maintained a substantial level of indebtedness, of which a large amount is secured by certain of its properties and land use rights held. The Target Group's total borrowings, including current and non-current borrowings, as of 31 December 2008, 2009 and 2010, 30 April 2011 and 31 August 2011 were RMB3,207.6 million, RMB4,240.5 million, RMB6,388.6 million, RMB7,179.8 million and RMB7,056.1 million, respectively. In addition, of the Target Group's total borrowings of RMB7,056.1 million as of 31 August 2011, RMB3,039.6 million was due within a period not exceeding one year and RMB4,016.5 million was due within a period of more than one year. The Group's total borrowings, including current and non-current borrowings and amounts due to non-controlling shareholders, as of 30 April 2009, 31 December 2009 and 2010 and 31 August 2011 were HK$9,263.1 million, HK$5,925.9 million, HK$5,136.3 million and HK$5,783.3 million, respectively. As of 31 August 2011, of the Group's total borrowings of HK$5,783.3 million, HK$2,355.2 million was due within a period not exceeding one year and HK$3,428.1 million was due within a period of more than one year. The Target Group has financing arrangements in place with China Development Bank Shanghai Branch and Shanghai Pudong Development Bank Shanghai Branch to provide funding for up to an aggregate amount of RMB20 billion which, subject to application, may be utilised for the repayment of the Enlarged Group's existing bank borrowings. However, there is no assurance that the Enlarged Group will be able to obtain bank loans or renew existing credit facilities in the future on terms acceptable or at all. The Enlarged Group's ability to do so will depend on a number of factors, many of which are beyond its control. The PRC government has in the past implemented a number of policy initiatives in the financial sector to further tighten lending requirements in general and in particular for property developers. There is no assurance that the PRC government will not introduce further initiatives which may limit the Enlarged Group's access to capital. The terms of certain facilities and other loans of the Enlarged Group may contain covenants which restrict the Enlarged Group from raising new borrowings. The Company currently has outstanding US$400 million in aggregate principal amount of 9.75% senior notes due 2014. The indenture governing the senior notes contains various financial covenants which may restrict the Group from incurring the indebtedness necessary to finance its business. The foregoing and other initiatives introduced by the PRC government may limit the Enlarged Group's flexibility and ability to use bank loans or other forms of financing to fund its land acquisitions or property developments and therefore may require the Enlarged Group to maintain a relatively high level of internally sourced funds. As a result, the Target Group's business and financial condition may be materially and adversely affected.

Furthermore, the Target Group and the Group have been benefited from short term borrowings provided by their controlling shareholders or the controlling shareholders' associate (as the case may be) at interest rates lower than the market rates. As at 31 August 2011, the amount of loan owed by the Target Group to 上海上實（集團）有限公司 (SIIC Shanghai (Holding) Co., Ltd.), a company incorporated in the PRC with limited liability with SIIC as the authorised representative exercising state-owned shareholders' right over it, was RMB1,000 million. As at 31 August 2011, the amount of loan owed by the Group to SIH was HK$1,000 million. In addition, there are certain advances provided by the Target Group to the Group. There is no assurance that the controlling shareholders of the Company will renew or continue to provide such borrowings to the Enlarged Group. Please see the paragraph headed "Independence from SIH – Financial independence" in the section headed "Relationship with Controlling Shareholder" in this circular for further details of these loans.

In addition, there is no assurance that the Enlarged Group will have adequate cash flow to service its financing obligations. Both the Target Group and the Group have substantial interest obligations for its borrowings. For the years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, the Target Group's interest expense on bank and other borrowings (before interest capitalised in properties under development for sale) was RMB181.2 million, RMB217.9 million, RMB268.1 million and RMB137.7 million, respectively. As of 30 April 2011, the weighted average interest rate on the Target Group's outstanding borrowings was 5.84%. For the year ended 30 April 2009, for the eight months ended 31 December 2009 and for the year ended 31 December 2010, the Group's interest expense on bank and other borrowings (before interest capitalised in properties under development for sale) was HK$1,069.3 million, HK$549.7 million and HK$676.2 million, respectively. As of 31 December 2010, the effective interest rates on the Group's outstanding borrowings ranged from 4.9% to 12%.

Any increase in interest rates on the Group's or the Target Group's bank borrowings, including an increase in interest rates by the PBOC, may have a material adverse effect on the Enlarged Group's financial condition and results of operations. Aside from interest obligations, the Enlarged Group has obligations to pay off its current liabilities, in respect of which there is no guarantee that they will stay below the Enlarged Group's current assets in the future. If the Enlarged Group has net current liabilities in the future, its working capital for the purposes of its operations may be constrained, which will adversely affect the Enlarged Group's business and results of operations.

The Group and the Target Group guarantee the mortgages provided to their purchasers and consequently are liable to the mortgagee banks if the purchasers default on their mortgage payments.

The Group and the Target Group assist their purchasers in arranging various domestic banks to provide mortgages to them to purchase their properties. In accordance with market practice, domestic banks require the Group or the Target Group, as the case may be, to provide short-term guarantees for these mortgages. Typically, the mortgage agreement provides for the discharge of such guarantee upon the issuance of the property ownership certificate or the pledge of such certificate with the bank, which generally takes place after a period of time following the Group or the Target Group delivers possession of the relevant property to the purchasers. If a purchaser defaults under the mortgage loan and the bank calls on the guarantee, the Group or the Target Group is required to repay all debt owed by the purchaser to the mortgagee bank under the loan, in which case the mortgagee bank will typically assign to the Group or the Target Group (as the case may be) its rights under the loan and the mortgage and the Group or the Target Group will have full recourse to the property. In line with industry practice, the Group and the Target Group do not conduct independent credit checks on the purchasers but rely instead on the credit checks conducted by the mortgagee banks, which may not be as extensive as credit checks conducted in other jurisdictions. As at 31 December 2008, 2009 and 2010, 30 April 2011 and 31 August 2011, the Target Group had financial guarantees of RMB35.7 million, RMB772.1 million, RMB547.1 million, RMB223.9 million and RMB186.8 million, respectively, in respect of mortgage facilities for its purchasers. As at 30 April 2009, 31 December 2009 and 2010, the Group had financial guarantees of HK$1,617.6 million, HK$2,377.3 million and HK$2,618.7 million, respectively, in respect of mortgage facilities for its purchasers. If a default occurs and the relevant guarantee is called upon, the business, results of operations and financial condition of the Enlarged Group may be adversely affected to the extent that there is a material depreciation in the value of the relevant properties or if the Enlarged Group is unable to sell the properties due to unfavourable market conditions or other reasons.

There have been concerns with the Group's internal control system whilst the Group is implementing certain measures to improve its internal control system. The improvement process is continuous and the Group is still in the process of implementing certain measures.

The Company has appointed an internal control consultant to conduct a follow up review of the earlier report mentioned in the Company's announcement dated 24 June 2010. The follow-up review issued on 17 May 2011 indicated that the internal control weakness mentioned in the Company's announcement on 24 June 2010 had been substantially remedied. Please refer to the section headed "Summary — Reasons for and benefits of the Transactions — The Transactions will increase potential debt and equity investors' awareness of the Company by enhancing the corporate governance of the Company, and should improve the Company's profile".

As set out in the section headed "Issues Arising Prior to SIH's Acquisition of A Controlling Interest in the Company", the Company is still in the process of implementing certain measures and it will report to the Shareholders on the progress of its improvement of its internal control in its next annual report.

SIH, a controlling shareholder of the Group, may effect a reorganisation of the Company and SIDC, the timing and terms of which are still uncertain at this point in time.

As stated at the section headed "Relationship with Controlling Shareholders", SIDC is a subsidiary of SIH and is also engaged in the property development business in the PRC.

In this regard, in the acquisition of SIDC, an undertaking has been given by SIIC to the CSRC that within 36 months of the completion of the acquisition of SIDC (which occurred in July 2011), it shall procure that the relevant group companies (which include SIH, the Company and SIDC) would, pursuant to the applicable laws, rules, regulations and policies in the PRC and Hong Kong, consolidate their listed property businesses into either the A shares listing platform or the Hong Kong listing platform by way of asset injection, merger and acquisition or any other method permissible under all the applicable laws, rules, regulations and policies

As stated in more detail in the section headed "Relationship with Controlling Shareholders – Reasons of and circumstances leading to the acquisition of SIDC", SIH considers that there are two possible ways for it to further consolidate its listed real estate businesses as contemplated under the above undertaking: either by injecting SIDC into the Company or vice versa. SIH currently has no intention as to which way to follow, and this would mainly subject to the legal and regulatory requirements and the financial conditions of SIDC and the Company. There are also similarly no fixed plans at the moment for the abovementioned injection arrangement, in particular, taking into account the PRC legal obstacles for the reorganisation – please refer to the section headed "Relationship with Controlling Shareholders – Reasons of and circumstances leading to the acquisition of SIDC". As such, in addition to the uncertainty as to whether SIH, as a controlling shareholder of the Company, will or will not effect a reorganisation of the Company and SIDC, the timing and the terms for such a reorganisation are also uncertain at this point in time. In the event that SIH makes a decision to inject the Company into SIDC, this will be subject to, amongst other things, approval from the independent shareholders of the Company, SIDC and/or SIH. In such case, the Company will also comply with all the applicable requirements under the Listing Rules, including independent shareholders' approval and the issue of circular to its Shareholders. However, there is currently no certainty as to how this will be effected and how such a reorganisation, when completed, will impact on the Enlarged Group's business operations and financial results.

The Enlarged Group relies on the performance of external contractors and suppliers to deliver its projects on time and up to its specified quality standards.

Neither the Group nor the Target Group carries out construction work on its projects. They engage external construction contractors, certified engineering supervisory companies, service providers and suppliers to provide them with construction and related services and various types of construction materials as well as other services such as design and interior decoration which the Group and the Target Group monitors through their construction department in each project company. In general, contractors are selected through tender by invitation.

There is no assurance that the services rendered or materials supplied by any of these external contractors and suppliers will always be satisfactory or meet the quality requirements of the Enlarged Group. In the event that the performance of the external contractors and suppliers falls short of the standards, or any of such contractors or suppliers encounters financial, operational or managerial difficulties and/or results in any actual or potential dispute, this may disrupt the construction progress of the Enlarged Group's property developments and the Enlarged Group may incur additional costs in respect of remedial actions to be taken (including the replacement of such contractors or suppliers) as well as potential compensation payable to the customers for delay in completion and delivery of property developments. Moreover, the Enlarged Group may suffer damage to reputation and additional financial costs as a result of such delay to its property developments. Please also refer to the risk factor headed "Risks relating to the Property Development in the PRC – The Enlarged Group may face delay in completing its property development projects" below.

Any of the above factors could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group.

The Enlarged Group may be involved in legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result.

The Enlarged Group may be involved in disputes with various parties in the development and sale of its properties, including joint venture partners and property development partners, contractors, suppliers, construction workers and purchasers. These disputes may lead to legal proceedings and may result in substantial increase in costs and delays to its development schedule. The Group and the Target Group are currently involved in certain legal proceedings. For example, a subsidiary of Shanghai Urban Development, Shanghai Wan Yuan, is currently involved in a litigation case with 上海安格投資管理有限公司 (Shanghai Angus Investment Management Co., Ltd.), a former shareholder of Shanghai Wan Yuan prior to the transfer of its 68% interest in Shanghai Wan Yuan in 2002, and 上海珠蜂企業發展有限公司 (Shanghai Zhufeng Enterprise Development Co., Ltd.), the minority shareholder of Shanghai Wan Yuan. Please see the paragraph headed "Legal proceedings of the Group" in Appendix VI to this circular and the paragraph headed "Legal proceedings" in the section headed "Business of the Target Group" in this circular for details on certain on-going legal proceedings and the potential liability of the Enlarged Group as a result of these proceedings. In the event of a ruling by the court that is unfavourable to the Group or the Target Group, the Group and/or the Target Group may be liable for a substantial amount of damage, loss of revenue and other potential adverse consequences. It is also possible that the court may order the Group and/or the Target Group to stop the development and/or sale of a particular development project. In such cases, the Enlarged Group would not be able to recover any costs and expenses already incurred in relation to the development of the un-sold portion of such development project, and will lose the right to revenue from any further sale of such development project. In addition, any involvement in disputes would result in a diversion of resources and management's attention, regardless of the outcome of the dispute. The Enlarged Group may have disagreements with PRC regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decisions that result in penalties and/or delay to its property developments. If such events occur, the business, financial condition and results of operations of the Enlarged Group could be materially and adversely affected.

The Target Group did not comply fully with PRC employee social welfare contribution regulations and may be subject to fines or penalties.

As required by applicable PRC regulations, the Target Group participates in various employee benefit plans that are organised by municipal and provincial governments, including housing provident fund, pension, medical, maternity and unemployment benefit plans of the cities the Target Group operates in from time to time. Members of the Target Group are required under PRC law to make contributions to the relevant employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of their respective employees. Such contributions are subject to a maximum amount as specified by the relevant local government authorities. The Target Group has not, however, made housing provident fund contributions or completed the required registration procedure for certain employees of the following companies since the respective dates indicated: Shanghai Wan Yuan since April 2002; 上海申大物業有限公司 (Shanghai Shen Da Properties Co., Ltd.) since August 2011; 合肥申大物業服務有限公司 (Hefei Shen Da Services Properties Co., Ltd.) since June 2008; and Kunshan Urban Development since April 2007. Pursuant to《住房公積金管理條例》(the Regulations on Management of Housing Provident Fund), the relevant government authority may order an entity which fails to comply with the registration procedures to rectify the failure within a prescribed time limit. Failing to comply with such order may result in a fine ranging from RMB10,000 to RMB50,000. If an entity fails to make the requisite payment and deposit of the housing provident fund on time, it may be ordered to rectify the failure within a prescribed time limit, failing which the relevant government authority may apply to the court for enforcement. In the event that an employee brings and succeeds in a labour claim against the relevant subsidiaries of Shanghai Urban Development for the outstanding housing fund contributions, or the relevant subsidiaries are deemed by the relevant authorities to have contravened the relevant laws and regulations, the relevant subsidiaries may be required to make the outstanding contributions. The Directors estimate that the underpaid housing provident fund contribution as at 31 August 2011 is approximately RMB920,000. In the event that a penalty is imposed, the business and results of operations of the Target Group may be adversely affected.

Several members of the Target Group provided advances to other members of the Target Group and/or related parties and such advances may be cancelled and the lenders may be subject to fines or penalties.

During the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, several members of the Target Group provided advances to certain other members of the Target Group and/or related parties. As at 30 April 2011, the total amount of such advances outstanding was RMB833.9 million. Please refer to the section headed "Business of the Target Group – Advances between members of the Target Group and/or related parties" for details of such advances. According to the PRC legal advisers of the Company, these advances do not comply with relevant rules in the PRC which require the lender of such loans to be an approved financial institution authorised to engage in money lending. According to the relevant rules, PBOC has the power to cancel such loans and subject the lender to an administrative penalty of up to five times the revenue generated from such unauthorised loans. Based on the RMB833.9 million advance outstanding as at 30 April 2011, the maximum penalty which the Target Group may be subject to in respect of such advances up to 30 April 2011 ranges from RMB66.1 million to RMB330.4 million, representing one to five times the interest payable for such advances up to 30 April 2011. In addition, 上海滄盛置業發展有限公司 (Shanghai Cangsheng Real Estate Development Co., Ltd.), the minority shareholder holding 10% of Kunshan Urban Development, has provided advances to Kunshan Urban Development in the total amount of RMB12.0 million. Similarly, such advances do not comply with the PRC regulations. If such loans are cancelled, Kunshan Urban Development will need to repay the loans in full immediately. In the event that a penalty is imposed or the advances provided to the members of the Target Group are forcibly cancelled, the business, the cashflow and results of operations of the Target Group may be adversely affected.

RISKS RELATING TO PROPERTY DEVELOPMENT IN THE PRC

The Enlarged Group's business is subject to extensive governmental regulation.

Both the Group and the Target Group are engaged in property development in the PRC. Property development in the PRC is subject to extensive governmental regulation. As with other PRC property developers, the Group and the Target Group must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. Should the Enlarged Group be involved in any incidents of non-compliance, the Enlarged Group could be subject to various regulatory or administrative penalties and such incidents may have material adverse impacts on the Enlarged Group's business, results of operations and financial condition.

In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development and restriction or other regulation of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes, such as property tax, and levies on property sales, and restrict foreign investment in the PRC property sector. Many of the policies in the property industry carried out by the PRC government are unprecedented and are expected to be refined and improved over time. Changes in political, economic and social factors may also lead to further adjustments of such policies. This refining and adjustment process may not necessarily have a positive effect on the Enlarged Group's operations or future business development. There is no assurance that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. If the Enlarged Group fails to adapt its operations to new policies, regulations and measures that may come into effect from time to time with respect to the property industry, such policy changes may disrupt the Enlarged Group's business or cause it to incur additional costs, and the Enlarged Group's business prospects, results of operations and financial condition may be materially and adversely affected.

PRC government policies, regulations and measures intended to discourage property speculation may affect the business of the Enlarged Group. Furthermore, the PRC government may in the future adopt other measures to slow down the rate of growth in the property development sector.

As a property developer, the Enlarged Group is subject to extensive government regulation in virtually every aspect of its operations and is highly susceptible to changes in regulatory measures and policy initiatives implemented by the PRC government. In the past, the PRC government has introduced an array of policies and measures intended to curtail the overheating of property development and discourage speculation in the residential property market. These measures include, among others, the following:

- tightening lending requirements for property developers;

- requiring at least 70% of the land supply approved by a local government for residential property development in any given year to be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;

- adopting the "70/90 rule" which requires at least 70% of the total GFA of a residential project approved or constructed on or after 1 June 2006 to consist of units with a GFA of less than 90 sq.m. per unit;

- increasing the minimum down payment to 30% of the purchase price of the underlying property for primary residence buyers, which may make the Enlarged Group's properties less affordable to its customers;

- increasing (i) the minimum amount of down payment to 60% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate for secondary residence buyers; if a member of a family (including the buyer, and his/her spouse and their children under 18) has financed the purchase of a residential unit with loans from banks, any member of the family that buys another residential unit will be regarded as a secondary residence buyer;

- suspending loans for the purchase of third or subsequent residences;

- suspending loans for purchase of local residences for non-local residents who are unable to provide certificates evidencing their payment of local taxes or social insurance for more than one year;

- for a commercial property buyer, (i) prohibiting banks from financing any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on their risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- requiring property developers to provide a down payment of no less than 50% of the land grant fee and, generally, requiring them to pay the remaining balance in instalments within one year;
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years;
- imposing a ban on onward transfer of uncompleted properties;
- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- imposing an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and cancelling the land use rights for land being idle for two years or more;
- revoking the approvals for projects not in compliance with the planning permits; and
- banning the land grant for villa construction and restricting the land provision for high-end residential property construction.

On 26 January 2011, the State Council issued《國務院辦公廳關於進一步做好關於房地產市場調控工作有關問題的通知》(Notice of the State Council on Further Regulating the Real Estate Market), which provides for stricter management of housing land supply. On 28 January 2011, Shanghai and Chongqing commenced trials in levying property tax. 34 cities, including Beijing, Shanghai, Chengdu and Wuxi, have promulgated local measures to restrict housing purchases. On 8 March 2011, the China Banking Regulatory Commission issued《中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知》(Notice of the China Banking Regulatory Commission Related to Improving Housing Financial Services and Risk Management), pursuant to which households purchasing a second residence through mortgage loan are required to make a down payment of at least 60% of the property price and the interest rate to be charged on loans given to such households shall not be lower than 1.1 times the PBOC benchmark interest rate. On 6 July 2011, the Ministry of Housing and Urban-Rural Development enacted Notice to the Adjustment of Housing Fund Deposit Rate, which states that from 7 July 2011, housing fund deposit rate for individuals will further increase from 2.85% to 3.10%, while housing fund loan rate for individuals will further increase from 4.70% to 4.90% for loan term of more than five years and from 4.20% to 4.45% for loan term of five years and less. In the three months ended 30 September 2011, the Target Group received 47 cancellations of pre-sale from customers in relation to properties primarily in Urban Cradle and Yoooou.net and had to return deposits of RMB860,000 with a total sale of RMB113.5 million to its customers. While customers are not required to provide a reason for their cancellation, the Target Group believes that certain of these cancellations could have been due to the introduction of the new government policies and these customers were unable to obtain mortgages to finance their purchases.

More recently, on 12 July 2011, the State Council announced new restrictions on the purchase of residential properties. The government will continue to strictly enforce measures introduced to discourage speculative property purchases in cities already adopting the home-purchase restrictions, and will introduce similar measures in those second and third tier cities where the property prices have risen significantly. On 17 August 2011, the Ministry of Housing and Urban-Rural Development issued five proposed criteria which will be used in deciding whether a city shall be included in the list of cities to which housing restriction measures apply. The local governments are required to assess the local situation against such criteria and then to report the results to the higher level of government. It is further suggested that cities that meet more than two criteria shall be included in the list. However, the Ministry of Housing and Urban-Rural Development is not obliged to issue a specific list of the second and third tier cities subject to such measures. On 25 August 2011, Quzhou of Zhejiang province became the first city among the second and third tier cities which implements housing restriction measures. The Group and the Target Group currently have certain development projects located in cities where new housing restriction measures may be introduced, including Chongqing, Zhuhai and Sanhe for the Group and Chongqing and Kunshan for the Target Group. As at the Latest Practicable Date, the majority of the Group's properties developed under the project in Chongqing have been sold and the construction and development of its projects in Zhuhai and Sanhe have not yet commenced. As at the Latest Practicable Date, the Target Group's projects in Chongqing (the project of Ivy Aroma Town) and Kunshan (the projects of Royal Villa and Yoooou.net) were still in the course of construction and/or sale. If any of the abovementioned cities are included in the list before the properties of the relevant projects are fully sold, the new housing restriction measures implemented may have a material effect on the sale of the properties in such cities for the Group and the Target Group.

There can be no assurance that these restrictive government policies and measures will not adversely affect the sale of units in the Enlarged Group's developments. In addition, there can be no assurance that the PRC government will not introduce further policies and measures to regulate the rate of growth of the property market or to limit or even prohibit foreign investment in the PRC generally or in the property sector in particular. These existing policies and measures and any future policies and measures, or even rumours or threats of any new policies and measures could adversely affect the Enlarged Group's business, results of operations and financial condition, such as by limiting the Enlarged Group's access to capital, reducing consumer demand for the Enlarged Group's properties and increasing operating costs. They may also lead to changes in market conditions, including price instability and imbalance of supply and demand in respect of office, residential, retail, entertainment and cultural properties, which may materially adversely affect the Enlarged Group's business, financial condition and results of operations.

The PRC government may impose a penalty on the Enlarged Group or cancel the land use rights for any project which was not or has not been developed in compliance with the terms of the land use rights grant contract.

Under PRC laws and regulations, if a property developer fails to develop land according to the terms of the land use rights grant contract (including those relating to the payment of fees, designated use of land, amount of GFA developed, time for commencement and completion or suspension of the development, and amount of capital invested), the relevant government authorities may issue a warning to or impose a penalty on the developer or cancel the relevant land use rights. During the three years ended 31 December 2008, 2009 and 2010, and as of the Latest Practicable Date, no land use rights of the Enlarged Group had been cancelled and no penalty had been imposed on the Enlarged Group as a result of failing to develop its land according to the terms of the land use rights grant contracts. However, there is no assurance that any cancellation of land use rights or imposition of penalty may not arise in the future. If any land use rights of the Enlarged Group is cancelled, it will not be able to continue its property development on the affected land, recover the costs incurred for the initial acquisition of the land or recover the development costs and other costs incurred up to the date of cancellation. Any law that may require the Enlarged Group to pay idle land fees or other related penalties may adversely affect its business, results of operations or financial condition.

The Enlarged Group faces intense competition from other real estate developers.

In recent years, a large number of property developers, including a number of leading Hong Kong property developers and other overseas developers, have begun undertaking property development and investment projects primarily in the first and second tier cities in the PRC. Some of these developers may have better track records and greater financial, land and other resources, broader name recognition and greater economies of scale than the Enlarged Group. In the past, the PRC government has introduced various policies and measures in order to limit the growth and to prevent the overheating of the property development sector, which has further increased competition for land amongst property developers.

Competition among property developers may result in an increase in land acquisition costs, an increase in construction costs, an oversupply of properties, a decrease in property prices in certain parts of the PRC or an inability to sell such properties, a slow down in the rate at which new property developments are approved or reviewed by the relevant PRC government authorities and an increase in administrative costs for hiring or retaining qualified personnel, any of which may adversely affect the Enlarged Group's business, financial position and results of operations. If the Enlarged Group cannot respond to changes in market conditions in the markets in which it operates more effectively than its competitors, the Enlarged Group's business, financial position and results of operations may be materially and adversely affected.

Property markets in the PRC are still at an early stage of development and lack adequate infrastructural support.

Property markets in the PRC are still at a relatively early stage of development. The growth of the PRC property markets is often coupled with volatility in market conditions and fluctuation in property prices. The Company cannot predict how much and when demand will develop, as various factors, including social, political, economic and legal factors may affect the development of the market.

The limited amount of property mortgage financing available to PRC individuals compounded by the lack of security of legal title and enforceability of property rights may further inhibit demand for residential developments. Any of these factors may adversely affect the Enlarged Group's revenue and results of operations.

The results of operations of the Enlarged Group may be adversely affected if it fails to obtain or complete, or if there are material delays in obtaining or completing, requisite governmental approvals or registrations for its property developments.

The property development industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements provided by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licences, certificates and approvals from the relevant authorities at various stages of the property development process, including land use rights certificates, planning permits, construction work commencement permits, pre-sale permits and completion certificates. Each approval is dependent on the satisfaction of certain conditions. There is no assurance that the Enlarged Group will not encounter delays or other impediments in fulfilling the conditions necessary for the approvals, or that the Enlarged Group will be able to adapt itself in a timely and effective manner to new laws, regulations or policies that may come into effect from time to time with respect to the property development industry. There may also be delays on the part of the administrative bodies in reviewing the Enlarged Group's applications and granting approvals. If the Enlarged Group fails to obtain, or encounters material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of its development properties could be substantially disrupted, which could materially and adversely affect its business, financial condition and results of operations.

Changes in laws and regulations with respect to pre-sale of properties may adversely affect cash flow position and performance of the Enlarged Group.

The Enlarged Group depends on pre-sale of properties as an important source of funding for its property projects. Under current PRC laws and regulations, property developers must fulfil certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance the development of such properties. Please see the paragraph headed "Property development projects of Target Group – Sales and marketing – Pre-sale" in the section headed "Business of the Target Group" in this circular. In August 2005, the PBOC in a report entitled "2004 Real

Estate Financing Report" recommended discontinuing the practice of pre-selling unfinished properties because such practices, in the PBOC's opinion, have a tendency to create significant market risks and generate transactional irregularities. Although this and similar recommendations have not been adopted by the PRC government, there can be no assurance that the PRC government will not adopt such recommendations and ban the practice of pre-selling unfinished properties or implement further restrictions on the pre-sale practice, such as imposing additional conditions for obtaining a pre-sale permit or imposing further restrictions on the use of pre-sale proceeds. Any such measures will adversely affect the Enlarged Group's cash flow position and force it to seek alternative sources of funding for its property development business.

The Enlarged Group may face delay in completing its property development projects.

Property development projects require substantial capital expenditures prior to completion and these projects typically take a long time to complete. The progress for a development project can be adversely affected by many factors, including:

- delays in obtaining necessary licences, permits or approvals from government agencies or authorities (see the risk factor headed "The results of operations of the Enlarged Group may be adversely affected if it fails to obtain or complete, or if there are material delays in obtaining or completing, requisite governmental approvals or registrations for its property developments");
- relocation of existing residents and/or demolishment of existing structures (see the risk factor headed "The amount of resettlement compensation payable to existing owners or residents is regulated and may be subject to substantial increases");
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents;
- natural catastrophes; and
- adverse weather conditions.

Any delays in progress for a development project will affect its costs and any delays or failure to complete the construction of a project according to its planned specifications, schedule or budget may affect the business, financial condition and results of operations of the Enlarged Group and may also cause damage to reputation. In addition, if a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery. During 2010 and 2011, the Group experienced delays in delivering certain properties in two of its projects, Neo Water City in Xi'an and Laochengxiang in Tianjin. The delay at Neo Water City was primarily due to the progress of works for the project and the general temporary suspension of construction work in Xi'an as a result of an order of the local government to stop work during the period when the World Horticultural Exposition was hosted in Xi'an in May 2011. The delay at Laochengxiang was primarily due to the delay in completing the interior decoration of the properties as a result of the bad weather, the Spring Festival break and the delay on the part of the relevant contractor. As at the Latest Practicable Date, some of the affected properties in both projects were still yet to be delivered. The Company expects that an aggregate amount of HK$69.4 million and HK$30.5 million would be payable by the Group as compensation for the late delivery of Neo Water City and Laochengxiang, respectively. All such amount has been fully reflected in the unaudited financial results of the Group for the six months ended 30 June 2011. There is no assurance that the Enlarged Group will not experience any other delays in completion or delivery or that it will not be subject to any liabilities for any such delays in the future. Any delay in completion of the property developments of the Enlarged Group could have a material adverse impact on its reputation and its business, financial condition and results of operations.

The Enlarged Group may face potential liability for environmental problems which could result in substantial costs.

The particular environmental laws and regulations which apply to a development site vary according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Steps taken to comply with the relevant environmental laws and regulations may result in delays in development and be costly. PRC laws and regulations require that for each project, the developers obtain assessments on the possible impact. For more details, please refer to the sections headed "Regulatory Overview — Environmental protection" and "Business — Safety and environmental matters".

The Enlarged Group may not always be able to obtain sites that are suitable for property development.

The Enlarged Group derives revenue principally from the sale of properties that it develops. This revenue stream depends on the completion of, and the Enlarged Group's ability to sell, its property developments. To maintain or grow its business in the future, the Enlarged Group will need to acquire suitable development sites so as to replenish its land reserves. Its ability to identify and acquire suitable sites is subject to a number of factors, some of which are beyond its control. The business, financial condition and results of operations of the Enlarged Group may thus be adversely affected if it is unable to obtain suitable land sites or acquire land sites for development at prices that allow the Enlarged Group to achieve reasonable returns upon the sale of developed properties to its customers.

The PRC government controls all new land supply in the PRC and regulates land sale in the secondary market. As a result, the policies of the PRC government towards land supply may adversely affect the ability of the Enlarged Group to acquire land use rights for sites it seeks to develop and could increase the costs of any acquisition. Although the Enlarged Group will continue to seek suitable development sites, there is no assurance that the PRC government policies, regulations and measures intended to discourage speculation in the real property market will not adversely affect its business. Please see the risk factor headed "PRC government policies, regulations and measures intended to discourage property speculation may affect the business of the Enlarged Group. Furthermore, the PRC government may in the future adopt measures to slow down the rate of growth in the property development sector" above.

The results of operations of the Enlarged Group are dependent on its ability to manage the costs of its projects and to maximise revenue from these projects.

The Enlarged Group's ability to derive profits from its construction projects depends on how well it can control the relevant construction costs and whether it is able to obtain the best sale prices for its units.

Construction costs are largely dependent on the costs a property developer pays its contractors. To ensure that the Enlarged Group obtains the best price from its contractors, the Enlarged Group typically holds competitive tenders for its projects. However, it is not realistic for the Enlarged Group to pick the lowest price available. Construction costs in the PRC are generally increasing as contractors themselves face rising costs due to inflation and rising labour costs. In any case, other than costs, there are a number of factors the Enlarged Group must take into account in determining whether to award a contract to a contractor, including the contractor's relevant skill and expertise as well as the design and deadline demands of the relevant project. Moreover, as set out in the risk factor headed "The Enlarged Group may face delay in completing its property development projects", delay to progress is a risk and if suffered, can adversely affect the construction costs of the project and since prices quoted by the contractors are subject to adjustments under certain circumstances, there is no assurance that the actual construction costs incurred for a project, which often takes months or years to complete, will not exceed the initial estimation of the Enlarged Group.

The other important factor affecting the Enlarged Group's business, financial condition and results of operations is the price at which it sells the units of its property. The Enlarged Group faces intense competition from other real estate developers — please refer to the risk factor headed "The Enlarged Group faces intense competition from other real estate developers". Correctly determining the appropriate price is vital to the success of the Enlarged Group's business. While a lower price drains revenue from the project, too high a figure puts off potential customers who have a wide choice of properties as offered by the Enlarged Group's competitors.

For the eight months ended 31 December 2009 and for the year ended 31 December 2010, the Group recorded a loss of HK$2,184.3 million and HK$835.9 million, respectively. Amongst other factors, this was partially due to the low gross profit margins of certain projects undertaken by Shanghai Haidi Construction Engineering Co., Ltd., Tianjin Shenya Construction Engineering Co., Ltd., and Orient Construction Group Co., Ltd., with whom the Group entered into construction contracts prior to SIH's acquisition of the controlling interest in the Company. Please refer to the section headed "Issues arising prior to SIH's acquisition of a controlling interest in the Company" for details of such projects.

There is no assurance the Enlarged Group would be able to get the lowest price from the contractors. Further, there is no assurance that the actual construction costs incurred for a project will not exceed the initial estimation by the developer. In the event that the Enlarged Group cannot effectively control its construction costs, its business operation and the financial results would be adversely affected.

The amount of resettlement compensation payable to existing owners or residents is regulated and may be subject to substantial increases.

If any of the land parcels the Enlarged Group acquires in the future have existing building structures or are occupied by third parties, the Enlarged Group may be responsible for paying resettlement costs prior to developing the land. In accordance with《國有土地上房屋徵收與補償條例》(the Regulation on the Expropriation of Buildings on State-owned Land and Compensation), the relevant government authority at city or country level in the PRC is required to enter into a written agreement with the owners or residents of existing buildings subject to demolition for development to provide compensation for their relocation and resettlement. The compensation payable is calculated in accordance with pre-set formulae provided by the relevant provincial or municipal authorities and is ultimately borne by the property developers. However, there is no assurance that these authorities will not change their compensation formulae. If they do, land acquisition costs may increase substantially which could adversely affect the Enlarged Group's financial condition. In addition, if the Enlarged Group or the local government fails to reach an agreement over compensation with the owners or residents, any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, and this may delay the development schedule of the Enlarged Group's projects or result in higher compensation costs than that originally anticipated. Such delays will lead to an increase in costs and a delay in the expected cash inflow resulting from the pre-sale of the relevant projects, which may in turn materially and adversely affect the Enlarged Group's business, results of operations and financial condition.

The Enlarged Group may be subject to stricter payment terms for land use rights with respect to land it acquires in the future as a result of any additional restrictive regulations promulgated by the PRC.

On 28 September 2007, the Ministry of Land and Resources amended《招標拍賣掛牌出讓國有建設用地使用權規定》(the Regulation on the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-Sale), with effect from 1 November 2007. This regulation provides, among other things, that property developers will have to pay the relevant land grant fees in full according to the provisions of the relevant land use rights grant contract for all land parcels under the contract prior to receiving the land registration and land use rights certificates. As a result, with effect from 1 November 2007, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for land registration and a land use rights certificate for the corresponding portion of land in order to commence development, which has been the past practice in many Chinese cities. On 8 November 2009, five government authorities, including the Ministry of Finance and the Ministry of Land and Resources, issued《關於進一步加強土地出讓收支管理的通知》(Notice on Further Strengthening the Income and Expenditure Management Relating to Land Grants) to regulate the management of income and expenditure on land grants and curb excessive increases in land prices. In particular, the notice requires property developers to provide a down payment of no less than 50% of the land grant fee and, generally, to pay the remaining balance in instalments within one year. On 8 March 2010, the Ministry of Land and Resources issued the《國土資源部關於加強房地產用地供應和監管有關問題的通知》(Notice of the Ministry of Land and Resources on Further Increasing the Supply and Strengthening the Supervision of Land for Property Development Purposes), which reiterates and reinforces certain measures on land supply and land use, such as requiring the execution of a land use rights grant contract within ten business days of completing the tender, auction or listing-for-sale process. All property developers who have defaulted on a land grant fee payment, left a land idle and unused, or were engaged in land speculation, or have otherwise defaulted on a land use rights grant contract are prohibited from acquiring land for a certain period. As a result, property developers, including the Enlarged Group, are required to maintain a higher level of working capital and hence face restrictions when planning to expand their land reserve. In addition, there is no assurance that the PRC government will not adopt any additional regulations to impose stricter payment terms for land acquisition by property developers. If this occurs, the Enlarged Group's cash flow position, financial condition or business plans could be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

As almost all of the Enlarged Group's operations are conducted in China, any adverse change in China's political, economic and social conditions, laws, regulations, policies and diplomatic relationships with other countries may have a material adverse effect on the business, results of operations and financial condition of the Enlarged Group.

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

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

The PRC economy has been in transition from a planned economy to a more market-oriented economy. The PRC government has implemented economic reform measures emphasising responsiveness to market forces in the development of the PRC economy. Yet, the PRC government continues to play a highly significant role in regulating industries by imposing industrial policies. Despite the implementation of such reforms, it is uncertain whether changes in the China's political and social conditions, laws, regulations, policies and diplomatic relationships with other countries will have any adverse effect on the current or future business, results of operations or financial condition of the Enlarged Group.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations which could adversely affect the business and results of operations of the Enlarged Group.

Almost all of the Enlarged Group's operations are conducted in the PRC and most of the Group's employees are PRC citizens. The Group's operations are therefore generally affected by and subject to the PRC legal system and PRC laws and regulations. Since the late 1970s, many new laws and regulations covering general economic matters have been promulgated in China. Despite these significant developments in its legal system, China does not have a comprehensive system of laws. Even where adequate law exists in China, the enforcement of laws may be uncertain, and it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgement by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

The recent deterioration of the PRC's economic growth and the global financial crisis may affect the Enlarged Group's business. It could limit the Enlarged Group's ability to continue to finance its working capital and to meet its liquidity requirements and materially and adversely affect its financial position and results of operations.

The Group and the Target Group operate in a capital intensive industry and have historically financed, and expect to continue to finance in the future, their working capital and liquidity requirements primarily through proceeds from the pre-sale and sale of properties, rental income, borrowings from financial institutions and capital contributions and advances from shareholders. However, the PRC property market has experienced significant volatility in recent years as a result of market conditions and fluctuations in property sales volumes and prices, especially as a result of the recent deterioration in PRC's economic growth, the PRC credit environment and the global economic and financial crisis, which has reduced demand for the properties that the Group and the Target Group sell. These factors have also resulted in banks and other financial institutions becoming less willing to make credit available to property purchasers and companies in the property development industry. In particular, during economic downturns or market slowdown's as has been the case for the PRC property market recently, potential purchasers or purchasers of properties tend to become more prudent and act more cautiously out of concern for further declines of property prices and may even terminate or defer their decisions to purchase property. Customers who have already entered into pre-sale contracts with the Group and the Target Group during periods of better economic or market conditions may also wish to cancel their pre-sale contracts and adopt a wait-and-see approach in anticipation of a better bargain. In the three months ended 30 September 2011, the Group and the Target Group received 77 cancellations of sale or pre-sale from customers and had to return an amount of RMB3.3 million to customers. While customers are not required to provide a reason for their cancellation, the Group and the Target Group believe that certain of those cancellations could have been due to the recent deterioration in the global and PRC economic and market conditions. In addition, the Enlarged Group faces intense competition from other real estate developers. Please refer to the risk factor headed "The Enlarged Group faces intense competition from other real estate developers". Correctly determining the appropriate price in response to the change in market conditions is vital to the success of the Enlarged Group's business. Competitors of the Enlarged Group may reduce the prices of their properties as a result of the prevailing economic or market conditions, which could result in increased pricing pressure on the Enlarged Group and further restrict the Enlarged Group's ability to sell properties.

As a result of these factors, there can be no assurance that the Enlarged Group will be able to generate sufficient cash flow from its operations or that banks, shareholders and other lenders that the Group and the Target Group have relied on in the past for financing will continue to provide the Enlarged Group with sufficient funding in the future in order to be able to continue to finance its working capital and liquidity requirements. If the Enlarged Group is not able to finance its working capital and liquidity requirements in the future, its business, financial condition and results of operations could be materially and adversely affected. Please also refer to the risk factor headed "The Enlarged Group maintains a substantial level of indebtedness to finance its capital intensive business, and it may not have adequate cash flow to fund its operations or to service its financing obligations".

The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which the Group and the Target Group calculate their respective LAT obligations.

Under PRC tax laws and regulations, properties developed for sale are subject to Land Appreciation Tax (LAT), which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws. Pursuant to《中華人民共和國土地增值稅暫行條例》(the Provisional Regulations of the People's Republic of China on Land Appreciation Tax), LAT is exempted for the sale of ordinary standard residences (普通標準住房) if the appreciation derived from the sale does not exceed 20% of the sum of deductible items. Deductible items include acquisition costs of land use rights, development costs of land, construction costs of new buildings and facilities or assessed value for used properties and buildings, taxes chargeable for or already imposed on the transfer of real estate and other deductible items as stipulated by the Ministry of Finance. Sales of commercial properties, however, are not eligible for such exemption. Pursuant to《中華人民共和國土地增值稅暫行條例實施細則》(the Detailed Rules for the Implementation of Provisional Regulations of the People's Republic of China on Land Appreciation Tax) for property developers, an additional 20% of deductible expenses may be deducted in the calculation of the land appreciation amount. On 28 December 2006, the State Administration of Taxation issued《關於房地產開發企業土地增值稅清算管理有關問題的通知》(the Notice on Issues Relevant to Administration of Settlement of Land Appreciation Tax of Real Estate Development Enterprises) with the intention of strengthening the collection of LAT. This Notice, amongst others, requires property developers to settle the final LAT payable in respect of their development projects that meet any one of certain criteria, such as 85% of a development project having been pre-sold or sold. Local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with this Notice in consideration of local conditions. Neither the Group nor the Target Group has finalised its land appreciation tax returns with the tax authorities for certain of its property development projects. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. It is difficult to ascertain the ultimate tax amount during the ordinary course of business.

For the three financial years ended 31 December 2008, 2009 and 2010 and for the four months ended 30 April 2011, the Target Group made provisions for LAT in the amount of RMB65.3 million, RMB267.0 million, RMB317.5 million and RMB116.4 million, respectively. For the two years ended 30 April 2008 and 2009, for the eight months ended 31 December 2009 and for the year ended 31 December 2010, the Group made provisions for LAT in the amount of HK$265.1 million, HK$92.1 million, HK$32.1 million and HK$9.2 million, respectively. In the event that the LAT that the Group and Target Group have provided for is actually collected by the PRC tax authorities, the cashflow and financial position of the Group and/or the Target Group will be adversely affected by such payment. Furthermore, in the event that LAT eventually collected by the PRC tax authorities (due to changes in local practices and interpretations of related regulations of local tax authorities) exceeds the amount that the Group or the Target Group has provided for, the results of operations and financial position of the Group and/or the Target Group will be adversely affected.

Changes to the PRC tax law or its implementation could have a material adverse effect on the financial condition and results of operations of the Enlarged Group.

Under the EIT Law, which came into effect on 1 January 2008, the exemption from the withholding tax on dividends distributed by foreign-invested enterprises to their foreign investors under the previous tax laws is no longer available. Foreign investors that are established in Hong Kong and are considered non-resident enterprises by the PRC tax authority are subject to a PRC withholding tax at a rate of 5%, subject to certain conditions. In addition, the new tax law deems an enterprise established offshore but with "de facto management bodies" in the PRC as a "resident enterprise" which is subject to the PRC EIT on its global income excluding dividends received from its PRC subsidiaries. Since some of the members of the Enlarged Group's management team are located in China, the non-PRC members of the Enlarged Group may be considered as PRC resident enterprises even though the Directors believe the non-PRC members of the Enlarged Group have real operations outside the PRC. If the PRC tax authorities subsequently determine that the Company should be classified as a resident enterprise, its global income, excluding dividends received from its PRC subsidiaries, will be subject to PRC income tax at a tax rate of 25%. As at the Latest Practicable Date, the relevant PRC tax authorities have not certified the Company as a resident enterprise under the EIT Law. The imposition of withholding tax on dividends payable from the PRC entities of the Group or the imposition of PRC tax on the Enlarged Group's global income as a "resident enterprise" under the EIT Law may have a material adverse effect on the financial condition and results of operations of the Enlarged Group.

The Company is a holding company that relies on dividend payments from its subsidiaries for funding and dividends from PRC subsidiaries are subject to PRC withholding tax.

The Company is a holding company incorporated in Bermuda and its operations are conducted through its subsidiaries, a number of which are in the PRC. Therefore, the availability of funds to pay dividends to the Shareholders and to service the Company's indebtedness depends on dividends received from these subsidiaries. If the subsidiaries incur any debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to the Company. As a result, the Company's ability to pay dividends or other distributions and to service its indebtedness will be restricted.

PRC laws require dividends to be paid out of the net profit calculated according to PRC accounting principles, which, in many aspects, differ from the generally accepted accounting principles in other jurisdictions, including the HKFRS. PRC laws also require foreign-invested enterprises, such as the Group's subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Such dividends are also subject to PRC withholding tax. For details see the risk factor headed "Changes to the PRC tax law or its implementation could have a material adverse effect on the financial condition and results of operations of the Enlarged Group".

The outbreak of any severe communicable disease in China, if uncontrolled, may materially and adversely affect the Enlarged Group's results of operations.

The outbreak of any severe communicable disease in China, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in China, which in turn may have an adverse impact on domestic consumption and, possibly, on the overall GDP growth of China. As all of the Enlarged Group's revenue is derived from its operations in China, any contraction or slowdown in the growth of domestic consumption or slowdown in the growth of GDP of China may materially and adversely affect the financial condition, results of operations and future growth of the Enlarged Group. In addition, if the employees are affected by a severe communicable disease, the Enlarged Group may be required to institute measures to prevent the spread of the disease, which may materially and adversely affect or disrupt its operations, resulting in an adverse effect on the Enlarged Group's results of operations. The spread of any severe communicable disease in China may also affect the operations of the Enlarged Group's general contractors and construction companies, which again, may potentially have an adverse effect on the progress of the Enlarged Group's projects and thus the business and results of operations of the Enlarged Group.

Government control in foreign currency conversion may materially and adversely affect the financial condition, results of operations and ability to meet foreign exchange requirements of the Enlarged Group.

Renminbi is not a freely convertible currency. The Company receives all of its revenue in RMB and will need to convert RMB into foreign currencies for payment of dividends to the Shareholders and to service its debts. The exchange rates of the RMB against the US dollar and other foreign currencies fluctuate and are affected by, among other things, the policies of the PRC government and changes in China's and international political and economic conditions. There are significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of RMB against the US dollar or other foreign currencies. As the Group needs to convert future financing into RMB for the Group's operations, the continued appreciation of RMB against the relevant foreign currencies would reduce the RMB amount the Group would receive from the conversion. On the other hand, dividends on the Shares, if any, and interest payment on certain debts of the Group are paid in foreign currencies, any devaluation of RMB against the relevant foreign currencies would adversely affect the Group's results of operations and financial condition, which may reduce the amount of any cash dividends on the Shares in terms of such other relevant foreign currencies. In addition, the conversion of RMB into other currencies is subject to a number of foreign exchange control rules, regulations and notices issued by the PRC government. In general, foreign investment enterprises are permitted to convert RMB to foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks following prescribed procedural requirements. Control over conversion of RMB to foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number of limitations. The requirement for the Company to pay dividends in a currency other than RMB to the Shareholders may expose the Company to foreign exchange risk. Under the current foreign exchange control system, there is no assurance that the Company will be able to obtain sufficient foreign currency to pay dividends or satisfy other foreign exchange requirements in the future.

RISK RELATING TO THIS CIRCULAR

Certain statistics and other information relating to the economy and the PRC property development industry contained in this circular were derived from various official sources and government publications and have not been independently verified and may not be reliable.

Statistics, industry data and other information relating to the economy and the PRC property development industry contained in this circular have been derived from various official government publications with information provided by Chinese and other government agencies. Although the Company believes that the sources of the information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics, and has no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading, the Company or its Directors, agents and advisers cannot assure you or make any representation as to the accuracy or completeness of such information and statistics. None of the Company, the Directors, the Sponsor or their respective agents or advisers have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. Due to possible flawed collection methods, discrepancies between published information, different market practices or other problems, the statistics, industry data and other information relating to the economy and the industry derived from official government sources might be inaccurate or might not be comparable to statistics produced from other sources and should not be unduly relied upon. Shareholders should give careful consideration as to how much weight or importance the Shareholders should attach or place on such statistics, projected industry data and other information relating to the economy and the industry.

This section contains information and statistics relating to our industry and related industry sectors, some of which has been derived from official governmental sources and other industry sources. The Company believes that the sources of this information are appropriate sources for such information and has taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Company, the Sponsor or any other party involved in the Listing and no representation is given as to its accuracy.

MACRO-ECONOMIC ENVIRONMENT IN THE PRC

The PRC economy has achieved substantial growth since the PRC government introduced economic reforms and adopted an open door policy in the late 1970s. Fast growth was further boosted by the country's accession to the World Trade Organisation in 2001 as a result of increasing inflow of foreign investment across all sectors of the economy. China's gross domestic product, or GDP, increased from approximately RMB21,631.4 billion in 2006 to approximately RMB39,798.3 billion in 2010 at a compound annual growth rate, or CAGR, of approximately 16.5%, making China one of the fastest growing economies in the world.

During the year 2006 and 2010, China's GDP per capita grew at a CAGR of 15.2% from RMB16,500 to RMB29,039. Per capita disposable income of urban households in China reached up to RMB19,109 in 2010, representing an increase of approximately 11.3% over 2009. Strong increase in GDP per capita and disposable income per capita demonstrate a significant increase in purchasing power of the PRC population.

The table below sets out selected economic statistics for China for the years indicated:

	2006	2007	2008	2009	2010
GDP (RMB billion)	21,631.4	26,581.0	31,404.5	34,050.7	39,798.3
GDP Growth Rate (%)	17.0	22.9	18.1	8.4	16.9
GDP per capita (RMB)	16,500	20,169	23,708	25,575	29,039
GDP per capita growth rate (%)	16.3	22.2	17.5	7.9	13.5
Total imports and exports (US$ billion)	1,760.4	2,173.7	2,563.3	2,207.5	2,972.8
Utilised foreign direct investment (US$ billion)	63.0	74.8	92.4	90.0	105.7
Per capita disposable income of urban households (RMB)	11,759.5	13,785.8	15,780.8	17,174.7	19,109.0
Total savings of urban and rural households (RMB billion)	16,158.7	17,253.4	21,788.5	26,077.2	30,330.2

Source: National Bureau of Statistics of China; Invest In China

Three key factors contribute significantly to the sustainable growth of real estate market of China: fast economic growth of China, increasing urbanisation rate and steady increase in urban population. According to National Bureau of Statistics of China, China's urbanisation rate, represented by the proportion of the population residing in urban areas, rose from approximately 29.0% in 1995 to approximately 48.6% in 2010, and will further reach 50% by 2020 and 70% by 2050. Urban population, according to National Bureau of Statistics of China, grew from 577.1 million in 2006 to 665.6 million in 2010 and recorded a steady growth rate of 2%–3% year over year from 2006 to 2009, and 7% increase from 2009 to 2010. If economic growth, urbanisation rate and urban population keep growing at a steady rate, there is expected to be further demand for urban residential properties.

The table below shows China's urbanisation rate for the periods indicated.

	2006	**2007**	**2008**	**2009**	**2010**
Total population (millions)	1,314.5	1,321.3	1,328.0	1,334.7	1,370.5[1]
Urban population (millions)	577.1	593.8	606.7	621.9	665.6[1]
Urbanisation rate (%)	43.9	44.9	45.7	46.6	48.6

Source: National Bureau of Statistics of China

Note 1: Based on the 6th national population census as of 1 November 2010

Commodity property sales

Supply and demand for real estate in China has seen a steady increase over the years. According to National Bureau of Statistics of China, total supply of commodity properties increased from 558.3 million sq.m. in 2006 to 759.6 million sq.m. in 2010, representing a CAGR of 8.0%. Total revenue from commodity property sales in China has increased dramatically from approximately RMB298.8 billion in 1999 to approximately RMB5,247.9 billion in 2010, representing a remarkable CAGR of 30%. During the same period, total GFA sold in China increased from approximately 145.6 million sq.m. in 1999 to approximately 1,043.5 million sq.m. in 2010, representing a CAGR of 19.6%. Of the 1,043.5 million sq.m. of the total GFA sold in 2010, approximately 930.5 million sq.m. were residential properties, representing an increase of approximately 8.0% from 2009.

Total amount of real estate investment more than doubled from RMB1,933.3 billion in 2006 to RMB4,826.7 billion in 2010, representing a CAGR of 25.7% during the same time period. Total GFA sold increased from 618.6 million square meters in 2006 to 1,043.5 million square meters in 2010, representing a CAGR of 14.0%. of total GFA sold, total GFA of residential properties sold makes up to an average of 90% during the year 2006 to 2010. The average selling price of commodity properties in China increased from RMB3,367 per sq.m. in 2006 to RMB5,029 per sq.m. in 2010, while the average selling price of residential properties increased from RMB3,119 per sq.m. to RMB4,725 per sq.m. during the same period. The average selling price of commodity properties sold in China in 2010 was calculated by dividing total sales proceeds by the total GFA sold.

The table below sets out selected statistics relating to the PRC property market for the years indicated.

	2006	2007	2008	2009	2010
Real Estate Investment (RMB billion)	1,933.3	2,500.5	3,088.1	3,642.8	4,826.7
Total GFA sold (million sq.m.)	618.6	773.5	659.7	947.6	1,043.5
GFA of residential properties sold (million sq.m.)	554.2	701.4	592.8	861.8	930.5
Average selling price of commodity properties (RMB/sq.m.)	3,367	3,864	3,800	4,681	5,029
Average selling price of residential properties (RMB/sq.m.)	3,119	3,645	3,576	4,459	4,725
Total sales revenue for commodity properties (RMB billion)	2,083	2,989	2,507	4,435	5,248
Total sales revenue for residential properties (RMB billion)	1,729	2,556	2,120	3,843	4,396

Source: National Bureau of Statistics of China

KEY DRIVERS OF THE PRC PROPERTY MARKET

The three key contributors to the growing demand for PRC real estate market are: rising disposable income for Chinese population; rapid urbanisation pace and real estate market reforms undertaken by Chinese Government.

Disposable income

Strong sustainable growth of the PRC economy has resulted in rising disposable income among the population in the PRC. According to National Bureau of Statistics of China, China's GDP grew from RMB21,631.4 billion in 2006 to approximately RMB39,798.3 billion in 2010 at a CAGR, of approximately 16.5%, which makes China one of the fastest growing countries in the world. With strong GDP growth, GDP per capita has achieved significant growth too. During 2006 to 2010, GDP per capita grew at a CAGR of 15.2% from RMB16,500 to RMB29,039. Sustainable double-digit increase in both GDP and GDP per capital significantly contributed to enhancing disposable income of Chinese population. Per capita disposable income of urban households in China reached RMB19,109.0 in 2010, representing a CAGR of 12.9% compared to RMB11,759.5 per capita disposable income in 2006. With more disposable income at hand, Chinese people spent a greater portion of their disposable income in property market than before, as total GFA sold during the same period increased from 618.6 million sq.m. in 2006 to 1,043.5 million sq.m. in 2010, representing a CAGR of 14.0%, which is approximately consistent with per capita disposable income growth rate during the same period.

Urbanisation

In recent years, urbanisation in the PRC has been growing at a steady pace. Urbanisation rates rose from 43.9% in 2006 to 48.6% in 2010. Urban population has grown from 577.1 million in 2006 to 665.6 million in 2010, representing a CAGR of 3.6% during the same period. According to National Bureau of Statistics of China, the demand for commodity properties of Chinese real estate market increased from 618.6 million sq.m. in 2006 to 1,043.5 million sq.m. in 2010, representing a CAGR of 14.0%. The steady increase in demand was partially a result of increasing rate of urbanisation. In addition, the increasing demand for higher residential quality from Chinese population as well as their increasing disposable income also contributed to the increasing demand for commodity properties during 2006 to 2010. National Bureau of Statistics of China estimates PRC urbanisation rates to reach 50% by 2020 and 70% by 2050. If this is realised, demand for urban properties, especially residential properties is expected to rise further at a considerable rate.

Real estate market reforms

Prosperity of the real estate market has been promoted and made possible by a series of reforms in the PRC real estate sector, which commenced in the 1990s. Prior to such reform, the PRC real estate development was part of the nation's centrally planned economy. State-allocated housing policy was abolished in 1998, replaced gradually by a market-based system, where Individuals were encouraged to purchase their own properties with mortgage financing, which contributed to the growth of the property market. A brief timeline of key property reforms and government regulations and policies is set out below.

1988	The national constitution was amended to permit the transfer of state-owned land use rights to private enterprises and individuals.
1991	Employer/employee-funded housing provident funds commenced.
1992	Public housing sales in major cities commenced.
1994	Further implemented real estate reforms and established an all-round employer/employee-funded housing fund.
1995	Regulations regarding the sales and pre-sales of real estate issued, establishing a regulatory framework for real estate sales.
1998	State-allocated housing policy abolished.

1999 Maximum mortgage term extended to 30 years, maximum mortgage financing increased from 70% to 80%, and procedures for the sale of real property in the secondary market formalised.

2000 Regulations to standardise quality of construction projects issued, establishing a framework for administering construction quality.

2001 Regulations relating to the sales of commodity properties issued.

2002 Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-For-Sale issued requiring land use rights for commercial use, tourism, entertainment, commodity residential properties and other operational purposes to be granted only through public tender, auction or listing-for-sale; the dual system for domestic and overseas home buyers in the PRC eliminated.

2003 Rules for administering real estate loans issued to help reduce the credit and systemic risks associated with such loans; Regulations regarding property management introduced, setting forth a framework for property management activities; State Council issued a notice for the sustainable and healthy development of the real estate market.

2004 State Council issued a notice requiring that equity funds for real estate development projects (excluding affordable housing) be increased from 20% to 35%; The Ministry of Construction amended the Administrative Measures on the Pre-sale of Commercial Housing in Cities; The CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the ability of commercial bank to manage risks on real estate loans.

2005 Notice issued by the State Council requiring municipal governments and relevant authorities to curb rapid growth in selling prices in an effort to sustain healthy development of the property market; Additional measures instituted to discourage speculation in certain regional markets, including increasing the minimum required down payment from 20% to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting resale of properties before they are completed.

2006 The PRC government implemented additional land supply, bank financing and other measures to curb fast increases in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry.

2007 The PRC government issued regulations to increase the annual land use tax, and to impose such land use tax on foreign invested enterprises as well and to require that land use rights certificates be issued only upon full payment of the land premium with respect to all of the land use rights under a land use rights grant contract, which effectively stopped the practice of issuing land use rights certificates in instalments.

2008 The PRC government took additional measures during the first half of the year to control money supply and discourage speculations in the residential property market, but took other measures during the second half of the year to combat the impact of the global economic downturn, to encourage domestic consumption in the residential property market and to support real estate development.

2009 From 1 January 2009 to 31 December 2009, transfer of non-ordinary residential properties by individuals within two years of purchase is subject to business tax based on the sales income, while the business tax levied on the transfer of ordinary residential properties by individuals within two years of purchase is based on the difference between the sales income and the purchase price.

The PRC government adjusted some of its policies in order to enhance regulation in the property market, to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly in certain cities, including abolishing certain preferential treatment relating to business tax payable upon transfers of residential properties.

2010 In response to the property prices rises across the country, the PRC government adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities. These measures and policies include increasing the down payment and the loan interest rates for properties purchased with mortgage loans, imposing more stringent requirements on the payment of land premiums, suspending grants of mortgage loans to non-residents who cannot provide any proof of local tax or social insurance payment for more than one year, abolishing certain preferential tax treatment and limiting the number of residential properties one household can purchase in certain areas.

The PRC government clarified certain issues with respect to the calculation, settlement and collection of LAT in order to enforce the settlement and collection of LAT, and the criteria for commercial banks to identify the second housing unit when approving mortgage loans. Starting from 1 January 2010, the business tax preferential treatment on transfer of non-ordinary residential properties has been abolished and the business tax levied on the transfer of ordinary residential properties within five years of purchase is preferentially based on the difference between the sales income and the purchase price.

2011 The PRC government issued the notices to further regulate the property market, including raising minimum down payment for second house purchasers, abolishing the business tax preferential treatment on transfer of ordinary residential properties within five years, imposing more stringent fines on the idle land, further limiting the number of residential properties one household can purchase.

On 19 January 2011, Ministry of Housing and Urban-Rural Development ("MOHURD"), Ministry of Finance, the PBOC and CBRC jointly issued Notice Issued by MOHURD, Ministry of Finance, the People's Bank of China and CBRC Related to Strengthening and Improving Housing Fund Services. The Notice requires all housing fund service departments enhance efficiency, risk management and supervisory management, and be open to public surveillance in order to maintain housing fund depositor's legal right.

On 21 January 2011, the State Council circulated Regulations on the Expropriation of Houses on State-owned Land and Compensation. The new regulation explicitly states that property developers are strictly prohibited from conducting expropriation activities as they did in the past. Government is the only legal authority to conduct expropriation activities and make expropriation compensation. The purpose of the regulation is to ensure the proper legal rights of the owners of the houses to be expropriated. The regulation clears the rule that full amount of compensation shall be set aside in an account designated for the sole purpose of future payment to the owners before houses to be expropriated, and the compensation for expropriated houses shall be no lower than the market price of similar properties at the time of the expropriation.

On 26 January 2011, the State Council circulated《國務院辦公廳關於進一步做好關於房地產市場調控工作有關問題的通知》(Notice on Further Regulating the Real Estate Market), which provides stricter management of housing land supply. Key points in the regulation include:

1. In 2011, the country will construct and reconstruct 10 million units of affordable houses and houses in shantytowns. All regions shall raise the availability of affordable houses through various channels in order to gradually expand the coverage of the housing guarantee system. The central government will provide more support for the construction of affordable houses to effectively ensure that land supply used for construction of affordable houses, houses in shantytowns and small to median size ordinary commodity properties is not less than 70% of total land supply for housing construction purpose. Local governments shall effectively implement the policies with respect to land supply, funding and tax preference, and guide enterprises engaged in real estate development to actively participate in the construction of affordable houses and the reconstruction of shantytowns in order to ensure the completion of scheduled tasks. The management of affordable houses shall be enhanced, the access and exit mechanism shall be improved, and the principles of transparency, fairness and impartiality shall be followed. Areas where conditions permit may incorporate officially established towns into the scope of housing support;

2. The business tax policy for residential house transfer by individuals shall be adjusted so that full taxes shall be levied on all the sales revenue with respect to any house resale transactions if no more than 5 years have elapsed since the purchase of such houses by individuals (while tax levied on the transfer of non-ordinary residential properties by individuals after five years of purchase is based on the difference between the sales price and the purchase price). The tax authorities shall take further measures to ensure that policies are fully implemented. The supervision and inspection of land VAT collection and inspection, with an emphasis to be placed on the land VAT calculation and inspection with respect to those real estate development projects that have been priced at a level pricing significantly higher than the price level of surrounding houses. The policies on the collection of income taxes payable for house transfer by individuals shall be strictly carried out;

3. With respect to the land for real estate construction that has been supplied, if no construction permit has been obtained for construction commencement within two years, the land use rights shall be withdrawn in a timely manner, and a fine shall be imposed for the land that has been idle for more than one year;

4. with respect to any real estate development and construction investment fails to reach 25% or more (excluding land price), the land and the land development projects set forth in the contracts may not be transferred in any manner;

5. Any municipalities, separately listed cities, capital cities or cities where house prices are too high or rising too fast that still have not taken measures for house purchase restriction shall introduce their implementation rules for the policies for house purchase restriction.

On 28 January 2011, Shanghai and Chongqing commenced trials in levying property tax. Thirty-four cities, including Beijing, Shanghai, Guangzhou, Tianjin, Nanjing, Chengdu, Wuxi, Qingdao, Hangzhou, Xi'an, Changzhou, Shengyang and Dalian, have promulgated local measures to restrict housing purchases, as a step to implement《國務院辦公廳關於進一步做好關於房地產市場調控工作有關問題的通知》(the Notice of the State Council on Issues Related to Further Enhancing the Regulation and Control of Real Estate Market) issued on 26 January.

On 31 January 2011, MOHURD circulated Notice Related to Adjustment to Construction Standard of 2011, which regulated that construction be executed according to revised standards in order to adjust rapidly to the needs of new economic development and be in line with national policy regarding resource saving and environment protection.

On 8 March 2011, Office of China Banking Regulatory Commission issued 《中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知》(Notice Related to Improving Housing Financial Services and Risk Management). According to this Notice, for those households who purchase the second set of housing through loan, the down payment ratio shall not be lower than 60%. The loan interest shall not be lower than 1.1 times of the benchmark interest rate.

On 6 July 2011, the Ministry of Housing and Urban-Rural Development enacted the Notice to the Adjustment of Housing Fund Deposit Rate, which states that from 7 July 2011, housing fund deposit rate for individuals will increase from 2.85% to 3.10%, while housing fund loan rate for individuals will increase from 4.70% to 4.90% for a loan term of more than five years and from 4.20% to 4.45% for a loan term of five years and less.

On 12 July 2011, the State Council announced new restrictions on the purchase of residential properties. The government will continue to strictly enforce measures introduced to discourage speculative property purchases in cities already adopting the home-purchase restrictions, and will introduce similar measures in those second and third tier cities where the property prices have risen significantly. On 17 August 2011, the Ministry of Housing and Urban-Rural Development issued five proposed criteria which will be used in deciding whether a city shall be included in the list of cities to which housing restriction measures apply. The local governments are required to assess the local situation against such criteria and then to report the results to the higher level of government. It is further suggested that cities that meet more than two criteria shall be included in the list.

KEY REAL ESTATE MARKETS

Shanghai

Overview

Shanghai has long been established as one of the most important financial and trading centres of China and the location of choice for a vast number of multinational corporations seeking to establish headquarters in China. It is a global city with important influence over commerce, finance, and culture. The Shanghai economy has been growing rapidly since the 1990s. Shanghai's GDP increased from RMB1,057.2 billion in 2006 to RMB1,687.2 billion in 2010, representing a CAGR of approximately 12.4% over the same period. Per capita GDP grew from RMB58,837 in 2006 to RMB73,297 in 2010, representing a CAGR of 5.6% over the same period. Shanghai is expected to continue to benefit from foreign investment, further strengthening its position as the leading economic and financial centre of the nation. The table below sets out selected economic statistics for Shanghai for the years indicated.

	2006	2007	2008	2009	2010
GDP (RMB billion)	1,057.2	1,249.4	1,407.0	1,504.6	1,687.2
Per capita GDP (RMB)	58,837	68,024	75,109	78,989	73,297
GDP per capita growth rate (%)	12.0	15.6	10.4	5.2	(7.2)
Year-end resident population (millions)	18.2	18.6	18.9	19.2	23.0[1]
Per capita disposable income of urban households (RMB)	20,668	23,623	26,675	28,838	31,838

Source: Shanghai Statistical Yearbook 2006-2010; Shanghai Statistical Communiqué 2010

Note 1: Based on the 6th national population census-Shanghai as of 1 November 2010

Shanghai property market

According to Bureau of Statistics of Shanghai, amount of real estate investments increased by 35.3% to approximately RMB198.1 billion in 2010 from RMB146.4 billion in 2009. The GFA of completed residential properties increased by approximately 11.2% to 16.9 million sq.m. in 2010 from 15.2 million sq.m. 2009. However, although completed GFA of residential properties increased, total residential GFA sold in Shanghai in 2010 recorded a sharp decrease of approximately 42.4% from 29.3 million sq.m. in 2009 to 16.9 million sq.m. in 2010. The average price of residential GFA sold increased by 15% to RMB14,213 per sq.m. in 2010 from RMB12,364 per sq.m. in 2009.

The table below sets out selected statistics relating to the property market in Shanghai for the years indicated.

	2006	2007	2008	2009	2010
Real Estate Investment (RMB billion)	127.6	130.8	136.7	146.4	198.1
GFA of residential properties completed (million sq.m.)	27.5	28.4	19.0	15.2	16.9
GFA of residential properties sold (million sq.m.)	26.2	32.8	19.7	29.3	16.9
Sales revenue from residential properties (RMB billion)	184.1	270.6	160.8	362.0	239.5
Average selling price for residential properties (RMB/sq.m.)	7,039	8,253	8,182	12,364	14,213

Source: Shanghai Statistical Yearbook 2007-2010; Shanghai Statistical Communiqué 2010; Bureau of Statistics of Shanghai

During the second quarter of 2011, the total new high-end residential supply amounted to 223,124 sq.m., a massive increase from the figure in the first quarter. The highlighted new additions of this quarter included Guoxin Century Sea View Garden in Pudong and the high-end villa project of Dongjiao Bandao Garden in Chuansha, close to the planned Shanghai Disney project.

In the second quarter of 2011, high-end residential apartments witnessed a fall in both volume and price levels, dropping 2.3% and 4.65% q-o-q respectively. As for the high-end villas, rising transaction volume led to an increase in average selling prices, reaching RMB55,695 per sq.m., representing a q-o-q growth of 11.7%. With the inflation pressure, average rental levels of residential apartments and high-end villas hiked up in the second quarter, whilst the rents of serviced apartments remained stable.

The table below sets out selected statistics relating to the high-end residential market in Shanghai.

	New supply	**Transaction volume**	**Price**	**Rental**
	(sq.m.)	*(sq.m.)*	*(RMB/sq.m.)*	*(RMB/sq.m./ month)*
Non-serviced apartment	142,336	83,868	55,229	111.2
Serviced apartment	0	–	–	273.3
Villa	80,788	112,763	55,695	101.9

Note: Date as of May 2011

Source: DTZ Research

Chongqing

Overview

Benefiting from the Chinese Government's West Development Strategy, Chongqing has become one of the most important economic and transportation hubs of western China. In 1997, Chongqing became the fourth self-administered municipality of China, after Beijing, Shanghai and Tianjin. The young city has witnessed sharp increase in investors' interests since Chinese government's West Development Strategy. Moreover, one of the strong development momentums comes from its large population base. At the end of 2010, Chongqing recorded a resident population of approximately 28.8 million.

As a result of recent policy initiatives, Chongqing economy has experienced a remarkable growth in past years. GDP increased from RMB390.7 billion in 2006 to RMB789.4 billion in 2010, representing a CAGR of approximately 19.2% over the same period. Per capita GDP grew from RMB12,316 in 2006 to RMB27,367 in 2010, representing a CAGR of approximately 22.1%. The table below sets out selected data relating to economic development in Chongqing for the years indicated.

	2006	2007	2008	2009	2010
GDP (RMB billion)	390.7	467.6	579.4	653.0	789.4
Per capita GDP (RMB)	12,316	14,660	20,490	22,920	27,367
GDP per capita growth rate (%)	12.1	19.0	39.8	11.9	19.4
Year-end resident population (millions)	28.1	28.2	28.4	28.6	28.8[1]
Per capita disposable income of metropolitan households (RMB)	11,569.7	13,715.3	15,708.7	17,191.1	17,532.0

Source: Chongqing Statistical Yearbook 2006-2010; Chongqing Statistical Communiqué 2010

Note 1: Based on the 6th national population census-Chongqing as of 1 November 2010

Chongqing property market

Chongqing's real estate market experienced considerable growth in recent years in line with its positive economic sentiment and growing housing demand. Total amount of real estate investment experienced a growth rate of approximately 30.8% to RMB162.0 billion in 2010 from RMB123.9 billion in 2009. The GFA of completed residential properties decreased by 8.4% to approximately 21.8 million sq.m. in 2010 from 23.8 million sq.m. in 2009. Total residential GFA sold recorded a slight increase of 5.7% to 39.9 million sq.m. in 2010 from 37.7 million sq.m. in 2009. The average price of residential GFA sold in Chongqing in 2010 was RMB4,040 per sq.m., representing an increase of approximately 23.7% over RMB3,266 per sq.m. in 2009.

The table below sets out selected statistics relating to the property market in Chongqing for the years indicated.

	2006	2007	2008	2009	2010
Real Estate Investment (RMB billion)	63.0	85.0	99.1	123.9	162.0
GFA of residential properties completed (million sq.m.)	17.0	17.7	19.5	23.8	21.8
GFA of residential properties sold (million sq.m.)	20.1	33.1	26.7	37.7	39.9
Sales revenue from residential properties (RMB billion)	41.9	85.7	70.5	123.2	161.1
Average selling price for residential properties (RMB/sq.m.)	2,081	2,588	2,640	3,266	4,040

Source: Chongqing Statistical Yearbook 2007-2010; Chongqing Statistical Communiqué 2010; Bureau of Statistics of Chongqing

Due to the Spring Real Estate Fair held in Chongqing in late April 2011, a large amount of new supply entered the market in second quarter of 2011. From April to May 2011 (as of 15 May 2011), the new housing supply increased by 105.0% to 3,255,231 sq.m., compared with the same period of the first quarter. Overall, Nan'an District had the largest new supply, followed by Jiangbei District. Meanwhile, Nan'an District had the largest growth of new supply, which increased by 422.0% compared with the same period of the first quarter.

In the second quarter (up to 15 May 2011), new home transaction volume was down 0.9% to reach 2,007,400 sq.m., compared with the same period of the first quarter. Due to the launching of new projects as well as sales incentives offered by developers, Nan'an District recorded the largest transaction volume, which increased by 84.1% to 366,200 sq.m. In this quarter, the residential transaction volume dropped slightly, affected by two factors: the policies to restrain residential investment issued in first quarter, and the central bank increasing mortgage interest rates by 0.25 percentage points since April 2011.

The table below sets out selected statistics relating to the market in Chongqing.

	New supply *(sq.m.)*	**Transaction volume** *(sq.m.)*	**Price** *(RMB/sq.m.)*	**Price change q-o-q** *(%)*
District				
Yuzhong	252,869	181,800	9,698	3.1
Jiangbei	627,395	267,800	6,527	-12.5
Shapingba	312,738	216,400	5,755	-22.4
Jiulongpo	299,679	241,700	4,835	-18.6
Nan'an	783,296	366,200	5,499	-15.6
Yubei	542,844	327,400	5,295	-25.7
Banan	230,813	169,100	3,910	-29.4
Dadukou	138,401	183,900	4,132	-32.5
Beibei	67,196	53,100	4,827	-14.1

Note: New supply, transaction volume, price and price change refer to all property types in the market; all data for the second quarter of 2011 is as of 15 May 2011.

Source: DTZ Research

Wuxi

Overview

Wuxi is a commercial centre in the coastal area of the PRC. It is also now the second largest economy in Jiangsu Province in terms of GDP, one of the most prosperous regions in China. It had a total resident population of approximately 6.4 million at the end of 2010.

Propelled by private economy and foreign investment, Wuxi has achieved strong economic growth with GDP increasing at a CAGR of approximately 14.9% from RMB330.0 billion in 2006 to RMB575.8 billion in 2010, and its per capita GDP reached up to RMB90,355 in 2010.

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

	2006	**2007**	**2008**	**2009**	**2010**
GDP (RMB billion)	330.0	385.9	442.0	499.2	575.8
Per capita GDP (RMB)	57,719	65,212	73,053	81,146	90,355
GDP per capita growth rate (%)	13.3	13.0	12.0	11.1	11.3
Year-end resident population (millions)	5.8	6.0	6.1	6.2	6.4[1]
Per capita disposable income of urban households (RMB)	18,189	20,898	23,605	25,027	27,750

Source: Wuxi Statistical Yearbook 2006-2010; Wuxi Statistical Communiqué 2010

Note 1: Based on the 6th national population census-Wuxi as of 1 November 2010

Wuxi property market

Benefiting from its prestigious location as well as substantial growth in per capita GDP, Wuxi's real estate market experienced significant growth in recent years. Sales revenue of residential properties increased remarkably by 145% to RMB57.1 billion in 2009 from RMB23.3 billion in 2008. However, sales revenue slumped approximately 18.1% to RMB46.8 billion in 2010. Total GFA residential properties sold more than doubled from 4.6 million sq.m. in 2008 to 9.8 million sq.m. in 2009, but decreased by 38.9% to 6.0 million sq.m. in 2010. Although sales volume and sales revenue of residential properties fluctuate during the past two years, average selling price and completed GFA of residential properties keep a significant growing trend. Average selling price of commodity property increased by 34.1% from 2009 to 2010, while completed residential GFA increased by 43.6% during the same time period.

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

	2006	2007	2008	2009	2010
Real Estate Investment (RMB billion)	27.7	37.8	45.0	46.3	61.3
GFA of residential properties completed (million sq.m.)	6.1	6.0	5.9	5.5	7.9
GFA of residential properties sold (million sq.m.)	5.5	6.8	4.6	9.8	6.0
Sales revenue from residential properties (RMB billion)	20.4	29.7	23.3	57.1	46.8
Average price for residential properties (RMB/sq.m.)	3,687	4,363	5,096	5,858	7,854

Source: Wuxi Statistical Yearbook 2007-2010; Wuxi Statistical Communiqué 2010; Bureau of Statistics of Wuxi; Housing Security and Housing Administration Bureau of Wuxi

The total GFA of residential properties newly supplied to the housing market in Wuxi was 3,437,700 sq.m. between January to August 2011, which is 43.5% of the total GFA of residential properties completed in 2010. According to the Bureau of Statistics of Wuxi, the market value of the newly added properties is RMB12.0 billion. Statistics relating to the transaction volume and price of residential properties are not available from any authoritative public source.

Changsha

Overview

Being the capital city of Hunan Province, Changsha is the economic centre in south central China. As a result of its prestigious position, Changsha economy has experienced a fast growth in the past years. GDP increased from RMB179.1 billion in 2006 to RMB454.7 billion in 2010, more than doubled in that 4 years, representing a remarkable CAGR of approximately 26.2% over the same period. Per capita GDP grew from RMB27,853 in 2006 to RMB64,551 in 2010, representing another remarkable CAGR of approximately 23.4%. The table below sets out selected data relating to economic development in Changsha for the years indicated.

	2006	2007	2008	2009	2010
GDP (RMB billion)	179.1	219.0	300.1	374.5	454.7
Per capita GDP (RMB)	27,853	33,711	45,765	56,620	64,551
GDP per capita growth rate (%)	16.2	21.0	35.8	23.7	14.0
Year-end resident population (millions)	6.5	6.5	6.6	6.6	7.0[1]
Per capita disposable income of urban households (RMB)	13,924	16,153	18,282	20,238	22,814

Source: Changsha Statistical Communiqué 2005-2010

Note 1: Based on the 6th national population census-Changsha as of 1 November 2010

Changsha property market

Real estate investments in Changsha experienced a remarkable growth rate of 37.7% to approximately RMB68.4 billion in 2010 from RMB49.7 billion in 2009. The GFA of completed residential properties realised a growth rate of about 5.5% to approximately 11.6 million sq.m. in 2010 from 11.0 million sq.m. in 2009. Total residential GFA sold increased by approximately 19.6% to 16.2 million sq.m. in 2010 from approximately 13.6 million sq.m. in 2009. The average selling price of residential GFA sold increased by 22.3% to RMB4,322 per sq.m. in 2010 from RMB3,533 per sq.m. in 2009. The table below sets out selected statistics relating to the property market in Changsha for the years indicated.

	2006	2007	2008	2009	2010
Real Estate Investment (RMB billion)	30.4	41.3	47.0	49.7	68.4
GFA of residential properties completed (million sq.m.)	4.8	5.8	6.4	11.0	11.6
GFA of residential properties sold (million sq.m.)	6.9	9.3	8.0	13.6	16.2
Sales revenue from residential properties (RMB billion)	16.9	29.8	24.6	48.0	70.2
Average selling price for residential properties (RMB/sq.m.)	2,431	3,213	3,060	3,533	4,322

Source: Changsha Statistical Communiqué 2006-2010; CEIC

A total of 3,489,500 sq.m. of new residential properties was supplied to Changsha during the period January to March 2011, representing 30.1% of the total GFA of residential properties completed in 2010. 3,508,200 sq.m. of residential properties were sold in the same period, of which 180,700 sq.m. was contributed by high-end luxury apartments and villas. Total GFA sold in the first quarter of 2011 in Changsha represents 21.6% of the total GFA of residential properties sold in 2010. As at 31 August 2011, total GFA of completed and sold residential properties have increased to 7,638,547 sq.m. and 9,699,854 sq.m. respectively. Statistics relating to the average selling price are not available from any authoritative public source.

Kunshan

Overview

Kunshan is located in the Southern Jiangsu Plain and in the southeast of Suzhou jurisdiction. It has a land mass of 927 sq.km. and a total registered population of approximately 710,000 at the end of 2010.

Economy of Kunshan grew fast during the last several years. GDP increased from RMB93.2 billion in 2006 to RMB210 billion in 2010, representing a CAGR of 22.5% during the same time period. Per capital GDP grew remarkably from RMB91,600 in 2006 to RMB144,500 in 2010, representing a CAGR of 12.1% during the same time period. Per capita disposable income increased from RMB19,016 in 2006 to RMB30,923 in 2010.

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

	2006	**2007**	**2008**	**2009**	**2010**
GDP (RMB billion)	93.2	115.2	150.0	175.0	210.0
Per capita GDP (RMB)	91,600	101,000	120,882	135,355	144,500
GDP per capita growth rate (%)	32.9	10.3	19.7	12.0	6.8
Year-end registered population (millions)	0.67	0.68	0.69	0.70	0.71
Per capita disposable income of urban households (RMB)	19,016	21,927	24,808	27,609	30,923

Source: Kunshan Statistical Communiqué 2005-2010

Kunshan property market

The rapid economic expansion and industrialisation over the past two decades have turned Kunshan to a wealthy metropolis. Real estate benefits from its rapid growth too.

Real estate investments in Kunshan experienced a growth rate of 29.4% to approximately RMB20.1 billion in 2010 from RMB15.5 billion in 2009. The GFA of completed commodity properties realised a growth rate of about 43.3% to approximately 4.3 million sq.m. in 2009 from 3 million sq.m. in 2008 and decreased slightly to 4.1 million sq.m. in 2010. Total commodity GFA sold experienced a sharp decrease of 43.7% to 3.5 million sq.m. in 2010 from approximately 6.3 million sq.m. The average price of commodity property is RMB7,556 per sq.m. in 2010. Sales revenue from commodity properties reached RMB26.6 billion during the same year. The table below sets out selected statistics relating to the property market in Kunshan for the years indicated.

	2006	**2007**	**2008**	**2009**	**2010**
Real Estate Investment (RMB billion)	7.4	8.9	12.0	15.5	20.1
GFA of commodity properties completed (million sq.m.)	5.8	5.1	3.0	4.3	4.1
GFA of commodity properties sold (million sq.m.)	3.5	5.1	2.8	6.3	3.5
Sales revenue from commodity properties (RMB billion)	13.5	21.8	13.8	35.9	26.6
Average selling price for commodity properties (RMB/sq.m.)	3,835	4,262	4,971	5,735	7,556

Source: Kunshan Statistical Communiqué 2006-2010

2011 statistics relating to the property development sector in Kunshan are not available from any authoritative public source.

REGULATIONS GOVERNING PROPERTY DEVELOPMENT ENTERPRISES

Conditions, procedures and policies of establishing a property development enterprise

《中華人民共和國城市房地產管理法》(The Law of PRC on Urban Real Estate Administration) (the "Urban Real Estate Administration Law"), which was implemented on 1 January 1995 and amended on 30 August 2007, prescribes the requirements for the establishment of a property development enterprise.《城市房地產開發經營管理條例》(The Administrative Ordinance on Development and Management of Urban Real Estate) (the "Administrative Ordinance") promulgated and implemented by the State Council on 20 July 1998, prescribes the requirements in addition to that prescribed by the Urban Real Estate Administration Law. This regulation also clarifies that when investing to establish a property development enterprise, a foreign developer shall be subject to the relevant examination and approval formalities as required under the laws and administrative regulations governing foreign-invested enterprises.

Pursuant to the Urban Real Estate Administration Law and the Administrative Ordinance, an entity that wishes to establish a property development enterprise shall apply for registration with the administrative authorities for industry and commerce at or above the county level. Within 30 days of the receipt of the business licence, a property development enterprise shall report to the real estate development authority where the enterprise is registered.

Qualification of property development enterprises

Pursuant to the Administrative Ordinance, the administrative authorities responsible for real estate development shall examine and approve the level of qualification of each property development enterprise based on certain criteria such as the level of assets, professional technical personnel and achievements in development and management of property development of the relevant property development enterprise. A property development enterprise may only carry out such property development projects which accord with its approved level of qualification.

Pursuant to《房地產開發企業資質管理規定》(the Provisions on Administration of Qualifications of Real Estate Developers) (the "Provision on Administration of Qualifications") promulgated and implemented by the Ministry of Construction on 29 March 2000, an enterprise may not engage in property development and business without a Real Estate Development Qualification Classification Certificate (the "Qualification Certificate"). Property development enterprises are classified into four grades – Classes 1, 2, 3 and 4. A newly established real estate development enterprise shall, within 30 days of the receipt of the business licence, report to the local real estate development authority which will then issue the reporting real estate development enterprise an interim qualification certification. An interim qualification certification is valid for one year from initial issue and depending on the circumstances of the enterprise, can be extended for up to an additional two years. No extension will, however, be granted if an enterprise fails to commence any development project within one year upon the receipt of the interim qualification certification. In addition, a property development enterprise must apply for examination and approval for classification of qualification with the real estate development authority one month before the expiry of the interim qualification certification. An enterprise applying for an interim qualification certification must at least meet the minimum conditions set for an enterprise with Class 4 Qualification. The class attained affects the location and scale of project the enterprise is permitted to carry out. The scale of the construction undertaken by a property development enterprise attaining Class 1 Qualification is unrestricted, and such enterprise may contract projects anywhere in the country. A property development enterprise which has attained Class 2 or lower qualifications, in contrast, can only undertake development and construction projects with a floorage of less than 250,000 sq.m., and the specific contract range must be within the limits permitted by the construction administrative authorities of the relevant provincial construction regulatory authority. Each enterprise may only engage in the business of property development within the prescribed scope of its qualification certificate.

Special regulations in respect of foreign-invested property development enterprises

Restrictions on foreign investment in real estate

PRC laws and regulations impose restrictions on foreign investments in real estate. Such restrictions are primarily reflected in the following three principles:

(1) Investment through equity joint venture or contractual joint venture

As stated in《外商投資產業指導目錄》(the Catalogue of Industries for Guiding Foreign Investment) issued by the Ministry of Commerce and the NDRC on 31 October 2007 and implemented on 1 December 2007, (i) the development of a whole piece of land lot, namely the carrying out of primary preparatory work of a land site including infrastructure construction and utility installation by sole foreign owned entities is prohibited; and (ii) joint development of a whole piece of land lot with PRC partners and the construction and operation of high-end hotels, villas, high-end office buildings and international conference centres ("restricted foreign investment category") are permitted subject to certain restrictions. Foreign investment is only unrestricted for property development activities ("permitted foreign investment category") falling outside the above two categories. A foreign investor intending to engage in the development and sale of property in China falling within category (ii) may establish an equity joint venture, a contractual joint venture or a wholly foreign-owned enterprise in accordance with the PRC laws and administrative regulations governing foreign-invested enterprises.

(2) Establishment of a commercial presence

Pursuant to《關於規範房地產市場外資准入和管理的意見》(the Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market) ("Circular No. 171") jointly promulgated and implemented by the Ministry of Construction, the Ministry of Commerce, the NDRC, the PBOC, the State Administration for Industry and Commerce and the State Administration of Foreign Exchange on 11 July 2006, an overseas institution or individual, when purchasing any property in China for purposes other than self-use must have a commercial presence in the PRC. This is met by establishing a foreign-invested enterprise according to the relevant provisions on foreign investment in real estate.

(3) Single-project companies

Pursuant to《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》(the Notice on Further Strengthening and Regulating the Examination, Approval and Supervision of Foreign Direct Investment in Real Estate Industry) (No. "50") issued by the Ministry of Commerce and the State Administration of Foreign Exchange and implemented on 23 May 2007, foreign investment in the development and operation of property sector must operate through project companies. Where a foreigner applies for the establishment of a property development enterprise, it shall acquire the land use rights, the ownership of buildings, or sign a contract on the advance assignment/purchase of land use rights or building property right with the relevant administrative department of land, land developer or owner of building property right. The approving authorities may reject an application if an applicant fails to satisfy the above requirements. Where an established foreign-invested enterprise intends to acquire a new property development project and engage in a new property development business, it shall apply to the approving authorities to extend its business scope.

Approval and filing for the establishment of foreign-invested property development enterprises

A foreign-invested property development enterprise may be established by incorporation through acquisition. Pursuant to the Administrative Ordinance, the establishment of a foreign-invested property development enterprise shall comply with the relevant approval process according to the laws and administrative regulations on foreign investments.

(1) Approval from the relevant development and reform authority

Pursuant to《外商投資專案核准暫行管理辦法》(the Interim Measures for the Administration of Approving Foreign-invested Projects) promulgated by the NDRC on 9 October 2004, NDRC's approval is required for any foreign invested project within the category of encouraged or permitted foreign investments if the total investment amount exceeds US$100 million and any project within the category of restricted foreign investments if the total investment amount exceeds US$50 million. In addition, approval of the State Council is also required for a foreign investment projects within the category of encouraged or permitted foreign investments if the total investment amount exceeds US$500 million and any project within the category of restricted foreign investments if the total investment amount exceeds US$100 million. Furthermore, projects which are subject to restrictions require the approval by the provincial development and reform authority.

(2) Approval of the administrative department of commerce

The establishment of a foreign-invested enterprise is subject to the approval of the administrative department of commerce.《關於下放外商投資審批許可權有關問題的通知》(The Notice on Delegation Approval Authority for Foreign Investments) issued by the Ministry of Commerce states that the formation of and alteration to foreign-invested enterprises with a total investment not exceeding US$300 million carrying out activities in the encouraged or permitted category or with a total investment not exceeding US$50 million carrying out activities in the restricted category of the Catalogue of Industries for Guiding Foreign Investment is subject to the jurisdiction of the local approval authorities. Pursuant to《關於外國投資者併購境內企業的規定》(the Provisions on Takeovers of Domestic Enterprises by Foreign Investors) (the "Takeovers Provisions") promulgated by Ministry of Industry and Commerce and other five departments of the State Council on 8 August 2006, and became effective on 8 September 2006 and was amended on 22 June 2009, the merger or acquisition of a domestic enterprise by a foreign investor can only be conducted in the following means: (i) a foreign investor purchases the equity of a domestic non-foreign-invested enterprise ("domestic enterprise") or subscribes for the increased capital of a domestic enterprise, in both cases, the domestic enterprise will be converted to a foreign-invested enterprise (an "equity-based takeover"); or (ii) a foreign investor establishes a foreign-invested enterprise and through which such an enterprise acquires the assets of a domestic enterprise and operates such assets; or (iii) a foreign investor directly purchases the assets of a domestic enterprise, and then uses such assets to establish a foreign-invested enterprise to operate such assets.

An equity-based takeover is subject to various registration and approval procedures under the Takeovers Provisions. The transfer of equity interest and projects of a foreign-invested property development enterprise as well as the acquisition of a domestic property development enterprise by a foreign investor require the approval of the department of commerce. An investor must submit letters of guarantee for the performance of the obligations under the land use rights grant contract, the construction land planning permit, the construction work planning permit, the land use rights certificate, certification for the alteration of archival files in the administrative department of construction (real estate) as well as the relevant certification materials of tax return as produced by the taxation authority.

(3) Filing with the Ministry of Commerce

Pursuant to Circular No. 50, following the approval by a local approval departments approving the establishment of a foreign-invested property development enterprise, the local departments must file the relevant documents with the Ministry of Commerce.

Specific requirements

(1) Ratio between registered capital and total investment amount

Circular No. 171 and the Notice of Relevant Problems on Implementation of Opinions on Regulating the Access and Administration of Foreign Investment in the Real Estate Market promulgated by the Ministry of Commerce on 14 August 2006, require foreign property development enterprises to maintain a minimum registered capital to total investment amount ratio. A foreign property development enterprise which has a total investment amount of US$10 million or more, must have a registered capital of no less than 50% of the total investment amount; an enterprise with a total investment amount of between US$3 million and US$10 million must have registered capital of no less than 50% of its total investment amount; an enterprise with a total investment amount not exceeding US$3 million must have a registered capital of no less than 70% of its total investment amount.

(2) Pay off the transfer fee of the land use rights

Pursuant to Circular No. 171, newly established foreign property development establishments must obtain from the administrative department of commerce and the administrative authority for industry and commerce an approval for establishment and issue a 1-year approval certificate for foreign-invested enterprise and a business licence. In addition to the requirement to pay a transfer fee for the land use rights, the enterprise must apply for a land use rights certificate with the administrative department of land, an official approval certificate for foreign-invested enterprise at the administrative department of commerce and a business licence at the administrative department for industrial and commerce. It must also register with the taxation authority.

Foreign investors without an approval certificate for a foreign-invested enterprise may not engage in the business and operation of property development in the PRC.

(3) No fixed return

Investors of a foreign property development enterprise may not enter into any agreement in any manner which guarantees a fixed return on its investment.

Approval on transfer of shares

Pursuant to Circular No. 171, a transfer of shares in a foreign property development enterprise must be approved by the relevant government departments such as the administrative department of commerce.

Restrictions on domestic and overseas loans

Pursuant to Circular No. 171, a foreign property development enterprise is prohibited from taking out any loans whether domestically or overseas if it fails to pays up its registered capital in full, it fails to obtain the state-owned land use certificate or where its project development capital falls below 35% of its total project investment amount. In such an event, the administrative department of foreign exchange will not approve any settlement of any foreign exchange loans.

LAND FOR PROPERTY DEVELOPMENT

In 1988, the National People's Congress amended《中華人民共和國憲法》(the PRC Constitution) and《土地管理法》(the Land Administration Law) ("Land Administration Law") to provide for the transfer of land use rights.

The acquisition of land for property development

As stated in the Land Administration Law which became effective on 1 January 1999 and amended on 28 August 2004, all lands in China are collectively owned and no entities or individuals may occupy, sell, purchase or illegally transfer any land other than through a transfer of land use rights in accordance with laws.

Pursuant to《城市房地產管理法》(the Urban Real Estate Administration Law) implemented on 1 January 1995, land use rights can be assigned through auction, bidding or negotiations between the related parties. The land use rights for construction of commercial, tourist, recreational facilities or luxury housing must be assigned by way of auction or bidding where possible; such rights can be assigned by way of negotiations between the relevant parties only if an auction or bidding is not feasible. Prices for the land use rights assigned through negotiations between parties cannot be lower than the minimum price stipulated by the relevant State provisions. The assignment of the land use rights can only be effected by written contracts. The contract for the assignment of the land use rights must be signed by the land administration department of a city or county government and land users.

Land users who wish to change the use of the land prescribed by such contract must obtain the prior consent of the transferor and the urban planning department of the city or county people's government, and pay any adjustments to the land premium of the land use rights. Pursuant to the Urban Real Estate Administration Law, it is only after the land user has paid off the fees for compensation or settlement, that the people's governments at the county level or above approved to deliver the land for use or deliver the land use rights to the land user. There is no time limit for the land use rights obtained through allocation in accordance with this law, except those prescribed otherwise by the laws and administrative rules.

Pursuant to《中華人民共和國物權法》(the PRC Property Law) that became effective on 1 October 2007, the right to use land for construction may be granted or allocated. Land used for the purposes of industry, business, entertainment or commercial dwelling houses, etc. or for which there are two or more intended uses shall be transferred by means of auction, bid invitation or any other public bidding method. It is strictly prohibited to establish the right to use land for construction by means of allocation. The means of allocation shall be adopted according to the provisions on land uses in the laws and administrative regulations.

Pursuant to《關於當前進一步從嚴土地管理的緊急通知》(the Urgent Notice of Further Strengthening the Administration of the Land) (the "Urgent Notice") issued by the Ministry of Land and Resources on 30 May 2006, land authorities are required to rigidly adhere to the requirements of《國有土地使用權出讓合同示範文本》(Model Text of the State-owned Land Use Rights Grant Contract) and《國有土地使用權出讓合同補充協定示範文本(試行)》(Model Text of the State-owned Land Use Right Granting Supplementary Agreement (for Trial Implementation)) jointly enacted by the Ministry of Land and Resources and the State Administration of Industry and Commerce. The Model Text sets out the criteria for ascertaining and determining the planning, construction and land use such as the restriction of the type of dwelling-house, plot ratio and the time limits of construction for any land, which will be set out in the relevant land use rights grant contract.

The time limit of the land use rights

Pursuant to《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》(the PRC Interim Regulations concerning the Assignment and Transfer of the Land Use Rights to State-owned Land in Urban Areas) promulgated by the State Council, the maximum term for any assigned land use rights shall be as follows: (i) 70 years for residential purposes; (ii) 50 years for industrial purposes; (iii) 50 years for the purposes of education, science, culture, public health and physical education; (iv) 40 years for commercial, tourist and recreational purposes; and (v) 50 years for mixed-use or other purposes.

Pursuant to the Urban Real Estate Administration Law, if a land user wishes to apply for an extension of any land use rights following the expiration of its original term, the application should be made at least one year before the term expires. The application will normally be approved as a matter of course unless public interest dictates otherwise. When extension is approved, a new land use contract will be entered into, for which additional fees will be imposed. Where a land grant contract is not renewed, the land will be returned to the State gratis on the expiry of the original term prescribed in the relevant subsisting land use rights grant contract.

Assignment procedure of construction land use rights

Pursuant to《招標拍賣掛牌出讓國有土地使用權規定》(the Provisions on the Assignment of State-owned Construction Land Use Rights through Bid Invitation, Auction and Quotation promulgated by the Ministry of Land and Resources) and became effective on 1 November 2007 (the "Bid Invitation, Auction and Quotation Provision"), assignment of land for the purpose of industry, commerce, tourism, entertainment, commercial housing or other business operations, or for which there are two or more intended land uses, shall be conducted through bid invitation, auction or quotation. Land for industrial use in this regard includes land used for storage but excludes mining land. The "assignment of state-owned construction land use rights through bid invitation" is defined in the Bid Invitation, Auction and Quotation Provision to mean the department of land and resources under the people's government of the city or county (hereinafter referred to as the assigner) releasing a bid invitation notice, inviting specific or non-specific natural persons, legal persons and other organisations to participate in the bidding of the state-owned construction land use rights, and then determining the holder of state-owned construction land use rights according to the bidding results. The "assignment of state-owned construction land use rights through auction" as defined in these provisions refers to a release of auction notice by the assignor, and the competitive buyers conduct an open price competition at a designated time and place, and the assignee for the relevant state-owned construction land use rights will be determined according to the results of such price competition. The "assignment of state-owned construction land use rights through quotation" (as defined in these provisions) refers to the release of the quotation notice or list by the assignor, announcing the trading terms about the land for assignment at a designated land exchange and all other terms specified in the notice. The quotation is updated based on the responses by competitive buyers, and the assignee for the relevant state-owned construction land use rights is then determined based on who best meets the updated quotation results at the expiry time for quotation or responding to the quotation.

Pursuant to《土地登記辦法》(the Measures for Land Registration) promulgated by the Ministry of Land and Resources on 30 December 2007 and implemented on 1 February 2008, the administrative department of land and resources shall, within 20 days after acceptance of a land registration application, handle the formality for examination of land registration. The said term may be extended by ten days upon approval of the person-in-charge of the administrative department of land and resources. The Ministry of Land and Resources issued《關於貫徹實施＜土地登記辦法＞進一步加強土地登記工作的通知》(the Notice of Further Strengthening Land Registration Work Concerning Implementing Measures for Land Registration) ("Notice") on 9 April 2008, prohibits registration of any unlawful land use rights. The said Notice provides that it is forbidden to register and issue the certificate of the use of State-owned land: (1) if there are disputes concerning the title of the land; (2) if the full amount of the contract price is not paid off; or (3) where the holder has illegally changed the land use.

Stoppage of supply for land used for villas, strict control of supply for land used for expensive commodity properties

Pursuant to《國土資源部關於加強城市建設用地審查報批工作有關問題的通知》(the Notice of the Ministry of Land Resources on Relevant Issues Concerning the Strengthening of Approval of Land Use in Urban Construction) promulgated and implemented on 4 September 2003, land use for luxurious commodity houses shall be stringently controlled, and applications for land use for villas be stopped.

Pursuant to《關於加強土地供應管理促進房地產市場持續健康發展的通知》(the Notice of the Ministry of State Land and Resources on Strengthening the Land Supply Management and Promoting the Sustainable Sound Development of Real Estate Market) promulgated on 24 September 2003, the land supply for expensive commercial housing will be strictly controlled. Land supply for districts with too many overstocked expensive commodity properties, office buildings and other commercial buildings will be strictly controlled or stopped temporarily. The supply for land used for building villas for such districts shall be ceased. In addition, the Ministry of Land and Resources issued the Urgent Notice on Present Strengthening Land Administration on 30 May 2006, which specifically stipulates that the assignment of land for real estate development must be conducted by way of bid invitation, auction and quotation and reasonably determine the area of the land. The supply of land for low-density and large-sized marketable houses shall be strictly controlled.

Provisions concerning stopping supplication for land used for villas projects shall be implemented firmly, and from this day, supplication for land and relevant land use procedure must be ceased without exception.《關於促進節約集約用地的通知》(The Notice of the State Council on Promoting the Land Saving and Intensive Use), which was promulgated and implemented by the State Council on 3 January 2008, prescribe optimising the structure of residential land. It is necessary to make reasonable arrangements for residential land and continue to stop the supply of land to villa development projects. For the supply of residential land, it is necessary to write down such planning conditions as the minimum volume rate, number of apartments on each lot and the types of residential apartments in land transfer contracts or written assignment decisions, and ensure that 70% of industrial land be used for the construction of low-rent houses, economically affordable houses, price-limited houses and medium and small-sized common marketable houses with an area of less than 90 sq.m., and prevent large-sized marketable houses from occupying the land.

PROPERTY DEVELOPMENTS

Feasibility studies

When carrying out the feasibility study for a property development project, the construction contractor or the property developer must make a preliminary application to the relevant land administration authority for construction of the site in accordance with the requirements of《建設用地審查報批管理辦法》(the Measures for Administration of Approval for Construction Sites) promulgated by the Ministry of Land and Resources in March 1999 and《建設項目用地預審管理辦法》(the Measures for Administration of Preliminary Examination of Construction Project Sites) promulgated by the Ministry of Land and Resources in July 2001 (as amended in October 2004). On receipt of the preliminary application, the land administration authority will examine various aspects of the property development project to ensure compliance with the overall zoning plans and land supply policy of the government. It will issue a preliminary approval if the examination is satisfactory. The land administration authority at the relevant city or county will then sign a land use rights grant contract with the land user and issue an approval for the construction site to the construction contractor or the property developer.

Dismantlement of houses

The State Council promulgated and implemented《國有土地上房屋徵收與補償條例》(the Regulation on the Expropriation of Buildings on State-owned Land and Compensation) on 21 January 2011, which repealed the Regulation on the Dismantlement of Urban Houses. The new regulation stipulates that, where a building of any entity or individual on state-owned land is expropriated for public interest, the owner of the expropriated building (hereinafter referred to as the "owner") must be fairly compensated and the government at the city or county level shall be responsible for overseeing building expropriation and compensation within its administrative region. An owner may choose either monetary compensation or an exchange of titles. If an owner chooses an exchange of titles, the government at the city or county level must provide a building for exchange of titles, and determine and settle with the owner the difference between the value of the expropriated building and the value of the building provided for exchange of titles. If personal housing is expropriated due to the rebuilding of an old urban area, and an owner chooses exchange of titles in the rebuilt area, the people's government at the city or county level which makes the building expropriation decision must provide a building in the rebuilt area or in a nearby area.

Commencement of property development projects and idle land

Commencing of property development projects

Pursuant to the Urban Real Estate Administration Law, developers who have obtained the land use rights through assignment for property development must develop the land in accordance with the use and term as prescribed by the land use rights contract. If the development is not commenced within one year from the prescribed commencement date, an idle land fee in an amount up to 20% of the land premium may be imposed; and if the development is not commenced within two years from the prescribed commencement date, the land use rights may be forfeited without any compensation, unless the delay is caused by force majeure, acts of the government or the carrying out of the necessary preparatory work before development can commence.

Idle land

(1) Definition of idle land

Pursuant to《閒置土地處置辦法》(the Measures on Disposal of Idle Land) promulgated by the Ministry of Land and Resources on 28 April 1999, idle land refers to those land the construction or development for which was not commenced within the time limit stipulated in the land use rights contract without the consent of the government originally approving the use of land. A land may also be identified as idle land in any of the following cases: (1) where the land use contract or the approval letter on land used for construction does not provide for a development or construction commencement date, and development and construction of the land does not commence within one year from the date on which the land use contract became effective or the date the administrative department of land issued the approval letter for that land used for construction; (2) the development and construction of the land has commenced but only in respect of less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction of such land has been suspended continuously without an approval for one year or more; and (3) other circumstances prescribed by the laws and the PRC administrative regulations.

(2) Regulation of idle land

Pursuant to the Measures on Disposal of Idle Land, idle land will be dealt with as follow: (1) the development and construction period may be extended (up to a period of one year); (2) the use of land be changed; (3) interim use is permitted, pending the satisfaction of the previous development and construction requirements but if the value of the land has increased, the government may impose additional land premium; (4) swapped with another idle land of similar vale or another construction land as determined by the government; (5) new land user be chosen by the government through bidding or auction to continue the development and construction of the project and the previous land user will be compensated; (6) the relevant land use rights be returned to the government in which case the land user is obliged to enter into a contract to effect the same. Where the previous land user can show a need for land, the government may, according to the contract on the return of the land use rights, supply the user with land of equal value. If the idle land was idle due to the acts of the government, the land user who has paid part of the land use fee or fee for requisitioning the land, in addition to choices above, ask that the government provide land to the land user based on the portion and the amount of land premium paid, and the remaining part shall be retained by the government.

Pursuant to《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》(the Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Structure and Stabilising the Housing Prices forwarded by the State Council) on 24 May 2006, regulation of idle land should be tightened. Where the development has not commenced within one year from the prescribed commencement date, idle land penalty of up to 20% of the land premium shall be imposed, and the land user can be ordered to develop and complete the project within a time limit; where the development has not commenced within two years from the prescribed commencement date, the land use rights may be forfeited without compensation.

Subsequent to the above laws, the PRC government has issued a number of notices to step up the enforcement of the regulation of idle land.

Construction land planning

Pursuant to《中華人民共和國城鄉規劃法》(the PRC Urban and Rural Planning Law) (the "Urban and Rural Planning Law") promulgated by the National People's Congress on 28 October 2007 and implemented on 1 January 2008, if the right to use state-owned land for a construction project within a city or town planning area is allotted, upon the approval or verification of the related department, or archiving of the project, the construction entity shall apply to the competent department of urban and rural planning of the city or town for permitting the land use planning for construction, and the department shall issue a construction land use planning permit after checking and verifying (i) the location and area of the land used for construction and (ii) the scope of areas where construction is permitted in accordance with the regulatory detailed planning for those areas. The construction entity can only make the relevant application to the competent department of land at or above the county level after obtaining the land use planning permit. The competent department of land may allocate land to it upon the approval of the government at or above the county level. If the right to use state-owned land for a construction project is obtained by assignment, the construction entity shall, after concluding the contract for assignment of the right to use state-owned land, obtain a land use planning permit from the competent department of urban and rural planning of the city or county by submitting the relevant approval, or verification or archive-filing documents of the project as well as the contract for assignment of the right to use start-owned land. The relevant competent department of urban and rural planning of the city or county may not change the planning requirements which constitute a component of the contract for assignment of the right to use start-owned land in the land use planning permit without approval.

Pursuant to《城市國有土地使用權出讓轉讓規劃管理辦法》(the Regulatory Measures on Assignment and Transfer of State-owned Land Use Right Planning) promulgated by the Ministry of Construction and implemented on 1 January 1993, where the land assignment contract has been signed in the course of acquiring the relevant land use rights, the assignee must apply for the land use permit with the urban planning administrative authority.

Construction project planning

Pursuant to the Urban and Rural Planning Law any developer wishing to build any structure, fixture, road, pipeline or other engineering project within a city or town planning area must apply to the competent department of urban and rural planning of the relevant city or county or the town people's government specified by the relevant province, autonomous region or municipality directly under the central government for a planning permit on a construction project. If the project requires a site detailed planning, such planning shall also be submitted. If the project satisfies the regulatory detailed planning and the planning requirements, the relevant competent department of urban and rural planning shall issue such developer a planning permit on the construction project.

Projects under construction

Construction permit

Pursuant to《建築工程施工許可管理辦法》(the Measures for the Administration of Construction Permits for Construction Projects) amended by the Ministry of Construction on 4 July 2001, the construction entity must, prior to commencing construction works, apply, in accordance with the provisions of these measures, to the relevant administrative department in charge of construction (county level and above) (the "permit issuing authority") where the construction is located for a construction permit. For a construction project with investment less than RMB300,000 or construction size is less than 300 square meters, the construction entity may be exempted from applying for a construction permit. The relevant government construction entity must commence construction works within three months since the day it obtains the relevant construction permit. Where it could not start the construction in due time because of special reasons, the relevant entity must apply for an extension, before the expiration of the time limit, to the permit issuing authority. Two extensions will be permitted and each extension cannot be for a period exceeding three months. If the construction entity neither starts the construction nor applies for extensions or if the extensions is beyond the two-time limit or beyond the three-month duration, the construction permit shall be automatically invalidated.

Bidding

Pursuant to《中華人民共和國招標投標法》(the PRC Bidding Law) promulgated by the National People's Congress on 30 August 1999 and implemented on 1 January 2000, Bidding must be carried out for the following construction projects, including the survey, design, construction, supervision of the project, and the procurement of the important equipment, materials relevant to the construction of the project: (1) large projects of infrastructure facility or public utility that have a bearing on the social public interest and the safety of the general public; (2) projects entirely or partially funded by state-owned funds or loans by the state; (3) projects funded by loans from international organisations and foreign governments and/or aid funds.

Pursuant to《工程建設專案招標範圍和規模標準規定》(the Regulations on the Tendering Scope and Threshold for Construction Projects promulgated by State Development Planning Commission) promulgated on 1 May 2000, various construction projects, including survey, design, construction, supervision, and procurement of important equipment or materials related to projects shall subject to tender requirements if they meet one of the following thresholds: (1) single construction contract value estimated at more than RMB2 million; (2) single contract value for procurement of important equipment or material estimated at more than RMB1 million; (3) single contract value for procurement of services like survey, design and supervision estimated at more than RMB500,000; (4) single contract value estimated below the thresholds prescribed in (1), (2), and (3) above but the total investment amount exceeds RMB30 million.

Quality of projects

A summary of the important provisions in respect of construction production safety management contained in《中華人民共和國建築法》(the PRC Construction Law) promulgated by National People's Congress on 1 November 1997, which became effective as of 1 March 1998, is set forth as below: All construction project production safety managers must adhere to the policy of safety first and prevention first, and must establish and maintain a system of production safety. All construction project design must conform to the construction safety procedures and technical standards formulated in accordance with state provisions to ensure the safe execution of the project.

Pursuant to the Regulation on the Quality Management of Construction Projects promulgated by the Ministry of Construction on 30 January 2000, all construction project owners, surveyors, designers, construction contractors are responsible for the quality of construction projects. Persons engaging in the activities of construction project must strictly comply with fundamental construction procedures and shall adhere to the principle of surveying first, then design and thereafter construction.

(1) Responsibilities of Construction Project Owners for Quality

A construction project owner must contract its project only to contractors with the corresponding grade qualifications. No construction project owner may contract a construction project by dividing it into several parts. A construction project owner shall invite bids for the survey, design, construction, supervision of a construction project, as well as for the purchase of important equipment and materials relating to the project construction.

(2) Supervision

A construction project owner must only appoint project supervisors with qualification grade suited to supervise the project, or authorise the project designer, if with the corresponding project supervision qualification grade provided the designer does not have subordination relationship or any other interested relationship with the construction contracting entity, to supervise it. The following construction projects shall be subject to supervision: (1) key construction projects of the state; (2) large and medium public utility projects; (3) construction projects of residential areas developed in vast stretches; (4) construction projects funded by loans or aid funds from foreign governments or international organisations; and (5) other projects that to supervision as provided for by the state.

Completion of projects

Pursuant to the Administrative Ordinance promulgated by the State Council on 20 July 1998, after a property development project is completed, the developer must apply for examination and acceptance from the administrative authority responsible for real estate development at or above the county level of the region where the project is located. Larger projects which are developed in phases may be examined and accepted by phases.

Pursuant to《建設工程質量管理條例》(the Regulation on the Quality Management of Construction Projects) promulgated by the State Council in 2000, all construction projects submitted for examination and acceptance must satisfy the following conditions: (1) the work set out in the relevant design and stipulated in the contract must have been completed; (2) there must be complete technical archives and construction management materials; (3) there must be properly kept reports on on-site tests carried out for all major construction materials, components, fittings and equipment used for the construction project; (4) a quality conformity document must have been signed by the parties responsible for the survey, design, construction, supervision, etc.; and (5) a guarantee for the repair of construction project must have been signed by the construction entity. No construction project may be delivered to the purchasers of units until it has passed the completion-based checks.

TRANSACTIONS OF REAL PROPERTIES

Transfer of real property

General provisions

Pursuant to the PRC Interim Regulations concerning the Assignment and Transfer of the Land Use Rights to State-owned Land in Urban Areas, a transfer of the land use rights includes a land user's act of re-assigning the land use rights, including the sale, exchange, and donation thereof. If the land has not been developed and utilised within the period of time specified in the contract and the conditions therein, the right to the use of that land may not be transferred. A transfer contract must then be signed for the transfer of the land use rights. With the transfer of the land use rights, the rights and obligations specified in the initial contract for assigning the land use rights and in the relevant registration documents will be transferred accordingly. A land user who has acquired the land use rights by means of the transfer thereof shall have a term of use which is the remainder of the term specified in the contract for assigning the land use rights minus the number of years in which the original land user has used the land. With the transfer of the land use rights, the ownership of the above-ground buildings and other attached objects shall be transferred accordingly. Owners or joint owners of the above-ground buildings and other attached objects have the land use rights within the limits of use of the said buildings and objects. With the transfer of the ownership of the above-ground buildings and other attached objects with the exception of the movables, the land use rights within the limits of use of the said buildings and objects shall be transferred accordingly.

Pursuant to《城市房地產管理法》(the Urban Real Estate Administration Law) implemented on 1 January 1995, a real property which is subject to any of the following conditions may not be transferred: (1) the assignment of the land use rights does not comply with the conditions as prescribed in the Urban Real Estate Administration Law; (2) the title to the real property is restricted in any form by a ruling or decision of a judicial authority or an administrative department; (3) the relevant land use rights has been revoked; (4) without a written consent of the other owners in the case of joint ownership; (5) where title is subject to disputes; (6) a real property that has not been registered and no title certificate has been obtained; and (7) such other condition as imposed under the law or administrative rules which forbids transfer of the affected property.

All transfers of the land use rights attached to a real property must comply with the following conditions: (1) all the fees in connection with the assignment of the land use rights have been paid in accordance with provisions prescribed by the contract for the assignment; (2) the land use rights certificate has been obtained by the transferor; and (3) sufficient investment and development of the site has been carried out in accordance with the provisions prescribed by the contract for the assignment. When a real property is transferred with a building, a title certificate for the building is also required.

All transfers of real properties in relation to allocated land are subject to the approval of the relevant government in accordance with the requirements stipulated by the State Council from time to time. Upon approval, the transferee shall complete the transfer procedures and pay any required land premium in accordance with applicable laws. The relevant government has the discretion to refuse the registration of any transfer of real property attaching to allocated land. A transferor who transfers any real properties without the relevant government approval is required to pay to the government all the profits arising from the transfer as a fine.

Sale of commodity properties

Pursuant to《商品房銷售管理辦法》(the Regulatory Measures on the Sale of Commodity Properties) promulgated by the Ministry of Construction on 4 April 2001 and implemented on 1 June 2001, the sale of commodity properties includes spot sale and pre-sale.

(1) Conditions for pre-sale of commodity properties

Pursuant to the Urban Real Estate Administration Law, pre-sale of any commodity properties must meet the following conditions: (1) all land premium for the land use rights has been paid and the relevant land use rights certificate has been obtained; (2) a construction work planning permit has been obtained; (3) at least 25% of the total planned construction costs for the project of which the properties are being pre-sold has been paid, and the construction schedule and completion date for the development have been confirmed; and (4) a pre-sale registration has been made with the real estate administration of the relevant government department (one level above the county level) and a pre-sale permit has been obtained. The vendor of the pre-sale commodity properties shall, in accordance with the relevant State provisions, file the pre-sale contracts with the real estate administration and land administration departments of the people's government above the county level. All proceeds from pre-sale must be applied to the construction of the relevant project.

(2) Pre-sale registration

Pursuant to the Property Law, where the parties concerned have entered into a purchase agreement on a premise or the real right of any other real property, they may apply to the registration authority for advance notice registration to guarantee the realisation of the real right in the future. Upon the advance notice registration, any disposal of the real property without obtaining the consent of the holder in the advance notice registration shall not be valid against the holder. If the obligee's right is eliminated or the application for the registration of the real property is not made within three months after such right is capable of registration, the advance notice registration shall lapse and cease to be effective.

(3) Conditions for sale of commodity properties

Pursuant to《商品房銷售管理辦法》(the Regulatory Measures on the Sale Of Commodity Properties), all sale of commodity properties must meet the following conditions: (1) the property developer must have a valid business licence and a certificate of real property development; (2) a land use rights certificates or appropriate land use permits must have been obtained; (3) the permission for construction project planning and for construction; (4) the commodity properties must have been completed and been inspected and accepted as qualified; (5) the relocation of the original residents must have been fully settled; (6) the supplementary essential facilities of water, electricity, heating, gas, communication, and other supplementary essential facilities and public facilities must be made ready for use, or the delivery date shall have been specified; (7) the property management plan must have been completed.

Before any spot sales of commodity properties can be made, the property developer must submit to the real estate development administration departments, the project manual of real estate development as well as the relevant identification documents for the qualification of spot sales of commodity properties.

(4) Sales contract for commodity properties

The property developer and the buyer must enter into a written contract for the relevant sale of the commodity property. The sale price of commodity properties may be fixed by apartment (unit), by internal floor space or by floor space. The floor space of a commercial apartment consists of the internal floor space of the unit and shared public floor space. The buyer has an unattached property right on the part of internal floor space and a shared property right on the part of shared public floor space. The buyer has rights and obligations under various laws and regulations.

(5) Regulations on pre-sale of commodity properties

Pursuant to the Measures for the Management of Pre-Sale of Urban Commodity Properties promulgated by the Ministry of Construction on 15 November 1994 and implemented on 1 January 1995 and amended and implemented on 20 July 2004, a property development enterprise must produce to the purchasers the pre-sale permit when pre-selling the commodity properties. No property development enterprise may pre-sell commodity properties without the pre-sale permit.

Pursuant to the Opinions on Stabilising House Prices promulgated by the State Council on 9 May 2005, buyers of pre-sold commodity properties are prohibited from transferring the pre-sold commodity properties that are still under construction. The administrative department of real estate shall not handle the transfer formalities for such a buyer, before the pre-sale commodity property is delivered to him and he obtains the relevant real estate ownership certificate.

Pursuant to the Notice on Further Rectifying and Standardising the Order of the Real Estate Market Transactions issued by the Ministry of Construction, the NDRC and the State Administration for Industry and Commercial on July 6 2006, all property development enterprises must commence pre-sale of the relevant commodity properties within 10 days from its obtaining of the pre-sale permit. Until a pre-sale permit has been obtained, the developer may not pre-sell commodity properties by whatever means, including any taking of advance booking fees or accepting orders.

Mortgage of real estate

Pursuant to《中華人民共和國物權法》(the PRC Property Law), mortgages can be created over buildings and other objects fixed to land, the construction land use rights and buildings under construction. In case a building is mortgaged, the construction land use rights attached to the area occupied by this building shall also be mortgaged. In case the construction land use rights is mortgaged, all the buildings on this land shall also be mortgaged. In case that a mortgagor fails to mortgage the properties according to the preceding paragraph, the properties that have not been mortgaged shall be deemed as having also been mortgaged. Registration shall be made for mortgages of real estate. The mortgage right shall be established as of the date of registration.

Pursuant to《城市房地產管理法》(the Urban Real Estate Administration Law), housing property created after a real estate mortgage contract is signed is not subject to the same mortgage. When the mortgaged property is auctioned, the newly created housing property may be auctioned together with the mortgaged property, but mortgagee has no priority in receiving the proceeds derived from the auction of the newly created housing property.

Leasing of real estate

Conditions for leasing

Pursuant to《商品房屋租賃管理辦法》(the Administrative Measures on the Lease of Commodity Properties) promulgated on 1 December 2010 and became effective on 1 February 2011, the following houses should not be leased: (a) it is an illegally structure; (b) it fails to conform to the mandatory standards for project construction with respect to safety and disaster prevention; (c) the use of the house has been changed in violation of the relevant provisions; or (d) it falls within any other circumstance under the laws and regulations under which it is prohibited for leasing. Pursuant to《城市房地產管理法》(the Urban Real Estate Administration Law), when a lease is created for a profit over a house which has been built on land obtained by way of allocation, part of the rental income which represents income on the land shall be handed over to the government. The specific methods shall be stipulated by the State Council.

Leasing contract and filing for record

Pursuant to《城市房地產管理法》(the Urban Real Estate Administration Law), the landlord and the tenant shall sign a written lease contract, setting out provisions such as the term, the use of the house, the rental and repair liabilities, and other rights and obligations of both parties; and registered and filed with the property administration authority for record.

Pursuant to《商品房屋租賃管理辦法》(the Administrative Measures on the Lease of Commodity Properties), the parties to the lease shall, within 30 days after the signing of the leasing contract, register and file the leasing contract with the relevant local construction (property) authority at the level of municipality directly under the central government, city or county where the leased property is located.

Term

Pursuant to《中華人民共和國合同法》(the PRC Contract Law) implemented on 1 October 1999, the term of a lease may not exceed twenty years. If the term of a lease exceeds twenty years, the part of the term beyond the initial twenty years is invalid. The parties may renew the lease upon expiry of the term, provided that the renewed term should not exceed twenty years commencing on the date of renewal.

AFFORDABLE HOUSING

Pursuant to《經濟適用住房管理辦法》(the Administrative Measures for Affordable Houses) promulgated and implemented by Ministry of Construction, the NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the PBOC and the General Administration of Taxation on 19 November 2007, the term of "affordable houses" as mentioned in these measures refers to policy-based houses of protect nature for which the government provides preferential policies and sets limits on the construction size and sale prices, and which are built according to reasonable standards to be supplied to urban low-income families with housing difficulties.

Preferential and supporting policies

Construction land for affordable houses shall be supplied by way of allocation. Such land shall be included in the annual land supply plan of the local government, be listed separately when applying for the annual land quota and be given priority in land supply. Affordable house construction projects shall be exempted from payment of urban infrastructure supporting fees as well as various administrative charges and governmental fees. Expenses on infrastructure facility construction not included in affordable house construction projects shall be borne by the government. The property developer of affordable houses may apply with commercial banks for property development loans guaranteed by a mortgage of the projects under development.

Since the construction land for affordable houses is obtained by way of allocation, such land is not subject to any land transfer fee or deed tax.

Construction administration

Where affordable houses are built in a community of commodity properties, it is required to specify in the project transfer conditions the aggregate floor area, the floor area of each unit, number of unites, housing structure and proportion, construction standards and handing over or buy-back aspects in relation to such affordable houses. All of these terms shall be stipulated by way of a contract.

Price control

Property developers of affordable house projects are allowed to make a profit form such projects of not more than 3%; while affordable houses developed directly under the organisation of the people's government at municipal or county level can only be sold at cost.

Management of loan

《經濟適用住房開發貸款管理辦法》(the Administrative Measures for Affordable Housing Development Loans) promulgated by the PBOC and China Banking Regulatory Commission on 18 January 2008 and implemented on 18 February 2008 provides for the specific requirements for affordable housing development loan.

The term of affordable housing development loans shall be three years in general, and shall not exceed five years at most. The interest rate of affordable housing development loans shall be governed by the interest rate policies of the PBOC. Such interest rate may be floated downward subject to a limit of 10%. Such affordable housing development loans shall be repaid by the sales income of the projects for which the loans have been utilised and other operating income of the borrower.

OTHER REAL ESTATE MACRO CONTROL POLICIES

Pursuant to《關於堅決遏制部分城市房價過快上漲的通知》(the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities) issued by the State Council on 17 April 2010, the government shall resolutely curb irrational demands for housing, implement more strict differentiated housing credit policies, give play to the role of tax policies in regulating housing consumption and real estate income as well as increase effective supply of residential land. The government shall also adjust the housing supply structure, speed up the construction of peaceful life housing projects, strengthen market supervision and the supervision on the land purchase and financing by property developers. In addition, they shall intensify the supervision over transaction order and improve the information disclosure system in the property market.

Pursuant to the Notice of Deed Tax on the Adjustment of Real Estate Transactions and Personal Income Tax Preferential Policies issued on 29 September 2010, where an individual purchases an ordinary house, and this house would be the only house of the family of the individual (including the individual, his/her spouse and their minor children), the individual can enjoy a 50% deduction of the imposed deed tax. Where an individual purchases an ordinary house with a gross floor area of 90 sq.m. or less, and this house would be the only house for his/her family (as defined above), the individual can enjoy a deed tax at the rate of 1%. However, where a taxpayer sells a house for his/her own use and purchases another one within one year thereafter, there would be no preferential policies for deduction of or exemption from the personal income tax.

Pursuant to the Circular regarding Submitting the Assignment of Urban Low-Income Housing Plan issued by Ministry of Housing and Urban-Rural Development of the PRC, the PRC government will develop and construct 10 million low-income houses and shanty-town reconstructed houses in 2011.

Pursuant to《關於進一步做好房地產市場調控工作有關問題的通知》(the Notice on Further Strengthening the Regulation of the Real Estate Market) issued by the General Office of the State Council on 26 January 2011, increased efforts shall be made to the construction of affordable housing projects and the PRC government will develop and construct 10 million low-income houses and shanty-town reconstructed houses in 2011. The government shall adjust the policy on business tax on sale of properties by individuals. For a resale of properties by an individual within 5 years from the purchase of such properties, the business tax will be levied on full amount of the sales income without exception. Where a household purchases a second house with a bank loan, the proportion of the down payment shall not be less than 60%, and the interest rate of such loan shall not be less than 1.1 times of the benchmark interest rate. Local governments shall increase the effective supply of land, take steps to ensure that the amount of low-income housing, shanty-town reconstructed houses and small and medium size apartments represents not less than 70% of the total land supply demands. Increased efforts shall also be made to the review of the enterprises' access qualifications of land market and sources of funding. Enterprises or individuals bidding for the land shall explain the sources of funding as well as provide the relevant supporting documents. For the municipalities, separately listed cities, capital cities and cities where housing prices are too high and rises too rapidly, strict measures of housing restriction shall be stipulated and implemented in a certain period of time.

REGULATIONS ON REAL ESTATE SERVICE ENTERPRISE

Pursuant to《中華人民共和國物權法》(the PRC Property Law), the engagement or dismissal of a property service enterprise or any other manager shall be determined by a simple majority of owners who also own the exclusive area representing not less than 50% of the total area of the building. The property service enterprise or any other manager shall manage the building and its affiliated facilities within the building area upon the entrustment of the owners and be subject to the supervision of the owners.

Pursuant to《物業管理條例》(the Regulation on Property Management) amended by the State Council on 26 August 2007, where a property developer engages any property service enterprise prior to the owners and the owners' congress to do so, it shall enter into a written prophase property service contract with the such property service enterprise. A property developer shall, before selling the property, formulate a set of temporary management covenants providing for the use, maintenance and management of the relevant property, the common interests of the owners, the obligations of the owners, and the liabilities for breach of the covenant, etc. in accordance with laws. The temporary management covenants formulated by the property developer may not infringe upon the legitimate rights and interests of the buyers of the property. A prophase property service contract may provide for the term of the contract; however, where a property service contract is entered into by the owners' committee and the property service enterprise during the term of the prophase property service contract, such prophase realty service contract shall be terminated.

The PRC government maintains qualification administration in relation to the enterprises engaging in property management activities. The specific measures shall be enacted by the administrative department of construction under the State Council. The owners' committee shall enter into a written property service contract with the property service enterprise engaged by the owners' congress.

Pursuant to《物業服務企業資質管理辦法》(the Measures for the Administration on Qualifications of Property Management Enterprises) promulgated by the Ministry of Construction in March 2004 and amended in November 2007, the qualifications of a property management enterprise shall be divided into three classes, Class 1, 2 and 3. Property management enterprises with the Class 1 Qualification can undertake various property management business. Property management enterprises with the Class 2 qualification can undertake the property management business of residence projects of under 300,000 sq.m. and the non-residence projects of under 80,000 sq.m. Property management enterprises with the Class 3 Qualification can undertake the property management business of residence projects under 200,000 sq.m. and non-residence projects under 50,000 sq.m.

A newly established property management enterprise has Class 1 Qualification, with an interim effective period of one year. All property management enterprises' qualification is subject to an annual check, which is conducted by the corresponding departments responsible for qualification examination and approval.

REGISTRATION OF PROPERTY TITLE

Pursuant to《中華人民共和國物權法》(the PRC Property Law), the creation, change, transfer or elimination of the property right shall become effective upon registration according to the laws, unless otherwise prescribed by any law. The registration of the property shall be handled by the registration authority at the place where the property is located. The PRC government adopts a uniform registration system over properties. The scope, registration authority and measures of uniform registration shall be provided by the relevant laws and administrative regulations.

Pursuant to《城市房地產管理法》(the Urban Real Estate Administration Law), in the case of the land use rights that is obtained by way of transfer or allocation, application for registration shall be made to the land administration department of the people's government above the county level. When a building is completed on the land legally obtained for property development, application for registration shall be made to the real estate administration department of the people's government above the county level by presenting the relevant land use certificate. When a property is transferred or changed, an application for registration of change should be made to the real estate administration department of people's government above the county level.

REAL ESTATE FINANCING

Pursuant to《關於調整固定資產投資項目資本金比例的通知》(the Circular on Adjusting the Proportions of Registered Capital in Fixed Asset Investment Projects) promulgated and implemented by the State Council on 25 May 2009, the minimum proportion of the registered capital for normal commodity house projects and affordable house projects shall be adjusted to 20%, while the minimum proportion of the registered capital for other property development project shall be adjusted to 30%.

Pursuant to《關於進一步加強房地產信貸業務管理的通知》(the Circular on Further Strengthening the Management of Loans for Property Business) promulgated by the PBOC on 5 June 2003, no loans of any type shall be granted for projects without land use rights certificates, construction land planning permits, construction planning permits and construction permits. The loans from commercial banks to property development enterprises shall be granted only in the name of property development loans and it is strictly forbidden to grant such loans in the name of floating capital loans for property development projects or in the name of any other loans. For those non-property development loans which have been granted to property development enterprises, no further grant or extension of such loans shall be allowed by commercial banks. Where a property development enterprise applies for bank loans, its internal funds shall not be less than 30% of the total investment amount of the development project. The property loans granted by commercial banks can only be utilised for the projects located in that district, and it is not allowed to utilise such loans in any other districts.

Pursuant to《關於調整住房供應結構穩定住房價格的意見》(the Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Structure and Stabilising the Property Prices) announced in May 2006, credit conditions for property development loans are strictly controlled. Commercial banks are not allowed to grant loans to property developers whose registered capital ratio is less than 35%.

Pursuant to《關於規範房地產市場外資准入和管理的意見》(the Opinions on Regulating the Access to and Administration of Foreign Investment in the Real Estate Market) implemented on 11 July 2006, where any foreign invested property enterprise fails to pay up its registered capital, to obtain the land use rights certificates or to have a project development capital representing 35% of the total project investment amount, it shall not apply for any domestic or overseas loans and the administrative authority of foreign exchange shall not approve the settlement of such loans in foreign exchange.

Pursuant to《關於加強商業性房地產信貸管理的通知》(the Notice on Strengthening the Administration of Commercial Property Credit Loans) promulgated by the PBOC and China Banking Regulatory Commission on 27 September 2007, commercial banks shall not grant loans to property development enterprises for the specific purpose of payment of land premium. A loan to a government land reserve institution shall be secured by a mortgage, and the amount of the loan shall not exceed 70% of the appraised value of the land to be acquired for a term not exceeding two years. Commercial properties purchased with loans shall have been completed, inspected and accepted. Further, the down payment for commercial properties shall not be less than 50%, the term of loan shall not exceed ten years, the interest rate of the loan shall not be lower than 1.1 times the base interest rate over the same period and in the same bracket as published by the PBOC, the specific ratio of down payment, term of the loan and interest rate shall be determined by commercial banks according to the principles of loan risk management; for loans applied in the name of "premises of both commercial and residential uses", the down payment shall not be lower than 45%, and the term of the loan and interest rate shall be determined in accordance with the provisions on the administration of commercial property loans.

Pursuant to《中國銀行業監督管理委員會辦公廳關於提示房地產企業規避調控政策有關風險的通知》(the Notice of the General Office of China Banking Regulatory Commission on Warning against the Relevant Risks involved in Avoidance of Regulation and Control Policies by Property Development Enterprises) promulgated on 14 September 2010, a related party is not allowed to obtain uniform loans which is then utilised for property development projects so as to avoid the provisions prohibiting a commercial bank to grant loans in the amount that exceeds the amount used for the payment of the land premium.

Pursuant to《中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知》(the Notice of the People's Bank of China and China Banking Regulatory Commission on Issues concerning the Improvement of Differential Housing Credit Policies) promulgated on 29 September 2010, all commercial banks shall suspend the grant of new loans for new property development projects and suspend the extension of existing loans to those property development enterprises with problems such as idle land, change in the uses and nature of land, delay in commencement and/or completion of a project, holding back housing units for future sale, or other actions in violations of the laws and regulations.

INSURANCE FOR REAL ESTATE PROJECT

A property development developer is not required under the PRC laws, regulations and government policies to take out insurance for its property development projects.

Pursuant to《關於推進建設工程品質保險工作的意見》(the Opinion on Promoting the Work of Construction Project Quality Insurance) promulgated by the Ministry of Construction and China Insurance Regulatory Commission in August 2005, property developers, construction companies and relevant entities are encouraged to take out construction project quality insurance.

Pursuant to《中華人民共和國建築法》(the PRC Construction Law) enacted by the Standing Committee of the National People's Congress on 1 November 1997 and became effective on 1 March 1998 and amended on 22 April 2011, construction enterprises are required to take out accident and casualty insurance for workers engaged in dangerous operations and pay the relevant insurance premium.

ENVIRONMENTAL PROTECTION

Pursuant to《中華人民共和國環境影響評價法》(the Law of the PRC on Appraising Environmental Impacts) promulgated by the National People's Congress on 28 October 2002 and became effective on 1 September 2003, the state manages the environmental impact evaluation according to the clarification made on the extent of influence of the constructions projects. According to the seriousness of the influence, the construction entities are required to prepare or complete an environmental impact report, an environmental impact reporting form or an environmental impact registration form.

Pursuant to《中華人民共和國建設項目環境保護管理條例》(the PRC Administrative Ordinance on Environmental Protection of Construction Project) promulgated and implemented by the State Council on 29 November 1998, upon completion of a project, the construction entities shall apply to the environmental protection administrative departments that reviewed and approved the environmental impact report, the environmental impact reporting form or the environmental impact registration form for the relevant project previously for inspection and acceptance of the supporting environmental protection facilities of a construction project. The inspection and acceptance of the environmental protection facilities shall take place at the same time as inspection and acceptance of the project. Where a project will be put in trial production, the construction entity shall make such an application to the environmental protection administrative departments within 3 months from the date of the trial production.

REGULATIONS ON FOREIGN EXCHANGE

《中華人民共和國外匯管理條例》(The PRC Regulation on Foreign Exchange Administration) amended by the State Council on 1 August 2008 and promulgated on 5 August 2008 prescribes that this regulation shall apply to the foreign exchange income and expenditure and foreign exchange business operations of Chinese institutions and individuals, and the foreign exchange income and expenditure and foreign exchange business operations conducted within the territory of the PRC by overseas institutions and individuals. International payments in foreign exchange and the transfer of foreign exchange under the current items shall not be subject to any state control or restriction. The foreign exchange income of a domestic institution or individual may be transferred back into the territory of the PRC or deposited overseas. Before reserving the foreign exchange income under the capital items or selling it to any financial institution operating the foreign exchange sale or settlement business, the approval of the competent foreign exchange administrative authority shall be obtained, unless it is otherwise provided by the state. The foreign exchange expenditure under the capital items shall be paid by an institution with its self-owned foreign exchange upon valid documents or with the foreign exchange purchased from any financial institution operating the foreign exchange sale or settlement business in accordance with the administrative provisions of the foreign exchange administrative department of the State Council on the payment and purchase of foreign exchange. If the state provisions require the approval of a foreign exchange administrative authority, the approval must be obtained before making foreign exchange payments.

Pursuant to《關於改革外商投資項下資本金結匯管理方式的通知》(the Notice on Reform of the Administration of Foreign Exchange Capital Settlement under Foreign Investment) promulgated by the State Administration of Foreign Exchange on 17 June 2002 and became effective on 1 July 2002, those designated foreign exchange banks (hereinafter referred to as the banks) are authorised to directly examine and make the foreign exchange capital settlement under foreign investment. That means, the foreign exchange administrations shall, under the relevant conditions, delegate the authority of verifying foreign exchange capital settlement under foreign investment to the qualified banks, which shall then take on the verification, statistical monitoring and record responsibilities within their respective authority. The foreign exchange administrations shall exercise indirect regulation of the foreign exchange capital settlement under foreign investment through the authorised banks.

Pursuant to《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》(the Notice on Further Strengthening and Regulating the Examination, Approval and Supervision of Foreign Direct Investment in Real Estate Industry) promulgated and implemented by the Ministry of Commerce and the State Administration of Foreign Exchange on 23 May 2007, no administrative department of foreign exchange or designated bank of foreign exchange is allowed to process the sales and settlement of foreign exchange under the capital account for any foreign-funded real estate enterprise that fails to go through the formalities for filing with the Ministry of Commerce for record or fails to pass the annual joint inspection on foreign-funded enterprises.

Pursuant to《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》(the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Capital in Foreign Currency of Foreign-Invested Enterprises) promulgated by Administration of Foreign Exchange on 29 August 2008, where a foreign-funded enterprise applies to a bank for settlement of foreign currency capital, it shall, in advance, conduct capital verification through an accounting firm. A foreign-invested enterprise's RMB fund realised from the settlement of its capital in foreign currency shall be used within the business scope as approved by the government authority, and such RMB fund is not allowed to be used for domestic equity investment unless it is expressed approved to do so. A foreign-funded enterprise is not allowed to use the RMB fund realised from the settlement of the capital in foreign currency in purchasing domestic property for any purpose other than for its own use, unless such enterprise is a foreign-funded real estate enterprise.

LAWS AND REGULATIONS ON TAX

Enterprises income tax

Pursuant to the EIT Law, within the territory of the PRC, any enterprises and other organisations that have generated income shall pay enterprise income tax in accordance with this law.

Pursuant to《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》(the Arrangements in respect of Prevention of Double Taxation and Tax Evasion between Hong Kong and PRC), foreign investors who are established in Hong Kong and are considered non-resident enterprises by the PRC tax authority are subject to a PRC withholding tax at a rate of 5% on any dividend declared and distributed by the PRC enterprise, provided that the foreign investors shall directly hold not less than 25% equity of the PRC enterprise. An approval from the local tax authority shall be obtained in order to enjoy the lower withholding tax rate and such approval will not be grated if the foreign investor is a company with no business substance.

Business tax

Pursuant to《中華人民共和國營業稅暫行條例》(the Interim Regulation of the PRC on Business Tax) promulgated by the State Council on 10 November 2008 and became effective on 1 January 2009, all entities and individuals engaged in the provision of services as prescribed in this regulation, the transfer of intangible assets or the sale of immovable properties within the territory of the PRC shall pay the business tax in accordance with this regulation. The amount of the tax payable is calculated based on the turnover and the applicable tax rate.

Pursuant to《中華人民共和國營業稅暫行條例實施細則》(the Implementation Rules on the Provisional Regulations of the PRC on Business Tax) issued by the Ministry of Finance on 25 December 1993, which was amended in 2008 and became effective on 1 January 2009, the tax rate for the transfer of property, buildings and accessory facilities is 5%.

Pursuant to《財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知》(the Notice of the Ministry of Finance and State Administration of Taxation Concerning Adjusting Business Tax Policies of Transfer of Residential Properties by Individuals) issued and implemented on 27 January 2011, transfer of residential properties by individuals within five years of purchase is subject to business tax based on the selling price, while the business tax levied on the transfer of non-ordinary residential properties by individuals after five years of purchase is based on the difference between the selling price and the purchase price, the transfer of ordinary residential properties by individuals after five years of purchase is exempted from any business tax.

LAT

Pursuant to《中華人民共和國土地增值稅暫行條例》(the Provisional Regulations of the PRC on Land Appreciation Tax) promulgated by the State Council on 13 December 1993 and became effective on 1 January 1994, taxpayers shall pay land value-added taxes on their incomes derived from transfer of land use rights and building ownership of buildings and attached installations thereon ("property transfer") according to these regulations. In calculating the added value, costs and expenses shall be deducted. LAT shall be levied in four progressive levels.

Pursuant to《關於土地增值稅若干問題的通知》(the Circular of Taxation on LAT) promulgated by the Ministry of Finance and State Administration of Taxation on 2 March 2006, two issues regarding LAT are clarified. (1) As to the exemption of LAT on sale of ordinary standard residential property built by a taxpayer, where any taxpayer builds ordinary residential houses as well as other commercial houses, the amount of added value on land shall be calculated separated. However this circular has no retrospective effect on any exemption already granted before the issue of this circular. (2) As to the advance collection of LAT as well as the settlement thereof, the circular clarifies, amongst others, that any property development project that has been completed and gone through the acceptance procedure and whose transferred GFA represents 85% or more in the total salable GFA, the tax authority may require the relevant taxpayer to proceed with the settlement of LAT on the transferred property based on the income generated after deducting all the deductible items (which are calculated in proportion to the percentage of sold GFA and the saleable GFA).

Pursuant to《國家稅務總局關於加強土地增值稅徵管工作的通知》(the Notice of the State Administration of Taxation on Strengthening the Collection of LAT) issued on 25 May 2010, except for the housing for low-income people, the pre-levy rate shall not be lower than 2% in the eastern provinces, not lower than 1.5% in the middle and northeastern provinces, and not lower than 1% in the western provinces. It further requires the pre-levy rates to be determined on the basis of the different types of property.

Property tax

Pursuant to《中華人民共和國房產稅暫行條例》(the Provisional Regulations of the PRC on Property Tax) promulgated by the State Council on 15 September 1986 and became effective on 1 October 1986, property tax is payable by property owner. The property tax will be calculated on the residual following the subtraction of an amount in the range of 10% to 30% of the original value of the property. Details of the scope of the subtraction will be determined by the local government at the levels of provinces, autonomous regions or directly administered municipalities. Where the property is leased, the rental income from the property will be used as a basis for tax calculations. The property tax will be calculated on the residual value of the property (as mentioned above) at a rate of 1.2%, or on the rental income from the property at a rate of 12%. The following categories of real estate will be exempt from paying the property tax: (1) property for the private use of State organs, people's organisations and the armed forces; (2) property for the private use of institutions whose operating expenses are allocated by state finance departments; (3) property for the private use of religious temples and shrines, parks and places of historic interest and scenic beauty; (4) property owned by individuals for non-business purposes; and (5) other property approved by the Ministry of Finance as exempted. On 27 January 2011, Shanghai and Chongqing commenced trials in levying property tax on some of the individual properties.

Land use tax

Pursuant to《中華人民共和國城鎮土地使用稅暫行條例》(the Interim Regulations of the PRC on City and Town Land Use Tax) promulgated by the State Council on 31 December 2006, enterprises and individuals who use land in cities, county towns, towns/bases operated under an organisational system and industrial and mining districts shall be subject to payment of the land use tax within such cities and towns in accordance with these regulations.

Stamp duty

Pursuant to《中華人民共和國印花稅暫行條例》(the PRC Interim Regulations on Stamp Duty) promulgated by the State Council in August 1988, any property transfer instruments, including those in respect of transfer of property ownership, is subject to a stamp duty at a rate of 0.05% of the amount stated therein; each permit and certificate evidencing rights, including property ownership certificate and land use rights certificate, is subject to a stamp duty of RMB5 per document.

Urban maintenance and construction tax and educational surcharge

Pursuant to《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》(the Circular on Unifying the System of Urban Maintenance, Construction Tax and Education Surcharge Payable by Domestic and Foreign-invested Enterprises and Individuals) promulgated by the State Council on 18 October 2010, from 1 December 2010, all regulations, rules and policies regarding urban maintenance, construction tax and education surcharge promulgated by the State Council and tax authorities in 1985 and 1986 shall also apply to foreign-invested enterprises, foreign enterprises and individuals.

Pursuant to《中華人民共和國城市維護建設稅暫行條例》(the Interim Regulation of the PRC on Urban Maintenance and Construction Tax) promulgated and became effective in 1985 and《徵收教育費附加的暫行規定》(the Interim Provision on the collection of Educational Surcharge) promulgated and became effective in 1986, all enterprises and individuals who are subject to consumption tax, value added tax or business tax are required to pay urban maintenance and construction tax as well as educational surcharge. The computation of the urban maintenance and construction tax as well as the educational surcharge shall be based on the amount of value added tax, business tax and/or consumption tax that an enterprise or an individual actually pays.

Fees for construction and maintenance of river channel projects

Pursuant to《中華人民共和國河道管理條例》(the Regulations of the PRC on Management of River Channel) promulgated and implemented by the State Council on 10 June 1988, the authority in charge of river channels may collect fees for construction and maintenance of river channel projects from the industrial and commercial enterprises and farmers who are benefit from such river channels. The fee scale shall be determined on the basis of fees incurred or required for construction and maintenance of such river channels. The specific fee scale and implementation measure is as set by the people's government at the provincial level.

LABOUR, SOCIAL INSURANCE AND PRODUCTION SAFETY LAWS

Labour law and social insurance law

Employers in China are required to comply with the various laws and regulations of labor and social security, including《中華人民共和國勞動法》(the Labour Law of the PRC),《中華人民共和國勞動合同法》(the PRC Labour Contract Law) and its Implementation Regulation,《中華人民共和國社會保險法》(the PRC Social Insurance Law),《工傷保險條例》(the Regulations on Employment Injury Insurance),《失業保險條例》(the Regulations on Unemployed Insurance),《企業職工生育保險試行辦法》(the Trial Measures for Enterprise Employees Maternity Insurance),《社會保險登記管理暫行辦法》(the Interim Measures on Registration and Management of Social Insurance),《社會保險費徵繳暫行條例》(the Interim Regulation on the Collection and Payment of Social Insurance Premiums),《住房公積金管理條例》(the Regulation on the Administration of Housing Accumulation Funds) and regulations and standard documents regarding labor and social insurance of running business in China promulgated by relevant governmental departments from time to time.

Production safety law

《中華人民共和國安全生產法》(The PRC Production Safety Law) was promulgated on 29 June 2002 and became effective on 1 November 2002. Manufacturers and enterprises which carry on business shall have a policy in place regarding production safety as required by this law and other relevant laws, administrative regulations, national standards and industrial standards.

HISTORY AND BACKGROUND

The Target Group was founded in 1996 when Shanghai Urban Development, the holding company of the PRC operating subsidiaries of the Target Group, was established. Set out below is a brief introduction of each member of the Target Group.

Members of the Target Group

Target Company

The Target Company was incorporated in the BVI on 19 January 2011 as a BVI business company with limited liability and authorised to issue a maximum of 50,000 ordinary shares with a par value of US$1.00 each. On 9 March 2011, one ordinary share was allotted and issued to SIH at par for cash. The Target Company is wholly owned by SIH. The principal business activities of the Target Company consist of investment holding and related activities. Holders of the shares in the capital of the Target Company are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Target Company. All issued shares in the Target Company rank equally with regard to the Target Company's residual assets.

Joy Century

Joy Century was incorporated in Hong Kong on 22 February 2011 as a company with limited liability and with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of par value HK$1.00 each. The entire issued share capital of Joy Century, represented by one ordinary share, is held by the Target Company. The principal business activities of Joy Century consist of investment holding and related activities.

Shanghai Urban Development

Shanghai Urban Development was established on 30 April 1996 as a state-owned enterprise. On 27 June 2007, SIH and Xuhui SAAC entered into a contract pursuant to which SIH acquired a 40% equity interest in Shanghai Urban Development by contributing RMB120,530,000 into the registered capital. As a result of this capital injection, Shanghai Urban Development was converted into a Sino-foreign equity joint venture company. In December 2007, SIH acquired a further 19% equity interest in Shanghai Urban Development from Xuhui SAAC for a total consideration of RMB1,568,707,100 pursuant to a contract dated 29 October 2007 between SIH and Xuhui SAAC. Since then, Shanghai Urban Development has been a subsidiary of SIH. In preparation for the Transactions, on 30 March 2011, SIH entered into an equity transfer agreement with Joy Century whereby SIH agreed to transfer its 59% equity interest in Shanghai Urban Development to Joy Century for an amount in HK dollars which is equivalent to RMB4,108,827,700. After the completion of transfer on 8 August 2011, Shanghai Urban Development is owned as to 41% by Xuhui SAAC and as to 59% by Joy Century. On 14 April 2011, the Company and SIH jointly announced that SIH (as the seller) and the Company (as the buyer) entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire, and SIH has conditionally agreed to sell, the Sale Share (representing the entire issued share capital of the Target Company) and the

Shareholder's Loan. On the same day, SIH (as the assignor) and the Company (as the assignee) entered into the Deed pursuant to which SIH has conditionally assigned to the Company all its right, title, benefits and advantage of and interest in the Dividend Receivable. The aggregate consideration for the Transactions shall be satisfied by the allotment and issue of the Consideration Shares at an issue price of HK$2.80 per share to SIH at Completion. Pursuant to the Transactions, the Company will acquire the entire issued share capital of the Target Company. Shanghai Urban Development has a registered capital of RMB3,200 million, of which Xuhui SASAC contributed RMB131.2 million and Joy Centaury contributed RMB188.8 million.

On 14 July 2011, Joy Century and Xuhui SAAC entered into a joint venture agreement in relation of Shanghai Urban Development and the principal terms of which are as follows:

- The loss incurred by and the risks involved in Shanghai Urban Development shall be borne by Xuhui SAAC and Joy Century in proportion to their respective capital contributions, and the profit generated by Shanghai Urban Development shall be shared between Xuhui SAAC and Joy Century in proportion to their respective capital contributions.

- Xuhui SAAC shall be responsible for the following matters of Shanghai Urban Development:

  (a) to arrange for all the approval, permits and licences required for the establishment of Shanghai Urban Development;

  (b) to assist Shanghai Urban Development in obtaining the most preferential tax-exemption treatment and other investment preferential treatment;

  (c) to assist all foreign directors and employees of Shanghai Urban Development in obtaining valid visa and work permits; and

  (d) other matters of Shanghai Urban Development.

- Joy Century shall be responsible for the following matters of Shanghai Urban Development:

  (a) to assume all the rights and obligations of SIH in respect of Shanghai Urban Development;

  (b) to assist Xuhui SAAC in arranging for all the approval, permits and licences required for the establishment of Shanghai Urban Development;

  (c) to assist Shanghai Urban Development in obtaining bank loans necessary for its business operations; and

  (d) other matters authorised by Shanghai Urban Development.

- The board will comprise seven members, three of which are to be appointed by Xuhui SAAC and the remaining four by Joy Century, and the chairman and the deputy chairman of the board of directors shall be nominated by Joy Century and Xuhui SAAC, respectively.

- The term of existence of the joint venture company shall be 50 years which may be extended upon agreement of the shareholders.

According to the articles of Shanghai Urban Development, the board of directors has the power to manage and decide all the major issues of Shanghai Urban Development. The following items in relation to Shanghai Urban Development must be approved by all the directors present at a meeting of the board of directors:

- amendment to the articles of association or the joint venture agreement;

- termination of the joint venture period, or dissolution of the company;

- increase or decrease of registered capital;

- merger with another organisation or demerger into a number of entities;

- decision on profit and loss sharing schemes;

- setting of administrative rules on the provision of guarantees and mortgages for the benefit of the subsidiaries and the management of guarantees provided for the benefit of third parties; and

- setting of administrative rules on the purchase or sale of major assets, investments, related party transactions and other major operational issues.

Shanghai Wan Yuan

Shanghai Wan Yuan was established on 17 May 1999 as a limited liability company. On 24 June 2002, Shanghai Urban Development entered into an agreement with the then two shareholders of Shanghai Wan Yuan, namely 上海安格投資管理有限公司 (Shanghai Angus Investment Management Co., Ltd.) (formerly known as 上海安格投資(集團)有限公司 (Shanghai Angus Investment (Group) Co., Ltd.)) ("Shanghai Angus") and 上海珠蜂企業發展有限公司 (Shanghai Zhufeng Enterprise Development Co., Ltd.) ("Shanghai Zhufeng") to acquire a 90% interest in Shanghai Wan Yuan. Following the acquisition, Shanghai Wan Yuan has been owned as to 90% by Shanghai Urban Development and 10% by Shanghai Zhufeng. Shanghai Wan Yuan has a registered capital of RMB300 million and is primarily engaged in the business of property development in the PRC. Shanghai Wan Yuan is the developer of the Target Group's Urban Cradle project. Shanghai Zhufeng is a limited liability company established under the PRC laws and is primarily engaged in the business of the sale of, among other things, mechanical and electrical products, electronic products and building materials and the provision of information consultancy services.

Shanghai Zhufeng would be an independent third party of the Target Group but for its interest in Shanghai Wan Yuan.

Shanghai Urban Development, Shanghai Angus and Shanghai Zhufeng entered into a cooperative agreement dated 24 June 2002 to govern the terms of developing the projects of Shanghai Wan Yuan. The principal terms of the cooperative agreement are as follows:

- Shanghai Urban Development is responsible for the completion of the property development projects of Shanghai Wan Yuan.
- Each of the shareholders is responsible for the development costs (including the land premium) in proportion to its respective shareholding.
- If Shanghai Zhufeng wishes to exit the joint venture, Shanghai Urban Development will, or will procure a third party to, buy out Shanghai Zhufeng's 10% interest in Shanghai Wan Yuan at the purchase price in an amount equal to the aggregate of (i) Shanghai Zhufeng's original capital contribution and (ii) all development costs incurred and attributable to the 10% interest plus (iii) a return calculated based on a rate of return of 2% above the prevailing annual interest rate quoted by Shanghai Industrial and Commerce Bank.

Pursuant to the articles of Shanghai Wan Yuan, its shareholders are entitled to the profits in proportion to their respective shareholdings in Shanghai Wan Yuan. Further, the board shall comprise five members, four of which are to be directors appointed by Shanghai Urban Development and the remaining director to be appointed by Shanghai Zhufeng. The chairman of the board of directors shall be selected from the directors nominated by Shanghai Urban Development and who shall be the legal representative of Shanghai Wan Yuan.

Shanghai Urban Development is involved in a legal proceeding with Shanghai Angus and Shanghai Zhufeng. Further details of the legal proceeding are set out in the paragraph headed "Legal proceedings" in the section headed "Business of the Target Group" of this circular.

上海寰宇城市投資發展有限公司 (Shanghai Huanyu Urban Investment Development Co., Ltd.) ("Shanghai Huanyu")

Shanghai Huanyu was established as a Sino-foreign joint venture company on 17 May 1996. When established, it was known as 上海大宇中心發展有限公司 (Shanghai Dayu Centre Development Co., Ltd.). In 2004, the foreign JV partner sold all its interest in Shanghai Huanyu to the PRC partner, 上海徐家匯商城(集團)有限公司 (Shanghai Xujiahui Commercial City (Group) Co., Ltd.) ("Shanghai Xujiahui City"). After the disposal, Shanghai Huanyu became a domestic limited liability company and adopted its current name. Subsequently, Shanghai Xujiahui City transferred 90% interest in Shanghai Huanyu to 上海徐匯土地發展有限公司 (Shanghai Xuhui Land Development Co., Ltd.) ("Shanghai Xuhui Land"). Both of Shanghai Xujiahui City and Shanghai Xuhui Land are limited liability companies wholly owned by Xuhui SAAC. Shanghai Xuhui Land is primarily engaged in the business of acquisition, sale and development of land. The principal business of Shanghai Xujiahui City includes industrial investment, domestic trading, development of commercial and other tertiary industries, supply and sale of commodities, property development and operation, and property management. In 2005 and 2006, Shanghai Urban Development acquired an aggregate 60% interest in Shanghai Huanyu from Shanghai Xuhui Land for nil consideration. As both Shanghai Urban Development and Shanghai Xuhui Land at the relevant times were wholly owned by Xuhui SAAC, the nil-consideration transfers were carried out pursuant to《企業國有產權無償劃轉管理暫行辦法》(the Tentative Procedures on the Administration of Transfers of State-owned Assets by Enterprises for Nil Consideration). Shanghai Huanyu has a registered capital of RMB830,528,640 and is owned as to 60% by Shanghai Urban Development, 30% by Shanghai Xuhui Land and 10% by Shanghai Xujiahui City. Shanghai Huanyu is primarily engaged in the business of property development in the PRC and is the developer of the Target Group's Xujiahui Centre project. Pursuant to the articles of Shanghai Huanyu, its shareholders are entitled to its profit in proportion to their respective shareholdings in Shanghai Huanyu. Further, the board shall comprise five members, two of which are to be appointed by Shanghai Urban Development, another two to be appointed by Shanghai Xuhui Land and the remaining director to be appointed by Shanghai Xujiahui City. The chairman of the board of directors shall be selected from the directors nominated by Shanghai Urban Development and who shall be the legal representative of Shanghai Huanyu.

上海城開集團晶杰置業有限公司 (Shanghai Urban Development Group Jingjie Real Estate Co., Ltd.) ("SUD Jingjie")

SUD Jingjie was established as a wholly-owned limited liability company on 12 March 2010 with a registered capital of RMB150 million. It is wholly owned by Shanghai Urban Development. SUD Jingjie is established to undertake the development of the Target Group's Shanghai Jingjie project located in Longxi, Shanghai.

上海城開集團晶實置業有限公司 (Shanghai Urban Development Group Jingshi Real Estate Co., Ltd.) ("SUD Jingshi")

SUD Jingshi was established as a wholly-owned limited liability company on 23 September 2009 with a registered capital of RMB300 million. It is wholly owned by Shanghai Urban Development. SUD Jingshi is established to undertake the development of the Target Group's Shanghai Jing City project, which is an affordable housing project located in Shangguangdian Land block of Minhang District, Shanghai.

城開綠碳(天津)股權投資基金合夥企業(有限合夥)(Urban Development Green Carbon (Tianjin) Equity Investment Fund (Limited Partnership))

Green Carbon Fund is one of the shareholders of 上海城開集團龍城置業有限公司 (Shanghai Urban Development Group Longcheng Real Estate Co., Ltd.), a subsidiary of the Target Group and the developer of Mei Long Nanfang Shangcheng Green Carbon Fund was established on 12 August 2010 with 喜神(天津) 股權投資基金管理有限公司 (Xishen (Tianjin) Equity Investment Fund Management Co., Ltd.) ("Xishen Fund Management") as the general partner, and 北京瑞衡興投資有限公司 (Beijing Ruihengxing Investment Co., Ltd.) as a limited liability partner.

As part of its plan to promote environmental protection in property development, Shanghai Urban Development has been looking for reputable partners to work on low carbon property development projects. It was introduced to the Xishen Group around 2010 by an industry association. Xishen Fund Management is a member of 喜神資產管理有限公司 (Xishen Capital Management Co., Ltd.), which is a financial service and fund management company with investments in industrial property development projects in the PRC. Xishen Capital Management Co., Ltd. is devoted to promoting reduction in carbon emission and upgrading of industrial property development through providing advisory services in this area. It has experience in developing low carbon property projects in cities such as Beijing, Shanghai, Chengdu and Tianjin. In 2010, the land on which Mei Long Nanfang Shangcheng will be developed became available for bidding. Shanghai Urban Development, Green Carbon Fund and Power Tact Investment Limited (a subsidiary of the Company) made a joint bid for such land on 29 September 2010. After they won the bid, they jointly established 上海城開集團龍城置業有限公司 (Shanghai Urban Development Group Longcheng Real Estate Co., Ltd.) to develop, construct, operate and manage the project of Mei Long Nanfang Shangcheng.

Since the development of Mei Long Nanfang Shangcheng would require a substantial amount of capital, Xishen Management Fund started to look for suitable investors for Green Carbon Fund and finally 中鐵信託有限責任公司 (China Railway Trust Co., Ltd.) ("China Railway") agreed to invest in Green Carbon Fund. On 25 November 2010, each of Shanghai Urban Development and China Railway became a limited liability partner, while at the same time Beijing Ruihengxing Investment Co., Ltd. ceased to be a limited liability partner of Green Carbon Fund. Beijing Ruihengxing Investment Co., Ltd. had merely acted as a temporary limited liability partner to facilitate the set up of the fund pending the formal investment. Xishen Fund Management and China Railway would be independent third parties of the Target Group but for their interests in Green Carbon Fund. On 16 February 2011, China Railway established a trust scheme with a term of 24 months to raise funds for its investment in Green Carbon Fund. The trust scheme will expire on 15 February 2013. As such, China Railway must exit from its investment in Green Carbon Fund on or before the expiry of term of the trust scheme so that it will have sufficient money to repay the investors of the trust scheme. For this reason, Shanghai Urban Development, China Railway and Xishen Fund Management had been in discussion on the possible way of exit for China Railway. They finally entered into an equity interest transfer agreement on 7 April 2011, pursuant to which (i) China Railway has the right to require Shanghai Urban Development to pay the consideration and effect a transfer of China Railway's interest in Green Carbon Fund to Shanghai Urban Development after 22 months from the establishment of the trust scheme and Shanghai Urban Development has the right to require China Railway to effect a transfer of China Railway's interest in Green Carbon Fund to Shanghai Urban Development after 24 months from the establishment of the trust scheme; and (ii) the consideration for the transfer will be calculated on the basis of the investment injected by China Railway together with an interest calculated at a rate of 9.55% per annum from the date of the investment injection, after deducting all the dividends declared and paid to China Railway during the period.

Pursuant to the limited partnership agreement in relation to Green Carbon Fund dated 24 November 2010, the amount of the subscribed capital of Xishen Fund Management, Shanghai Urban Development and China Railway is RMB10 million, RMB1,500 million and RMB1,500 million, respectively. The total investment amount has been determined after taking into account a number of factors including the land costs, pre-development costs and development costs for the project of Mei Long Nanfang Shangcheng. Other than the agreed subscribed capital, there is no capital commitment agreed by the partners. Xishen Fund Management as the general partner shall within two years from the establishment of Green Carbon Fund request the relevant partners to contribute the outstanding subscribed capital to Green Carbon Fund in the amount and within the time frame specified in a written notice to each relevant partner. The profit generated by Green Carbon Fund will be distributed first to China Railway, then to Shanghai Urban Development and lastly to Xishen Fund Management, until their respective return equals to an amount being their respective capital contribution plus a return at a rate of 9.55% per annum. After that, all the remaining profit will be paid to Shanghai Urban Development. The PRC legal advisers of the Company are of the opinion that such arrangement complies with the provisions of the Partnership Enterprise Law of the PRC.

As at the Latest Practicable Date, Green Carbon Fund had an actual investment of RMB1,135.9 million, of which RMB735 million was contributed by Shanghai Urban Development, RMB396.9 million was contributed by China Railway and the remaining RMB4 million was contributed by Xishen Fund Management, representing 64.7%, 34.9% and 0.4% of the actual investment amount, respectively. In view of the current business operation and capital requirements of Green Carbon Fund, Shanghai Urban Development, China Railway and Xishen Fund Management intend to reduce the total investment amount of Green Carbon Fund from RMB3,010 million to RMB1,135.9 million, being the actual investment amount received by Green Carbon Fund. Green Carbon Fund will apply to the relevant local government authority for a change in investment amount when all necessary documents are available. When such charge becomes effective, none of Shanghai Urban Development, China Railway and Xishen Fund Management will be required to inject any further investment in Green Carbon Fund. According to the PRC legal advisers of the Company, Xishen Fund Management will bear unlimited liabilities for the debts incurred by Green Carbon Fund and each of Shanghai Urban Development and China Railway will bear limited liabilities for the debts incurred by Green Carbon Fund to the extent of the amount of their respective capital contributions.

The PRC legal advisers of the Company are of the opinion (a) that the establishment of Green Carbon Fund was not in violation of any relevant laws and regulation of the PRC in any material respect; and (b) that the investment of Green Carbon Fund in Shanghai Urban Development Group Longcheng Real Estate Co., Ltd. has been reviewed by, approved by and/or registered with the relevant government authorities, including Minhang Planning and Land Administrative Bureau, the Commission of Commerce of Shanghai, the Shanghai Administration for Industry and Commerce and the Ministry of Commerce, and therefore such investment does not violate any applicable PRC laws and rules currently in force in this respect. However, if China Railway's investment was not properly authorised in addition to it being unable at law to continue its investment in Green Carbon Fund, China Railway may be subject to penalty by China Banking Regulatory Commission. Regardless of the outcome for China Railway, penalties will not be imposed on Green Carbon Fund.

The business scope of Green Carbon Fund includes investment in unlisted companies or unlisted securities of a listed company and the provision of related consulting services. According to the limited partnership agreement, Green Carbon Fund is established for the purpose of investing in projects that promote low carbon use and other environmental friendly techniques and concepts, including low carbon property development projects.

上海城開集團龍城置業有限公司 (Shanghai Urban Development Group Longcheng Real Estate Co., Ltd.) ("SUD Longcheng")

SUD Longcheng was established on 30 November 2010 as a Sino-foreign joint venture. It is owned by Shanghai Urban Development, Green Carbon Fund and Power Tact Investment Limited, a wholly-owned subsidiary of the Company, as to 40%, 35% and 25%, respectively. The principal business of Power Tact Investment Limited is investment holding. The principal terms of the Sino-foreign joint venture agreement of SUD Longcheng dated 1 November 2010 entered into between the three shareholders are as follows:

- Shanghai Urban Development shall be responsible for handling all the approvals, permits and licences required for the establishment of SUD Longcheng with the assistance of Green Carbon Fund and Power Tact Investment Limited.

- The board shall comprise seven members, three of which are to be appointed by Shanghai Urban Development, one director to be appointed by Power Tact Investment Limited and the remaining three directors to be appointed by Green Carbon Fund. The chairman and the deputy chairman of the board of directors shall be nominated by Shanghai Urban Development and Green Carbon Fund, respectively.

- All the shareholders of SUD Longcheng shall bear the loss and liability incurred by SUD Longcheng in proportion to and within the limit of their respective capital contributions, and the profit generated by SUD Longcheng shall be shared between three shareholders in proportion to their respective capital contributions.

- The term of SUD Longcheng shall be 50 years which may be extended upon agreement of the shareholders.

SUD Longcheng is a subsidiary of Shanghai Urban Development. The registered capital of SUD Longcheng is RMB2,100 million. SUD Longcheng is established specifically to undertake the development project of Mei Long Nanfang Shangcheng.

昆山城開房地產開發有限公司 (Kunshan Urban Development Real Estate Development Co., Ltd.) ("Kunshan Urban Development")

Kunshan Urban Development was established on 5 July 2004. It is a limited liability company and is owned as to 90% and 10% by Shanghai Urban Development and 上海滄盛置業發展有限公司 (Shanghai Cangsheng Real Estate Development Co., Ltd.) ("Shanghai Cangsheng"), respectively. Shanghai Cangsheng is a limited liability company established under the PRC laws and is primarily engaged in the business of property development and property management. Shanghai Cangsheng would be an independent third party of the Target Group but for its interest in Kunshan Urban Development. Pursuant to the articles of Kunshan Urban Development, its shareholders are entitled to its profit in proportion to their respective shareholdings in Kunshan Urban Development. Further, the board shall comprise five members to be elected by the shareholders by way of shareholders' resolutions, and the chairman of the board shall be elected by the board of directors. The registered capital of Kunshan Urban Development is RMB167 million. Kunshan Urban Development is primarily engaged in the business of property development in the PRC. Kunshan Urban Development is the developer of the Target Group's project Royal Villa.

昆山城開錦亭置業有限公司 (Kunshan Urban Development Kenting Real Estate Co., Ltd.) ("Kunshan Kenting")

Kunshan Kenting was established on 13 June 2008. It is a limited liability company and is owned by Shanghai Urban Development, 上海恒地錦亭房產開發有限公司 (Shanghai Hengdi Kenting Property Development Co., Ltd.) ("Shanghai Hengdi Kenting") and 上海荀聲軟件科技有限公司 (Shanghai Xunsheng Software Technology Co., Ltd.) ("Xunsheng Software") as to 52%, 43% and 5%, respectively. Shanghai Hengdi Kenting is primarily engaged in the business of property development whereas the primary business of Xunsheng Software is computer software and hardware development. Shanghai Hengdi Kenting and Xunsheng Software would be independent third parties of the Target Group, but for their interests in Kunshan Kenting. The principal terms of the project development and investment agreement dated 5 May 2008 in relation to Kunshan Kenting are as follows:

- Shanghai Hengdi Kenting will make the 5% capital contribution for Xunsheng Software. All the fees and expenditures of Kunshan Kenting shall be borne by the shareholders in proportion to their respective capital contribution except that the portion to be borne by Xunsheng Software will be borne by Shanghai Hengdi Kenting instead.

- Xunsheng Software will not be involved in the management or operation of Kunshan Kenting. It has authorised Shanghai Hengdi Kenting to exercise its shareholder's rights on its behalf, and Shanghai Hengdi Kenting has agreed to perform the shareholder's obligations of Xunsheng Software.

- The profit generated by the Kunshan Kenting shall be shared between Shanghai Urban Development and Shanghai Hengdi Kenting as to 52% and 48%, respectively.

- Xunsheng Software or another person nominated by it has the right to purchase any developed property not exceeding 20,000 sq.m. at a price per sq.m. equal to 108% of the composite development cost per sq.m.

- The shareholders shall decide on the board composition of Kunshan Kenting. Pursuant to the articles of Kunshan Kenting, the board shall comprise five members, three of which are to be appointed by Shanghai Urban Development and the remaining two are to be appointed by Shanghai Hengdi Kenting. The chairman of the board of directors shall be one of the directors nominated by Shanghai Urban Development and who shall also be the legal representative of Kunshan Kenting.

- The board of directors shall report to the shareholders' meetings, and has the powers to execute shareholders' resolutions and management powers of Kunshan Kenting.

The registered capital of Kunshan Kenting is RMB50 million. Kunshan Kenting is primarily engaged in the business of property development in the PRC. Kunshan Kenting is the developer of the Target Group's project Yoooou.net.

上海城開(集團)無錫置業有限公司 (Shanghai Urban Development Group Wuxi Real Estate Co., Ltd.) ("SUD Wuxi")

SUD Wuxi was established on 28 February 2008. It is a wholly-owned subsidiary of Shanghai Urban Development with a registered capital of RMB500 million. SUD Wuxi is primarily engaged in the business of property development in the PRC. SUD Wuxi is the developer of the Target Group's project Urban Development International Centre.

上海城開集團重慶德普置業有限公司 (Shanghai Urban Development Group Chongqing Depu Property Co., Ltd.) ("SUD Chongqing Depu")

SUD Chongqing Depu was established on 28 February 2008. It is a limited liability company and owned by Shanghai Urban Development and 上海德普置地集團有限公司 (Shanghai Depu Real Estate Group Co., Ltd.) ("Shanghai Depu") as to 55% and 45%, respectively. Shanghai Depu is a limited liability company established under the PRC laws and is primarily engaged in the business of property development and management. Shanghai Depu would be an independent third party of the Target Group, but for its interest in SUD Chongqing Depu and Changsha Chengpu Property Co., Ltd. According to the agreement for the joint establishment of SUD Chongqing Depu and the joint development of Ivy Aroma Town, Shanghai Urban Development has undertaken to provide funding to SUD Chongqing Depu through an entrusted loan in the event that SUD Chongqing Depu does not have sufficient working capital. Shanghai Depu is responsible for obtaining the land permit in Chongqing for project development. The shareholders shall inject capital in proportion to their respective shareholdings in SUD Chongqing Depu. Pursuant to the articles of SUD Chongqing Depu, shareholders will be entitled to the profit in proportion to their respective shareholdings in SUD Chongqing Depu. Further, the board shall comprise seven members, four of which to be appointed by

Shanghai Urban Development and the remaining three to be appointed by Shanghai Depu. The registered capital of SUD Chongqing Depu is RMB230 million. SUD Chongqing Depu is primarily engaged in the business of property development in the PRC. SUD Chongqing Depu is the developer of the Target Group's project Ivy Aroma Town.

長沙城普置業有限公司 (Changsha Chengpu Property Co., Ltd.) ("Changsha Chengpu")

Changsha Chengpu is a limited liability company established on 19 August 2004 and owned by Shanghai Urban Development and Shanghai Depu as to 55% and 45%, respectively. Changsha Chengpu is primarily engaged in the business of property development in the PRC with a registered capital of RMB102,110,000. Changsha Chengpu is the developer of the Target Group's project Toscana.

上海申大物業有限公司 (Shanghai Shen Da Properties Co., Ltd.) ("Shanghai Shen Da Properties")

Shanghai Shen Da Properties (formerly known as Shanghai Shen Da Properties Company) was established on 10 December 1992. In April 2002, Shanghai Urban Development agreed to acquire 60% of Shanghai Shen Da Properties by injecting RMB1.2 million registered capital into the company. Following the acquisition, Shanghai Shen Da Properties had a total registered capital RMB2.0 million and was owned as to 60% by Shanghai Urban Development and 40% by the other two original shareholders. In July 2004, the registered capital of Shanghai Shen Da Properties was increased to RMB5 million by capitalising RMB3 million of its retained earnings. In September 2008, Shanghai Urban Development acquired the remaining interest in Shanghai Shen Da Properties from the other two original shareholders for an aggregate consideration of approximately RMB3.3 million in cash. Following the acquisition, Shanghai Shen Da Properties became wholly owned by Shanghai Urban Development. Shanghai Shen Da Properties is primarily engaged in the business of property management.

合肥申大物業服務有限公司 (Hefei Shen Da Services Properties Co., Ltd.) ("Hefei Shen Da")

Hefei Shen Da was established on 21 April 2008. It is an indirectly wholly-owned subsidiary of Shanghai Urban Development. The registered capital of Hefei Shen Da is RMB2 million. Hefei Shen Da is primarily engaged in the business of property management in the PRC.

上海城開商用物業發展有限公司 (Shanghai Urban Development Commercial Properties Development Co., Ltd.) ("SUD Commercial Properties")

SUD Commercial Properties (formerly known as 上海萬頃物業發展有限公司 (Shanghai Wanqing Property Development Co., Ltd.)) was established on 30 August 1997 with a registered capital of RMB2 million and owned as to 90% by Shanghai Shen Da Properties and 10% by another party. In August 2007, Shanghai Urban Development acquired the remaining 10% interest in SUD Commercial Properties from the minority shareholder. In December 2007, Shanghai Urban Development and Shanghai Shen Da Properties injected RMB2.8 million and RMB0.2 million, respectively, to increase the registered capital of SUD Commercial Properties, following which the registered capital of

SUD Commercial Properties was increased to RMB5 million, and SUD Commercial Properties was owned as to 60% by Shanghai Urban Development and 40% by Shanghai Shen Da Properties. In December 2009, Shanghai Urban Development acquired the remaining 40% in SUD Commercial Properties from Shanghai Shen Da Properties. SUD Commercial Properties is primarily engaged in the business of property management in the PRC.

上海石龍工業區聯合發展有限公司 (Shanghai Shilong Industrial Zone Joint Development Company Limited) ("Shanghai Shilong")

Shanghai Shilong was established on 2 August 1993 with a registered capital of RMB10 million and owned as to 90% by Shanghai Urban Development and 10% by another party. In June 2002, Shanghai Shen Da Properties acquired the minority 10% in Shanghai Shilong for RMB1 million. In November 2003, Shanghai Urban Development injected RMB10 million to increase the registered capital of Shanghai Shilong, following which the registered capital of Shanghai Shilong was increased to RMB20 million and owned as to 95% by Shanghai Urban Development and 5% by Shanghai Shen Da Properties. Shanghai Shilong is primarily engaged in the sale of construction materials in the PRC.

上海森鑫投資有限公司 (Shanghai Sen Xin Investment Co., Ltd.) ("Shanghai Sen Xin")

Shanghai Sen Xin was established on 14 April 2004 and is owned by Shanghai Urban Development and two other third parties as to 54%, 25% and 21%, respectively. The other two shareholders of Shanghai Sen Xin would be independent third parties of the Target Group, but for their interests in Shanghai Sen Xin. The registered capital of Shanghai Sen Xin is RMB30 million. Shanghai Sen Xin is primarily engaged in the business of investment information consultancy in the PRC.

Subsidiaries that have ceased operation

新上海國際商城發展有限公司 (Shanghai International Commercial City Development Co., Ltd.) ("Shanghai International Commercial City")

Shanghai International Commercial City was established on 18 September 1992 as a limited liability company. The registered capital of Shanghai International Commercial City is RMB5 million and is owned by Shanghai Urban Development as to 60% and by a third party as to the remaining 40%. Shanghai International Commercial City was primarily engaged in the business of corporate management consulting in the PRC. Since the property development project previously undertaken by Shanghai International Commercial City had been completed and there was no other property development project under development, Shanghai International Commercial City ceased operation in 2008.

上海城開住宅安置有限公司 (Shanghai Urban Development Residential Settlement Co., Ltd.) ("SUD Residential Settlement")

SUD Residential Settlement was established on 18 March 1997 and is a limited liability company. The registered capital of SUD Residential Settlement is RMB10 million and is owned by Shanghai Urban Development as to 51% and by 21 individuals as to the remaining 49%. SUD Residential Settlement was established to carry on, among others, primary land development. Following the decision of the relevant government authorities in Shanghai in 2006 to limit the number of entities engaged in primary land development, SUD Residential Settlement exited the business of primary land development and ceased operation in 2006.

海口萬事達實業公司 (Haikou Wanshida Industrial Co., Ltd.) ("Haikou Wanshida")

Haikou Wanshida was established as a state-owned company on 4 October 1992. It has a registered capital of RMB1,000,000 and is wholly owned by Shanghai Urban Development. Haikou Wanshida ceased operation in 1996 following a review by the Target Group of its overall business strategy.

上海城開材料技術發展有限公司 (Shanghai Urban Development Materials Technology Development Co., Ltd.) ("SUD Materials Technology")

SUD Materials Technology was established on 31 July 2002 and is a limited liability company. The registered capital of SUD Materials Technology is RMB12.3 million and is owned by Shanghai Urban Development as to 51% and by an individual as to 49%. As the results of operations of SUD Material Technology were not up to expectation, the Target Group decided to terminate its business and SUD Materials Technology ceased operation in 2004.

上海紙盒十六廠 (Shanghai Carton 16th Factory)

Shanghai Carton 16th Factory was established on 20 July 1981 and is primarily engaged in the manufacturing of paper products in the PRC. Shanghai Carton 16th Factory has a registered capital of RMB826,000 and is wholly owned by Shanghai Urban Development. Pursuant to《關於上海紙盒十六廠國有資產授權上海城開(集團)有限公司管理的通知》(the Notice in relation to Authorisation of Shanghai Urban Development to Manage the State-owned Assets of Shanghai Carton 16th Factory) issued by Xuhui SAAC in December 2001, all the state-owned assets of Shanghai Carton 16th Factory in the amount of RMB825,686.17 together with all the rights and obligations associated with such assets are allocated to Shanghai Urban Development, effective from 1 December 2001. Shanghai Carton 16th Factory ceased operation in 1998.

So far as SIH is aware after making reasonable enquiries, each of Shanghai International Commercial City, SUD Residential Settlement, Haikou Wanshida, SUD Materials Technology and Shanghai Carton 16th Factory has complied with all applicable laws, rules and regulations of the PRC in all material aspects and is not subject to any material disputes, claims, legal proceedings, investigations or sanctions.

Subsidiaries disposed of or deregistered since 1 January 2008

上海城大水處理科技有限公司 (Shanghai Cheng Da Water Treatment Technology Co., Ltd.) ("Shanghai Cheng Da")

Shanghai Cheng Da was established on 5 August 2002 and is primarily engaged in the business of water sewage treatment in the PRC. Shanghai Cheng Da has a registered capital of RMB1 million and was owned as to 50% by SUD Residential Settlement and 25% by Shanghai Shen Da Properties. SUD Residential Settlement disposed of the 50% interest in Shanghai Cheng Da in May 2010 to facilitate the deregistration process of SUD Residential Settlement and reduce the Target Group's participation in the business of water sewage treatment. As required by the PRC laws and regulations, in order to deregister SUD Residential Settlement, all of its subsidiaries must be disposed of or deregistered so that there will be no asset or liability of SUD Residential Settlement immediately before its deregistration. In May 2010, the Target Group disposed of 50% equity interest in Shanghai Cheng Da to an independent third party for a cash consideration of RMB574,801.5, which has been determined after arm's length negotiations between the parties with reference to the assets and liabilities of Shanghai Cheng Da attributable to SUD Residential Settlement's 50% equity interest. Following the disposal, the Target Group owns 25% of Shanghai Cheng Da.

上海城開產權經紀有限公司 (Shanghai Urban Development Assets and Equity Agency Co., Ltd.) ("SUD Assets and Equity Agency")

SUD Assets and Equity Agency was 80% owned by Shanghai Urban Development and was primarily engaged in the business of provision of agency services in the PRC prior to its deregistration in 2008. The deregistration was in response to a decision by the Target Group to cease its agency service business following a review of its overall business strategy.

上海城開對外貿易有限公司 (Shanghai Urban Development Foreign Trade Co., Ltd.) ("SUD Foreign Trade")

SUD Foreign Trade was 90% owned by Shanghai Urban Development and was primarily engaged in the business of export trading prior to its deregistration in 2008. The deregistration was due to an adjustment in the overall business strategy of the Target Group to cease the business of foreign trade.

湖南城開德普置業有限公司 (Hunan Urban Development Depu Property Development Co., Ltd.) ("Hunan Depu")

Hunan Depu was held by Shanghai Urban Development and Shanghai Depu Property Development Co., Ltd. as to 55% and 45%, respectively. Its principal business was property development in the PRC. Hunan Depu was deregistered in 2010. Immediately before its deregistration, Hunan Depu did not have any business operations other than its holding of 99.61% interest in Changsha Chengpu. To simplify the corporate structure of the Target Group, Hunan Depu transferred all its 99.61% interest in Changsha Chengpu to Shanghai Urban Development and Shanghai Depu Property Development Co., Ltd. in proportion to their respective shareholdings in Hunan Depu in 2010.

So far as SIH is aware after making reasonable enquiries, each of SUD Assets and Equity Agency, SUD Foreign Trade and Hunan Depu had complied with all applicable laws, rules and regulations of the PRC in all material aspects up to its deregistration and was not subject to any material disputes, claims, legal proceedings, investigations or sanctions at the time of its deregistration. As advised by the Company's PRC legal advisers, a PRC established entity may only be deregistered if it was in compliance with all applicable laws, rules and regulations of the PRC and not subject to any disputes, claims, legal proceeds, investigations or sanctions at the time of its deregistration. On the basis that each of SUD Assets and Equity Agency, SUD Foreign Trade and Hunan Depu has been deregistered by the relevant government authorities, the PRC legal advisers to the Company are of the opinion that each of such entities was in compliance with all applicable laws, rules and regulations of the PRC and not subject to any disputes, claims, legal proceeds, investigations or sanctions at the time of its deregistration.

上海城開集團合肥置業有限公司 (Shanghai Urban Development Group Hefei Real Estate Co., Ltd.) ("SUD Hefei")

SUD Hefei was established on 1 March 2006 with a registered capital of RMB200 million. SUD Hefei is primarily engaged in the business of property development in the PRC. SUD Hefei is the developer of the Rose Town City Villa project in Hefei, Anhui Province. As part of the Target Group's strategy to streamline the Target Group's project portfolio with a focus in the Yangtze River Delta area, the Target Group decided to dispose of its interest in SUD Hefei in January 2011. This was a decision made prior to the negotiations between SIH and the Company leading to the Transactions. On 25 March 2011, Shanghai Urban Development entered into a sale and purchase agreement, pursuant to which Shanghai Urban Development agreed to sell its 100% equity interest in SUD Hefei and assign a shareholder's loan of RMB239 million to 淮南市毛集佳貝商貿有限公司 (Huainan City Maoji Jiabei Commerce Co., Ltd.) for an aggregate consideration of RMB500 million. The consideration was determined after arm's length negotiations between the parties and taking into account factors including the location of Rose Town City Villa, the status of the project development, the site of the remaining land available for further development, and the amount of the outstanding shareholder's loan. Huainan City Maoji Jiabei Commerce Co., Ltd. is an independent third party of the Target Group. So far as the Directors are aware, Huainan City Maoji Jiabei Commerce Co., Ltd. is not a Shareholder. The sale and purchase of SUD Hefei was completed on 22 April 2011.

As at 31 December 2010, the net asset value of SUD Hefei as shown on its financial statements of the Target Group was RMB266.1 million. For the years ended 31 December 2008, 2009 and 2010, the revenue of SUD Hefei was nil, nil and RMB686.4 million, respectively and the net loss of SUD Hefei for these periods was RMB1.3 million, RMB18.5 million and RMB23.0 million, respectively. The Target Group recorded a loss of RMB32.4 million upon the disposal of its interest in SUD Hefei. Please refer to note 31 to the accountants' report on the Target Group set out in Appendix I to this circular for an analysis of the assets and liabilities of SUD Hefei upon its disposal.

The PRC legal advisers of the Company are of the opinion that SUD Hefei had complied with applicable laws, rules and regulations of the PRC in all material respects up to its disposal and SUD Hefei was not subject to any material disputes, claims, legal proceedings, investigations or sanctions at the time of its disposal.

Associates of Shanghai Urban Development

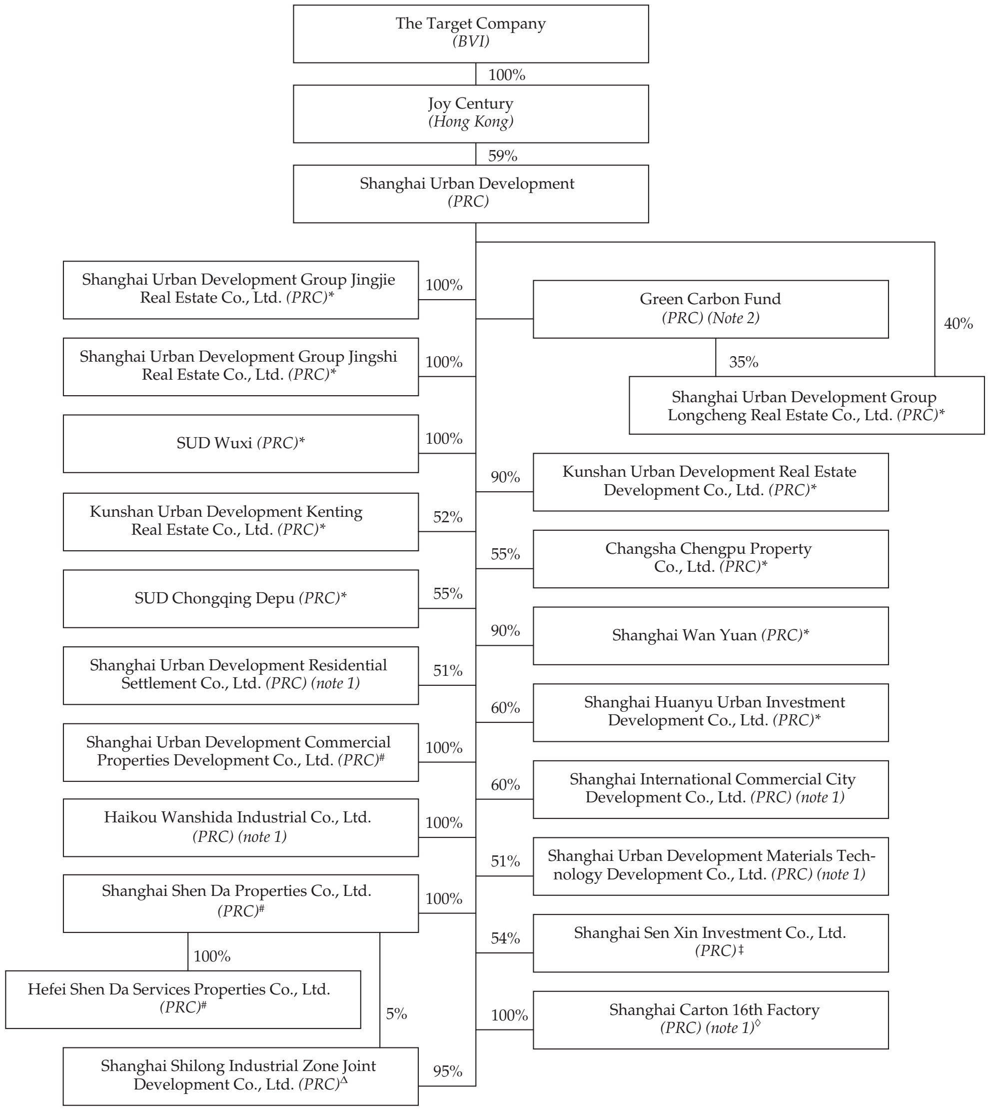
上海莘天置業有限公司 (Shanghai Xintian Real Estate Co., Ltd.) ("Shanghai Xintian")

Shanghai Xintian was established as a Sino-foreign joint venture company on 1 December 2010 with a registered capital of RMB2,850,000,000. It is owned by Shanghai Urban Development, 上海莘閔輕軌實業有限公司 (Shanghai Xinmin Light Rail Industrial Co., Ltd.), 上海莘莊投資經營有限公司 (Shanghai Xinzhuang Investment Management Co., Ltd.) and 美冠投資有限公司 (May Crown Investment Limited) as to 35%, 20%, 10% and 35%, respectively. Shanghai Xinmin Light Rail Industrial Co., Ltd. is a limited liability company established under the PRC laws and is primarily engaged in the construction and development of Xinmin rail transit, the property development in relation to Xinmin rail transit, and management of supporting and agency services. Shanghai Xinzhuang Investment Management Co., Ltd. is a limited liability company established under the PRC laws and is primarily engaged in the sale of metal materials, construction materials, chemical products, agricultural products, daily necessities, warehousing, and property leasing. May Crown Investment Limited is an investment holding company incorporated under the Hong Kong laws with limited liabilities. Each of Shanghai Xinmin Light Rail Industrial Co., Ltd., Shanghai Xinzhuang Investment Management Co., Ltd. and May Crown Investment Limited is an independent third party of the Target Group. Shanghai Xintian is primarily engaged in the business of property development in the PRC. Shanghai Xintian is the developer of Xinzhuang Metro Superstructure Project.

上海城開房地產經紀有限公司 (Shanghai Urban Development Real Estate Agency Co., Ltd.) ("SUD Real Estate Agency")

SUD Real Estate Agency was established as a Sino-foreign joint venture company on 15 August 2001 with a registered capital of RMB20,000,000. It is owned by Shanghai Urban Development as to 49% and by 上海房屋銷售(集團)有限公司 (Shanghai Housing Sales (Group) Co., Ltd.) as to 51%. Shanghai Housing Sales (Group) Co., Ltd. is a wholly-owned foreign enterprise established under the PRC laws and is primarily engaged in real estate agency. It is an independent third party of the Target Group. SUD Real Estate Agency is primarily engaged in real estate agency in the PRC. It sells properties developed by the Target Group.

Set out below is the corporate structure of the Target Group as at the Latest Practicable Date:



Notes:

* The principal business of these companies is property development and sale.

The principal business of these companies is property management.

‡ The principal business of Shanghai Sen Xin Investment Co., Ltd. is investment information consultancy.

◇ The principal business of Shanghai Carton 16th Factory is manufacturing and sale of paper products.

Δ The principal business of Shanghai Shilong is sale of construction materials in the PRC.

1. Shanghai International Commercial City Development Co., Ltd., Shanghai Urban Development Residential Settlement Co., Ltd., Haikou Wanshida Industrial Co., Ltd., Shanghai Urban Development Materials Technology Development Co., Ltd. and Shanghai Carton 16th Factory have ceased operation.

2. Shanghai Urban Development is a limited liability partner of Green Carbon Fund.

RESTRUCTURING PLAN

In preparation for the Transactions, the Target Group carried out the following restructuring steps:

(a) The Target Company was incorporated in the BVI on 19 January 2011 as a BVI business company authorised to issue a maximum of 50,000 ordinary shares with a par value of US$1.00 each. On 9 March 2011, one ordinary share was allotted and issued to SIH at par for cash. The Target Company is wholly owned by SIH.

(b) Joy Century was incorporated in Hong Kong on 22 February 2011 as a company with limited liability with an authorised share capital of HK$10,000 divided into 10,000 ordinary shares of par value HK$1.00 each. One issued ordinary share, representing the entire issued share capital of Joy Century, is held by the Target Company. Joy Century is wholly owned by the Target Company.

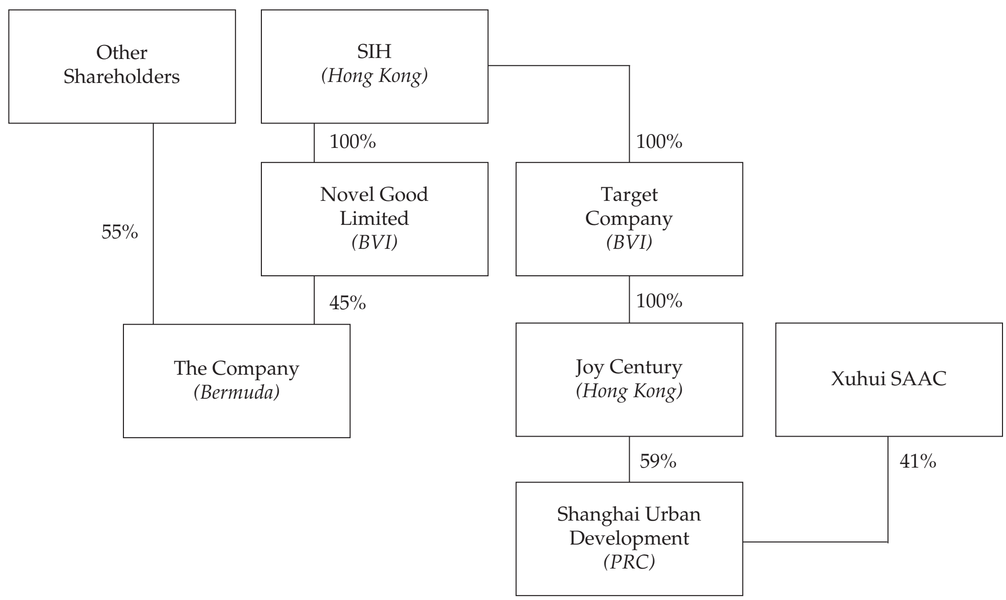
(c) On 30 March 2011, SIH entered into an equity transfer agreement with Joy Century whereby SIH agreed to transfer its 59% equity interest in Shanghai Urban Development to Joy Century for an amount in HK$ which is equivalent to RMB4,108,827,700. The transfer was completed on 8 August 2011.

(d) SIH provided the Shareholder's Loan to the Target Company, the primary purpose of which is to facilitate the settlement of the consideration for the acquisition by Joy Century of the 59% equity interest in Shanghai Urban Development from SIH under the equity transfer agreement.

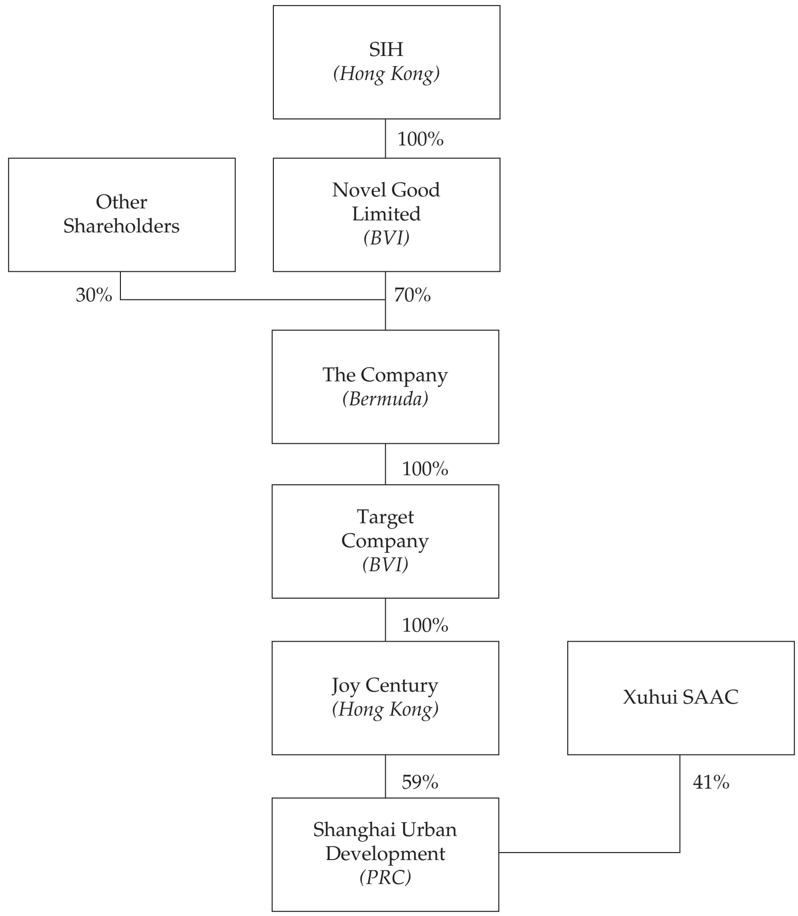
Each of the Target Company and Joy Century is an investment holding company.

Set out below are the ownership structures of the Target Company and of the Company as at the Latest Practicable Date and immediately after Completion:

As at the Latest Practicable Date



Immediately after Completion



OVERVIEW

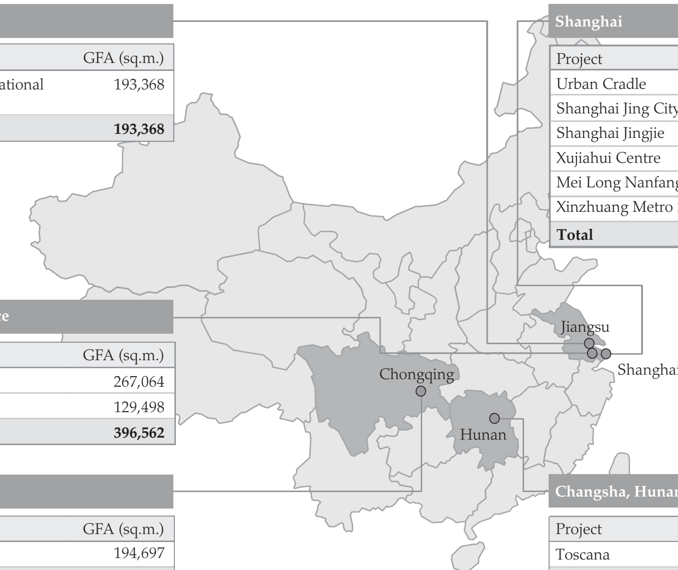
The Target Group is primarily engaged in the property development business in the PRC through its PRC operating subsidiaries. The Target Company indirectly holds 59% in Shanghai Urban Development, which was established in 1996 as a state-owned enterprise. In July 2007, Shanghai Urban Development was converted to a Sino-foreign equity joint venture company following the acquisition by SIH of a 40% equity interest in it. In December 2007, SIH acquired a further 19% equity interest in Shanghai Urban Development. Shanghai Urban Development is currently indirectly owned by SIH as to 59% and by Xuhui SAAC as to 41%.

The Target Group owns ten property development projects mainly in four regions in the PRC, namely Shanghai, Jiangsu, Hunan and Chongqing, with an aggregate GFA of approximately 3,393,070 sq.m. In addition, the Target Group, through a 35% owned associated company, has an interest in one property development project in Shanghai, with an aggregate GFA of 405,000 sq.m. Based on the 2011 interim results announcement of SIH dated 15 September 2011, sales realised by Shanghai Urban Development and its subsidiaries in the first half of 2011 amounted to HK$1,041 million and the sales area realised during the period was 52,702 sq.m. A pre-sale amount of HK$680 million was recorded during the first half of 2011 from the pre-sale of a total GFA of 38,238 sq.m. In addition, the Target Group also recorded a total rental income of approximately HK$83.78 million in the first half of 2011 from its investment properties of approximately 77,056 sq.m., which mainly comprise Urban Development International Tower, Huimin Commercial Tower and other retail properties. On 25 March 2011, the Target Group entered into a sale and purchase agreement for the disposal of its entire interest in SUD Hefei, the developer of Rose Town City Villa. The disposal was completed in April 2011, following which the Target Group ceased to have any interest in SUD Hefei. Please refer to the paragraph headed "Subsidiaries disposed of or deregistered since 1 January 2008" in the section headed "History and Background of the Target Group" in this circular for further information on the disposal.

PROPERTY DEVELOPMENT PROJECTS OF THE TARGET GROUP

Overview of the property development projects

The business of the Target Group primarily focuses on the development of large-scale integrated residential and commercial properties, offering a range of products including apartments, villas, offices, retail properties and hotels. The following diagram shows the geographic locations of the projects of the Target Group.



Wuxi, Jiangsu Province

Project	GFA (sq.m.)
Urban Development International Center	193,368
Total	**193,368**

Kunshan, Jiangsu Province

Project	GFA (sq.m.)
Royal Villa	267,064
Yoooou.net	129,498
Total	**396,562**

Chongqing

Project	GFA (sq.m.)
Ivy Aroma Town	194,697
Total	**194,697**

Shanghai

Project	GFA (sq.m.)
Urban Cradle	1,124,245
Shanghai Jing City	558,360
Shanghai Jingjie	125,143
Xujiahui Centre	168,415
Mei Long Nanfang Shangcheng	421,300
Xinzhuang Metro Superstructure Project*	405,000
Total	**2,802,463**

Changsha, Hunan Province

Project	GFA (sq.m.)
Toscana	210,980
Total	**210,980**

Note:

The Target Group only has a minority interest in Xinzhuang Metro Superstructure Project through its 35% interest in its associated company, Shanghai Xintian Real Estate Co., Ltd.

The project names of the Target Group referred to in this circular are the names used, or the Target Group intends to use, to market its properties.

Status of the projects of the Target Group

The property development projects of the Target Group can be categorised into three types according to their stage of development:

- *Properties held for sale or investment*. A property is treated as completed and held for sale or rent when the certificate of completion is received from the relevant local government authorities in respect of the property development;

- *Properties under development*. A property is treated as under development as soon as the construction work commencement permit is received from the relevant local government authorities with respect to the property development but prior to the issuance of the certificate of completion; and

- *Properties held for future development*. A property is treated as held for future development when the Target Group has successfully bid for land parcels through a listing-for-sale held by the local government, signed the relevant land use rights grant contracts with the relevant PRC land administrative authorities or acquired the project company holding land use rights in relation to the land. In each case, the construction has not yet commenced.

A property is considered sold when revenue is recognised from the sale or pre-sale of the property upon the delivery of the property. A property is pre-sold when the pre-sale contract is executed but before the certificate of completion is received. The property is delivered to the customer upon, among other things, (i) the full payment by the customer, and (ii) the property having been completed, inspected and accepted as qualified and the certificate of completion having been received. The following information that appears in this circular is based on the internal records and estimates of the Target Group: figures for aggregate GFA, GFA sold, GFA pre-sold, unsold GFA, saleable GFA, sales areas realised and information regarding total development cost incurred (including construction costs, land use rights costs and capitalised interest) and estimated future development cost (including construction costs, land use rights costs and capitalised interest), planned construction period and number of phases and units. The actual figures and construction schedules may differ from the current estimates. The information relating to the construction period for the completed phases of the projects set forth in this circular is based on the Target Group's own internal records.

The following table sets forth certain information relating to the property development projects of the Target Group, including those which the Target Group has yet to obtain the land use rights certificates. The information is based on actual data or estimates as at 31 July 2011, the valuation date of the properties of the Target Group as set out in the valuation report in Appendix IVA. The GFA data of each project represents the relevant data of such project as a whole and does not reflect the amount of GFA attributable to the Target Group to the extent that its interest in such project is less than 100%. DTZ, an independent property valuer, is of the view that the completed properties of the Target Group were sold at prices which were in line with the average prevailing prices in the relevant cities during the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011.

As at 31 July 2011

Project	Location	Phase	Site area (sq.m.)[5]	Aggregate GFA (sq.m.)[6]	Total salable GFA (sq.m.)[7] (a)[18]	Sold GFA (sq.m.)[7] (b)	Pre-sold salable GFA (sq.m.) (c)	Unsold aggregate GFA (sq.m.): Residential (d)	Retail (e)	Office (f)	Hotel (g)	Mixed use (h)	Others[1]	Total salable GFA held as investments (sq.m.)[7]	Actual/Expected: Commen-cement date[10]	Pre-sale date[10]	Completion date[11]	Delivery date	Actual development cost incurred (RMB million)[8]	Estimated development cost to complete the project (RMB million)[9]	Revenue contribution (RMB million)[12]	Number of car parks	Interest attributable to SUD Group %	Reference to valuation report	Estimated ASP (RMB per sq.m.)
Completed																									
Urban Cradle 萬源城	Shanghai	Lot B	131,924	82,492	70,157	55,709	-	11,282	3,166	N/A	N/A	N/A	N/A	N/A	06/2006	11/2008	11/2008	02/2009	605	N/A	2,002	208	90	a1	115,200 – 140,800
Urban Cradle 萬源城	Shanghai	Lot D	113,454	262,236	190,698	166,931	12,114	4,857	6,796	N/A	N/A	N/A	3,782	18,900	11/2007	11/2008	10/2009	03/2009	1,231	N/A	3,259	1,274	90	a2	27,855 – 34,045
Urban Cradle 萬源城	Shanghai	Lot E	120,357	243,064	190,015	185,329	4,012	599	75	N/A	N/A	N/A	N/A	N/A	03/2005	02/2007	01/2008	10/2007-03/2008	502	N/A	1,211	1,496	90	a3	22,399 – 27,377
Royal Villa 琨城帝景園	Kunshan	Phase I	68,871	87,118	65,192[20]	56,215	412	8,566	N/A	N/A	N/A	N/A	54	N/A	07/2006	04/2007	10/2008	10/2008	261	N/A	284	480	90	a4	High rise: 5,760 – 7,040 Villa: 11,430 – 13,970
Toscana 托斯卡納	Changsha	Zone A, B of Phase I and Zone C,D,E of Phase II	169,063	151,575	136,774[20]	131,724	4,586	465	N/A	N/A	N/A	N/A	2,349	N/A	02/2006	10/2006	03/2010	04/2008-04/2011	334[15]	N/A	705	309	55	a5	High rise: 7,405 – 9,989 Villa: 13,341 – 16,305
Ivy Aroma Town 常青藤-緹香小鎮	Chongqing	Cluster I, II of Phase I	50,769	45,681	44,584	20,522	19,436	4,626	N/A	N/A	N/A	N/A	N/A	N/A	01/2009	10/2009	01/2011	11/2010-12/2011	78	N/A	153	N/A	55	a6	9,549 – 10,371
Sub-total			**654,438**	**872,166**	**697,420**	**616,430**	**40,560**												**3,011**	**-**	**7,614**				
Project under development																									
Urban Cradle 萬源城	Shanghai	Lot F	100,909	248,936	181,199[20]	-	15,306	158,050	7,842[13]	N/A	N/A	N/A	67,737	N/A	09/2009	2011	2013	2013	412	1,488	N/A	N/A	90	c1	30,240 – 36,960
Royal Villa 琨城帝景園	Kunshan	Phase II	67,559	84,086	68,709	25,989	7,655	35,065	N/A	N/A	N/A	N/A	6,271	N/A	07/2006	05/2009	2011	12/2010-12/2011	171	99	126	200	90	c4	High rise: 4,472 – 5,466 Villa: 19,121 – 23,370
Royal Villa 琨城帝景園	Kunshan	Phase III	68,586	95,860	80,311	-	-	80,311	N/A	N/A	N/A	N/A	15,549	N/A	02/2010	2013	2014	2014	46	254	N/A	N/A	90	c4	N/A
Toscana 托斯卡納	Changsha	Zone F of Phase II	27,433	59,405	49,195	-	23,611	25,584	N/A	N/A	N/A	N/A	10,210	N/A	02/2007	03/2010	08/2011	09/2011-12/2011	208[16]	2	N/A	260	55	c6	8,280 – 10,120
Ivy Aroma Town 常青藤-緹香小鎮	Chongqing	Cluster I, II of Phase II	50,812	36,874	34,521	-	1,002	33,519	N/A	N/A	N/A	N/A	2,353	N/A	09/2010	06/2011	2012	2013	114	55	N/A	N/A	55	c8	11,700 – 14,300
Yoooou.net 遊站	Kunshan		34,223	129,498	112,812	-	7,449	76,564	19,341	N/A	9,458	N/A	16,686	N/A	04/2010	2011	2012	2013	65	635	N/A	488	52	c7	8,682 – 10,612
Urban Development International Centre 上海中心城開國際	Wuxi		24,041	193,368	145,363	-	-	N/A	11,727	32,988	100,648	N/A	48,005	N/A	10/2009	2011	2013	2013	282	1,164	N/A	666	100	c5	N/A
Shanghai Jing City 上海晶城	Shanghai		187,464	558,360	471,996	-	-	471,996	N/A	N/A	N/A	N/A	86,363	N/A	06/2010	2012	03/2013	2013	158	1,712	N/A	1,131	100	c3	N/A
Shanghai Jingjie 上海晶杰	Shanghai		49,764	125,143	95,594	-	-	95,594	N/A	N/A	N/A	N/A	29,549	N/A	09/2010	2012	08/2012	2012	33	437	N/A	N/A	100	c2	N/A
Sub-total			**610,790**	**1,531,529**	**1,239,700**	**25,989**	**55,023**												**1,489**	**5,846**	**126**				
Project held for future development																									
Urban Cradle 萬源城	Shanghai	Lot C	110,819	287,517[14]	192,517	-	-	N/A	N/A	N/A	N/A	192,517	95,000	N/A	2012	No schedule	No schedule	No schedule	24	N/A	N/A	N/A	90	d4	N/A
Ivy Aroma Town 常青藤-緹香小鎮	Chongqing	Cluster III of Phase I	75,799	33,510[19]	31,906	-	-	31,906	N/A	N/A	N/A	N/A	1,604	N/A	2012	2013	2014	06/2014	N/A	124	N/A	N/A	55	d5	N/A
Ivy Aroma Town 常青藤-緹香小鎮	Chongqing	Cluster III, IV, V of Phase II	112,432	78,633[19]	77,225	-	-	77,225	N/A	N/A	N/A	N/A	1,408	N/A	2012	2013	2014	06/2014	N/A	335	N/A	N/A	55	d6	N/A
Xujiahui Centre 徐家匯中心	Shanghai		35,343	168,415	168,415	-	-	N/A	N/A	N/A	N/A	168,415[2]	N/A	No schedule	No schedule	No schedule	No schedule	No schedule	37	N/A	N/A	N/A	60	d1	N/A
Mei Long Nanfang Shangcheng 梅隴南方商務區	Shanghai		87,327	421,300[17]	421,300[17]	-	-	N/A	N/A	N/A	N/A	421,300[17]	N/A	No schedule	Planning	Planning	Planning	Planning	5	N/A	N/A	N/A	75	d2	N/A
Sub-total			**421,719[20]**	**989,374[20]**	**891,363[20]**	**-**	**-**												**66**	**459**	**-**				
Total			**1,686,948[20]**	**3,393,070[20]**	**2,828,483**	**642,419**	**95,583**												**4,566**	**6,305**	**7,740**				
Others																									
Xinzhuang Metro Superstructure Project 莘莊地鐵上蓋項目[4]	Shanghai		117,825	405,000	378,300	-		N/A	N/A	N/A	N/A	378,300[3]	26,700	No schedule	2012	No schedule	No schedule	No schedule	N/A	N/A	N/A	N/A	35	d3	N/A
Sub-total			**117,825**	**405,000**	**378,300**	**-**													**-**	**-**	**-**				

Notes:

1. Others include ancillary buildings, basement, facilities, club houses and car parks.

2. Mixed use for Xujiahui Centre and Mei Long Nanfang Shangcheng refer to commercial/office.

3. Mixed use for Xinzhuang Metro Superstructure Project refers to residential, commercial, office use or for civic or public service purpose.

4. Project of an associate of Shanghai Urban Development.

5. The site area is based on the relevant land use rights certificates, land use rights grant contracts, tender documents, or other relevant agreements (as the case may be).

6. The aggregate GFA is based on construction land planning permit, construction work commencement permit, construction work planning permit, certificates or confirmation of completion and acceptance or other relevant documents (as the case may be), and includes saleable areas, non-saleable areas, car parks, club house, and public areas (where applicable).

7. Aggregate GFA (including GFA that has been sold) minus car parks, club houses, basement, ancillary buildings and other public areas. All numbers have been derived from the internal records of the Target Group.

8. Including pre-construction costs, construction costs and infrastructure costs, up to 30 April 2011.

9. The estimated further development costs refer to the estimated sum of pre-construction costs, construction costs and infrastructure costs to complete the properties under development as at 30 April 2011. The total development cost budgeted for a project by Shanghai Urban Development is based on the sum of (a) the development costs incurred for that project as of 30 April 2011 and (b) the estimated further development costs to complete that project.

10. The commencement date and pre-sale date stated for any project are the respective dates on which (a) construction works commenced for that project (regardless of phase) and (b) Shanghai Urban Development first obtained a pre-sale permit for that project.

11. The actual or estimated construction completion date represents the completion date of the whole phase. Certain properties within the phase may have been completed before that date. Estimated construction completion date is based on the current estimation of the Target Group.

12. Revenue contribution represents cumulative revenue generated from sale or lease of the phase up to 30 April 2011.

13. This figure includes 2,442.08 sq.m. basement retail.

14. This figure includes underground floor area of 95,000 sq.m.

15. Including pre-construction costs, construction costs and infrastructure costs for zone A, B, C and D only, up to 30 April 2011.

16. Including pre-construction costs, construction costs and infrastructure costs for zone E and F, up to 30 April 2011.

17. Including underground area of 98,220 sq.m. Shanghai Urban Development has not obtained land use rights certificate from government authority for underground area as at 31 July 2011.

18. a=b+c+d+e+f+g+h

19. This GFA figure is based on the Target Group's construction plans for this project. As at 31 July 2011, the relevant plans were yet to be approved by the relevant government authority.

20. Difference of one sq.m. is due to rounding in figures.

Description of the property development projects

Urban Cradle (萬源城)

Urban Cradle is located in Gumei Area, Minhang District in Shanghai. This project in planned to be developed into a modern and comprehensive urban high-standard living centre, with a business club, retail properties, a kindergarten, a school and a cultural and sports centre.

Urban Cradle primarily consists of high-rise apartments and some detached villas and is planned to be developed in six phases. The Target Group has completed the development of Lots B, D and E. The completed properties occupy an aggregate site area of approximately 365,735 sq.m., and have a total unsold GFA of approximately 26,774 sq.m. as at 31 July 2011. The Target Group was in the process of constructing Lot F which occupies a site area of approximately 100,909 sq.m. and has a total planned GFA of approximately 248,936 sq.m. The completed project consists of a total of 2,978 car parks. The Target Group has not commenced the construction of Lot C. Up to 30 April 2011, the total development cost incurred in relation to the development of this project was RMB2,774 million.

Urban Cradle is developed by Shanghai Wan Yuan, a 90% owned subsidiary of Shanghai Urban Development. A total market value of RMB5,544 million is attributable to Shanghai Urban Development as of 31 July 2011, as stated in the property valuation report in Appendix IVA to this circular.

Royal Villa (琨城帝景園)

Royal Villa is located in Zhoushi Town of Kunshan City in Jiangsu Province. It is situated in the heart of the administrative centre in the north of Kunshan and is adjacent to Kunshan Ecological and Sports Park (昆山生態體育園).

This project comprises of 18 high-rise apartment buildings, 92 detached villas and 680 car parks. The Target Group has completed the construction of Phase I. Phase I occupies a site area of approximately 68,871 sq.m., and as at 31 July 2011 had unsold GFA of approximately 8,566 sq.m. The completed project contains a total of 480 car parks. The Target Group is in the process of constructing Phases II and III which occupy an aggregate site area of approximately 136,145 sq.m., and have a total planned GFA of approximately 179,946 sq.m. Up to 30 April 2011, the total development cost incurred in relation to the development of this project was approximately RMB478 million.

Royal Villa is developed by Kunshan Urban Development Real Estate Development Co., Ltd., a 90% owned subsidiary of Shanghai Urban Development. A total market value of RMB496 million is attributable to Shanghai Urban Development as of 31 July 2011, as stated in the property valuation report in Appendix IVA to this circular.

Toscana (托斯卡納)

Toscana is located in Yuhua District of Changsha City in Hunan Province and is adjacent to the downtown of Changsha City. It is located in the traditional high-end residential area in the new southern district of Changsha City.

Toscana primarily consists of apartments and retail properties. This project also includes supporting facilities such as kindergartens, in-door swimming pools, basketball playgrounds, coffee shops and club houses. The Target Group has completed the development of Zone A, B of Phase I and Zone C, D, E of Phase II. The completed properties occupy an aggregate site area of approximately 169,063 sq.m., and have a total unsold GFA of approximately 465 sq.m. as at 31 July 2011. The Target Group is in the process of constructing Zone F of Phase II which occupies a site area of approximately 27,433 sq.m., and has a total planned GFA of approximately 59,405 sq.m. Up to 30 April 2011, the total development cost incurred in relation to the development of this project was approximately RMB542 million. The completed project contains a total of 309 car parks.

Toscana is developed by Changsha Chengpu Property Development Co., Ltd., a 55% owned subsidiary of Shanghai Urban Development. A total market value of RMB191 million is attributable to Shanghai Urban Development as of 31 July 2011, as stated in the property valuation report in Appendix IVA to this circular.

Ivy Aroma Town (常青藤–緹香小鎮)

Ivy Aroma Town is located in Taojia Town of Jiulongpo District of Chongqing City and is only one kilometre from the planned central commercial centre and central park of Chongqing City. It is in close proximity to a number of scenic spots, including Cursory Peach Blossom Garden (走馬桃花園) and Huayan Temple Scenic Area (華岩寺風景區). The area is well developed and readily accessible by public transportation. The Target Group intends to develop Ivy Aroma Town into a large-scale high-end community.

The Target Group intends to develop Ivy Aroma Town in two phases, primarily into high-end residential properties, with detached villas, together with supporting facilities such as kindergartens, elderly centres, theme parks, banks and hospitals. The Target Group has completed the development of clusters I and II of Phase I. The completed properties occupy an aggregate site area of approximately 50,769 sq.m., and have a total unsold GFA of approximately 4,626 sq.m. as at 31 July 2011. The Target Group was still in the process of constructing clusters I and II of Phase II which occupy a site area of approximately 50,812 sq.m., and have a total planned GFA of approximately 36,874 sq.m. The Target Group has not commenced the construction of cluster III of Phase I and clusters III, IV and V of Phase II. Up to 30 April 2011, the total development cost incurred in relation to the development of this project was approximately RMB191 million.

Ivy Aroma Town is developed by Shanghai Urban Development Group Chongqing Depu Property Co., Ltd., a 55% owned subsidiary of Shanghai Urban Development. A total market value of RMB404 million is attributable to Shanghai Urban Development as of 31 July 2011, as stated in the property valuation report in Appendix IVA to this circular.

Yoooou.net (游站)

Yoooou.net is located in Huaqiao Town of Kunshan City of Jiangsu Province. It is in the heart of Huaqiao International Commercial District of Jiangsu Development Zone and is within a radius of 25 kilometre from Shanghai.

Yoooou.net is designed to be developed as a commercial and residential complex, including commercial properties, loft style and multi-purpose properties and a mini hotel. This project is planned to be developed in two stages. The Target Group is in the process of constructing this project and pre-sale of some of the properties of this project has commenced. The properties occupy an aggregate site area of approximately 34,223 sq.m., and have a total planned GFA of approximately 129,498 sq.m. The plan is to include 488 car parks in this project. Up to 30 April 2011, the total development cost incurred in relation to the development of this project was approximately RMB65 million.

Yoooou.net is developed by Kunshan Urban Development Kenting Real Estate Co., Ltd., a 52% owned subsidiary of Shanghai Urban Development. A total market value of RMB323 million is attributable to Shanghai Urban Development as of 31 July 2011, as stated in the property valuation report in Appendix IVA to this circular.

Urban Development International Centre (上海中心城開國際)

Urban Development International Centre is located in Binhu District of Wuxi City in Jiangsu Province. It is less than five kilometres from downtown Wuxi and is close to a number of scenic areas, including Li Lake Scenic Area (蠡湖風景區), Li Lake Central Park (蠡湖中央公園) and Bogong Island (渤公島). The area is well developed with various supporting facilities, such as fitness clubs, coffee shops and commercial clubs. There are also a number of banks, hotels, hospitals and supermarkets in the surrounding areas.

Urban Development International Centre is positioned to be a comprehensive property, consisting of an international five-star hotel, a Class A office building, multi-purpose units and commercial properties. The Target Group is in the process of constructing this project. The project occupies an aggregate site area of approximately 24,041 sq.m., and has a total planned GFA of approximately 193,368 sq.m. The plan is to include a total of 666 car parks in this project. Up to 30 April 2011, the total development cost incurred in relation to the development of this project was approximately RMB282 million.

Urban Development International Centre is developed by Shanghai Urban Development Group Wuxi Real Estate Co., Ltd., a wholly-owned subsidiary of Shanghai Urban Development. A total market value of RMB814 million is attributable to Shanghai Urban Development as of 31 July 2011, as stated in the property valuation report in Appendix IVA to this circular.

Shanghai Jing City (上海晶城)

Shanghai Jing City is located in Meilong Town in Minhang District of Shanghai City.

This project constitutes affordable houses (適用房) with an aggregate site area of 187,464 sq.m. and a total planned GFA of approximately 558,360 sq.m. This project also covers a middle school, a primary school, two kindergartens and other supporting facilities, such as sports facilities, medical facilities and markets. The whole project is planned to be developed in four phases. This project is currently being constructed. The project plans to construct a total of 1,131 car parks. Pursuant to《上海市經濟適用住房管理試行辦法》(Shanghai Administrative Trial Measures of Affordable Housing), all the affordable houses will be sold under uniform management and direction of the local housing support agencies and all the affordable houses unsold within one year after the initial registration of house ownership will be purchased by the local housing support agencies. Pursuant to a notice issued by 上海市大型居住社區建設推進辦公室 (The Office of Promoting the Construction of Large Scale Residential Community of Shanghai) dated 25 March 2010, the selling price for the affordable houses developed under Shanghai Jing City project will not be more than RMB8,480 per sq.m. Up to 30 April 2011, the total development cost incurred in relation to the development of this project was approximately RMB158 million.

Shanghai Jing City is developed by Shanghai Urban Development Group Jingshi Real Estate Co., Ltd., a wholly-owned subsidiary of Shanghai Urban Development. A total market value of RMB2,093 million is attributable to Shanghai Urban Development as of 31 July 2011, as stated in the property valuation report in Appendix IVA to this circular.

Shanghai Jingjie (上海晶杰)

Shanghai Jingjie is located on Gumei West Road of Minhang District in Shanghai. This area is well developed and readily accessible to supporting facilities including supermarkets, hotels, post offices, banks, hospitals and schools as well as public transportation.

Shanghai Jingjie is part of the development project of Minhang District and is designed to provide housing for reallocated residents. It consists of commodity apartments, underground car parks and supporting facilities (including a market and an elderly house). This project is currently under construction. The properties occupy an aggregate site area of approximately 49,764 sq.m., and have a total planned GFA of approximately 125,143 sq.m. Up to 30 April 2011, the total development cost incurred in relation to the development of this project was approximately RMB33 million.

Shanghai Jingjie is developed by Shanghai Urban Development Group Jingjie Real Estate Co., Ltd., a wholly-owned subsidiary of Shanghai Urban Development. A total market value of RMB432 million is attributable to Shanghai Urban Development as of 31 July 2011, as stated in the property valuation report in Appendix IVA to this circular.

Pursuant to a purchase agreement entered into between the government of Meilong Town, Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. and Meilong Town Reallocation Office on 2 July 2010 and a memorandum entered into between the government of Meilong Town and Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. on 5 July 2010, the parties have agreed to the following: (a) the government of Meilong Town will purchase the residential properties, commercial properties, a market and an elderly house to be developed under this project at a price which will provide Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. with a pre-determined mark up on the relevant construct costs; (b) in addition, the government of Meilong Town will pay an amount equivalent to 3% of the total investment of this project to Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. as management fees and will bear all financial expenses and taxes incurred in relation to this project; (c) the payment of the purchase price will be made in stages and the last payment shall be made within 15 days upon expiry of the warranty period of this project; and (d) this project shall be completed by 30 December 2012.

Xujiahui Centre (徐家滙中心)

Xujiahui Centre is located in Xuhui District of Shanghai. The area is well developed and readily accessible by public transportation.

This project consists of six land plots, amongst which three land plots are intended to be developed into three super high-rise buildings. The ground and lower floors will be developed into commercial properties and serviced apartments. The mid-floors will be developed into offices and the upper floors will accommodate a five-star hotel. The remaining three land plots will be developed into serviced apartments, loft style and multi-purpose properties and other commercial properties. The Target Group has not commenced the construction of this project. The project occupies a site area of approximately 35,343 sq.m. and has a total planned GFA of approximately 168,415 sq.m. Up to 30 April 2011, the total development cost involved in relation to the development of this project was approximately RMB37 million.

Xujiahui Centre will be developed by Shanghai Huanyu Urban Investment Development Co., Ltd., a 60% owned subsidiary of Shanghai Urban Development. A total market value of RMB2,547 million is attributable to Shanghai Urban Development as of 31 July 2011, as stated in the property valuation report in Appendix IVA to this circular.

Mei Long Nanfang Shangcheng (梅隴南方商務區)

Mei Long Nanfang Shangcheng is located in Meilong Town of Minhang District of Shanghai City. It is in the business centre and close to major transportation trunk roads.

This project is intended to be developed as the commercial landmark for the southwest district of Shanghai City. It will include comprehensive properties consisting of offices, commercial properties and hotels. The Target Group has not commenced the construction of this project. The project occupies a site area of approximately 87,327 sq.m. and a total planned GFA of approximately 421,300 sq.m. Up to 30 April 2011, the total development cost incurred in relation to the development of this project was approximately RMB5 million.

Mei Long Nanfang Shangcheng will be developed by Shanghai Urban Development Group Longcheng Real Estate Co., Ltd., a subsidiary of Shanghai Urban Development. A total market value of RMB1,950 million is attributable to Shanghai Urban Development as of 31 July 2011, as stated in the property valuation report in Appendix IVA to this circular.

Project carried on by an associate

Xinzhuang Metro Superstructure Project (莘莊地鐵上蓋項目)

Xinzhuang Metro Superstructure Project is located in Xinzhuang Town, Minhang District, Shanghai. The surrounding area of this project is well developed and readily accessible by public transportation. It is the starting station of railway transportation lines 1 and 5.

This project is intended to be developed for composite use, including offices, hotel, residential properties, loft style and multi-purpose properties and a shopping mall. The construction of this property development project has not commenced. The project occupies a site area of approximately 117,825 sq.m. with an aggregate GFA of approximately 405,000 sq.m.

Xinzhuang Metro Superstructure Project will be developed by Shanghai Xintian Real Estate Co., Ltd., a 35% owned associate company of Shanghai Urban Development. No market value is attributable to Shanghai Urban Development as of 31 July 2011, as stated in the property valuation report in Appendix IVA to this circular.

PROJECT MANAGEMENT

The Target Group generally conducts its project development operations through its project companies. These project companies are responsible for the day-to-day operation of the projects, while Shanghai Urban Development, the headquarters of the Target Group, generally oversees and supports each of these project companies and participates in the making of significant decisions for the projects. The Target Group established this management structure primarily because of the importance of local market conditions and other local factors relevant to the property development industry in China. The Target Group believes this management structure enhances its efficiency.

The Target Group has established several departments at its headquarters, including the centre of strategic investment, the sales management centre, the financial management centre, the audit and legal centre and the human resource centre, to oversee, support and facilitate the operations of each of its project companies in various locations. These include project bidding, project development, product positioning, design, cost planning, public tenders, contract preparation, construction, marketing and sales, after-sales services and support, financing, legal matters, human resources and other daily operations.

The senior management of the group headquarters and the senior management of its project companies, through holding discussions or meetings, review and make decisions on key decisions or actions. With respect to its project companies, certain key decisions are subject to approval by their board of directors.

At the local project level, the project companies are responsible for the day-to-day project development operations. These companies generally establish their planning and design department, sales department, project development department, construction department, cost planning department, after-sales services department, finance department and general administration department. These departments are supported by and report to the corresponding departments at the group headquarters.

PROJECT DEVELOPMENT

In developing a project, the Target Group follows a systematic process of planning and execution while seeking to maintain certain degree of flexibility to accommodate new developments in the fast-evolving business and regulatory environment of China's property market. Although each project development is unique and is designed to cater to the preferences of specific target markets, the entire project development process may be divided into the following stages:

- feasibility analysis;
- land acquisition;
- project financing;
- project design;
- pre-construction planning;
- construction;
- quality control;
- sales and marketing;
- delivery and after-sale services; and
- property management.

Feasibility analysis

Feasibility analysis is one of the fundamental steps in the property development process. An experienced team, comprising of the centre of strategic investment at the group headquarters, the general manager and other representatives of the relative department of the relevant project companies, is responsible for identifying sites for prospective property development in the regions the Target Group is interested in. The sales and marketing department of Shanghai Urban Development will also provide its professional advice during this process taking into account factors such as the city development plan and sales and marking strategies. The Target Group generally takes into account the following factors, among others, when considering and deciding whether to pursue a site at a particular time:

- the prevailing macroeconomic conditions and governmental policies of the city in which the site is located;
- the potential of the local property market in which the site is located;
- the geographic location, project scale, accessibility to transportation, environment, supporting infrastructure and public facilities of the site;
- the supply and demand and other market conditions of surrounding markets; and
- the projected cash flow arrangement, costs, pricing and return on investment of the project.

Having considered all the factors including those set out above, the centre of strategic investment will present to the board of the group headquarters a final proposal on the acquisition and development of the relevant land parcels and seek its approval.

Land acquisition

The Target Group uses and plans to use a variety of channels to acquire land interests, which include:

- acquiring from governments through public tenders, auctions and listing-for-sale;
- purchasing from existing non-governmental land-interest holders pursuant to land transfer agreements; and
- establishing joint ventures with companies which have acquired or are well-positioned to acquire interests in land.

In conjunction with the acquisition of land interests from the PRC government, property developers in the PRC are required to pay land premium to the relevant government authority and apply for the land use rights certificate in relation to the land interests. In general, upon the payment of land premium to the relevant land authorities, land use rights in the PRC are granted on the relevant land parcels for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for comprehensive-use properties. As of the Latest Practicable Date, the Target Group had obtained the land use rights certificates for granted land for all completed properties held for sale or for investment, all properties under development, and all properties held for future development except for the following properties:

(a) The Target Group held properties with a total GFA of approximately 589,316 sq.m. developed on land which was obtained by the Target Group by way of allocation. Such properties, comprising both commercial and residential properties, were held by the Target Group for self occupation and for lease. Such properties are numbered b4, b5, c3, e16 to e39, e41 and e43 in Appendix IVA to this circular. During the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, the revenue generated from such properties amounted to RMB23.2 million, RMB24.8 million, RMB24.2 million and RMB8.6 million, respectively. According to the PRC legal advisers of the Company, (i) properties developed on allocated land can be transferred upon approvals from the relevant government authorities and the payment of a land premium, which is the difference between the market value of the land involved and the cost incurred by the developer in the primary development of the land; and (ii) the rental income generated by the Target Group from such properties can be lawfully retained and utilised by the Target Group. On the basis of the above, the directors of Shanghai Urban Development do not see any compelling reasons for payment of such land premium and are of the view that the cash for settlement of such land premium can be used in other aspects of the business operation of the Target Group in the meanwhile. As such, the directors currently have no intention to pay the land premium to obtain the full title of these properties. Purchasers of such properties will be able to obtain land use rights certificates for granted land of such properties provided that the land premium is paid. The PRC legal advisers of the Company are of the view that purchasers shall have no legal impediments in obtaining the land use rights certificates after payment of the required land premium, provided that all relevant administrative procedures are completed as required by the competent government authorities under applicable PRC laws and regulations.

(b) The Target Group only had limited rights to use certain residential properties with a total GFA of approximately 12,376 sq.m. Such properties are numbered e40 and e46 in Appendix IVA to this circular. During the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, the revenue generated from such properties amounted to RMB0.4 million, RMB0.5 million, RMB0.5 million and RMB0.2 million, respectively. The PRC legal advisers of the Company are of the opinion that the Target Group can lawfully use such properties as they are currently being used.

Project financing

Different project adopts different financing methods. Pursuant to《商業銀行房地產貸款風險管理指引》(the Guidance on Risk Management of Property Loans of Commercial Banks) issued on 30 August 2004, a property developer applying for property development loans must have, as its own working capital, at least 35% of the capital required for the development of the project. The Target Group is therefore required to fund at least 35% of its property developments using internal resources. The Target Group typically uses internal funds to pay for the land acquisition costs and use internal funds and project loans from PRC banks to finance the initial construction costs for its property developments. Bank financing therefore is an important source of funding for its property development projects. As of 30 April 2011, the Target Group had outstanding borrowings from banks and other financial institutions amounting to RMB7,179.8 million. The Target Group has been and expects to be able to generate additional cash from its development projects through pre-sale after the properties meet the requirements for pre-sale under applicable PRC regulations. Such proceeds from pre-sale, together with its bank borrowings, constitute the major sources of funding for the construction of property developments. Nonetheless, there can be no assurance that the Target Group will be able to continue to obtain sufficient bank loans or make interests payments or otherwise finance its business in this manner in the future.

Please also refer to section headed "Risk Factors – Risks relating to the Enlarged Group – The Enlarged Group maintains a substantial level of indebtedness to finance its capital intensive business, and it may not have adequate cash flow to fund its operations or to service its financing obligations".

On 5 June 2003, the PBOC published《中國人民銀行關於進一步加強房地產信貸業務管理的通知》(the Notice on Further Strengthening the Management of Loans for Property Business), which prohibits commercial banks from advancing loans to fund the payment of land premium. As a result, the Target Group may use only its own funds to pay for land grant fees. Following《關於調整住房供應結構穩定住房價格的意見》(the Opinion on Adjusting the Housing Supply Structures and Stabilising House Prices) promulgated by the State Council on 4 May 2006, the credit conditions on property development was further regulated to deter property developers from using bank loans to build up its land bank. Pursuant to these regulations, commercial banks in the PRC were not permitted to provide loans to property developers failing to meet loan conditions, such as having less than 35% of the project capital required for development, and commercial banks require property developers to obtain land use rights certificates and have at least 35% of the project capital required for a development prior to a loan grant. In May 2009, the State Council issued the Notice on Adjusting the Proportions of Registered Capital in Fixed Asset Investment Projects, which has lowered the minimum capital ratio for commercial and high-end residential property projects from 35% to 20%. As of the Latest Practicable Date, the project companies of the Target Group have satisfied the foregoing requirements in their applications for loans and have obtained approval from the relevant banks. In addition, the Target Group has paid land premium from the proceeds derived from the sale of properties and not from any of its outstanding bank borrowings. The Target Group plans to continue to use the proceeds from the sale of properties and other internal funds to finance its future land premium payments.

Project design

Project design is a critical step of the project development process. First, the sales management centre and the technology management centre of a project company are responsible for conducting market research on target customers and defining the market positioning. The technology management centre of the project company will then prepare a detailed timetable for the design process, determine the design budget and prepare the plan for selecting a design firm, all of which are subsequently reported to the technology centre of the group headquarters for approval. The technology centre is responsible for running meetings to discuss and review the project positioning, planning and design of a project.

The planning and design department of the project companies is responsible for leading and managing the design process of the particular project. In general, it outsources the design work to outside design firms, which are generally third-party firms independent from the Target Group. Throughout the design process, the planning and design department will work closely with these outside firms and monitor their work to ensure the project design meets the quality standards and reflects the desired market positioning of the products.

Pre-construction planning

Regulatory approvals

According to PRC regulations, once a property developer has obtained interests in land for the development of a project, it must obtain various government approvals in order to commence the planning and construction of the properties. In particular, the following permits would be required before construction may commence:

- construction land planning permit, which allows a developer to conduct the survey, planning and design of a parcel of land;

- construction work planning permit, which approves the overall planning and design of a project submitted by a developer; and

- construction work commencement permit, which is required for the commencement of construction.

Procurement

The project companies procure certain supplies in bulk for projects, including primarily mechanical and electrical equipment, doors and windows. The technology centre at the group headquarters is responsible for the review of the bulk procurement of these supplies. The project companies typically solicit price quotes from at least three well qualified suppliers and select a shortlist of suppliers satisfactory to the project companies after multiple rounds of discussions and bid revisions. They will then select the winning bidder based on the selection criteria set forth in the request-for-tender document. They will also finalise the prices, payment terms, delivery arrangement and other terms with the winning bidder. The construction contractors of the Target Group are generally responsible for procuring other construction materials, including steel, cement, sand and stone.

Construction

Project construction commences once the construction work commencement permit for a project is obtained. In general, the Target Group outsources the construction work to outside construction contractors who are third parties independent of the Target Group.

The construction department and cost planning department of the project companies coordinate with each other to review the bidding proposals and select the winning contractors for each project, and report those contracts of large amounts to the group headquarters for approval. Upon the commencement of construction for each project, the construction department of the relevant project company becomes responsible for managing the day-to-day operations of the contractor, monitoring the work progress and maintaining quality control.

Under the PRC laws and regulations, if a property developer fails to develop land according to the terms of the land use rights grant contract (including those relating to the payment of fees, designated use of land, amount of GFA developed, time for commencement and completion or suspension of the development, and amount of capital invested), the relevant government authorities may issue a warning to or impose a penalty on the developer or confiscate the land. In the past, the Target Group was not able to comply with all the terms of the land use rights grant contract with respect to the piece of land where Xujiahui Centre development project is located due to the subsequent planning and occupation of the government on a part of this site as the construction site for subway lines No. 9 and 11. Shanghai Urban Development has taken an active approach to discuss with the government to resolve this matter. Pursuant to《關於徐家匯中心一號項目延期開發的函》(Letter regarding the Extension of Commencement Date for the Development of No.1 Xujiahui Centre) issued by 徐匯區規劃和土地管理局 (Xuhui District Planning and Land Administrative Bureau) on 22 June 2011, Xuhui District Planning and Land Administrative Bureau agreed to postpone the commencement date for the development of this land to a future date to be determined after the overall development plan for this project is confirmed with the government. As of the Latest Practicable Date, the development plan remained subject to discussion. The PRC legal advisers of the Company are of the opinion that (a) Xuhui District Planning and Land Administrative Bureau is a competent authority to postpone the commencement of the development of Xujiahui Centre project; and (b) such land is not subject to payment of any idle fee or confiscation. Further, the Group did not commence the development of the land where Tai Yuan Street development project is located. The Group has obtained a written confirmation from 瀋陽市規劃和國土資源局和平分局 (the Heping Sub-bureau of Shenyang Plan&Land Resources Bureau) confirming that this land will not be recognised as idle land for the time being provided that the Group commences the development of this land in accordance with the new schedule agreed with the government authority.

During the three years ended 31 December 2008, 2009 and 2010, and thereafter up to the Latest Practicable Date, no land of the Enlarged Group had been confiscated and no penalty had been imposed on the Enlarged Group as a result of its failure to develop any of its land according to the terms of the relevant land use rights grant contracts.

Quality control

The Target Group employs a team of over 60 qualified engineers with national technical titles to carry out quality control and safety supervision. The project companies also engage third party supervisory teams to implement national standards and supervisory regulations pursuant to the laws and regulations of the PRC. The Target Group has formulated detailed management policies on project supervision and quality control, by which all relevant departments at the group headquarters and of the project companies are required to strictly abide. The construction contractors also have to follow the quality control procedures.

All materials purchased by the project companies are subject to inspection and acceptance procedures. Construction materials and fittings supplied by the construction contractors, such as steel, cement, sand and stone, are sent to qualified firms for inspection and are reviewed at initial on-site inspections. Materials that do not meet the required quality standards are not used in projects and are returned to suppliers.

Sales and marketing

The properties developed by the Target Group are primarily sold and marketed through 上海城開房地產經紀有限公司 (Shanghai Urban Development Real Estate Agency Co., Ltd.) ("SUD Real Estate Agency"), a company 49% owned by Shanghai Urban Development. The headquarters of the Target Group will determine the floor prices of properties to be sold or pre-sold after taking into consideration factors such as development costs, market demand, competing properties, and other market conditions that will directly and indirectly affect the profitability and the cash flow position of the Target Group. Once the lowest selling prices are fixed, SUD Real Estate Agency will determine the prices for each unit based on the characteristics of each unit, the competitive landscape and other relevant market factors, with the goal of achieving the profit targets of the Target Group while maintaining a balanced cash flow position. SUD Real Estate Agency typically proposes the detailed selling prices for each unit of the properties, the sales and marketing expenditures plan and the marketing strategies for the relevant projects and reports to the sales management centre of the group headquarters for review and approval. Planning and control for sales and marketing expenditures and pricing management are tasks managed by the group headquarters.

Once the approval from the group headquarters is obtained, SUD Real Estate Agency will strive to build up the presence and recognition of the project and corporate brands before launching the pre-sale or sale. The Target Group advertises on various media including newspapers, magazines, the internet, billboards and other outdoor media. During the pre-sale or sale of the properties, the sales management centre at the group headquarters will conduct a review with SUD Real Estate Agency every month regarding the sales and the selling prices of the sold properties for that month and, where necessary, adjust the selling prices of the unsold properties.

As of 31 December 2010, the sales force of the Target Group comprised 50 employees. The sales and marketing department of each of the project companies is responsible for managing its own sales team. From time to time, the Target Group conducts training sessions on market conditions, sales techniques, knowledge of the property market, among others topics, for its staff and also conducts specific training for each project prior to the commencement of its pre-sale.

Pre-sale

The Target Group typically conducts pre-sale of its properties prior to the completion of a project or a phase of the project, subject to satisfaction of certain requirements set forth in the laws and regulations governing the pre-sale of properties. Under《中華人民共和國城市房地產管理法》(the Law of the Administration of Urban Property of the PRC) and《城市商品房預售管理辦法》(the Administrative Measures Governing the Pre-sale of Urban Property) as amended in 2007 and 2004, a property developer must meet the following conditions prior to commencing any pre-sale of a given property development:

- the land premium has been fully paid and the relevant land use rights certificates have been obtained;
- the relevant permits required for the planning and construction of the property have been obtained;
- the funds contributed to the development of the project must not be less than 25% of the total amount to be invested in the project;
- the expected completion date and delivery date of the construction work have been ascertained; and
- the pre-sale permit has been obtained from the relevant local government authorities.

In addition to the above conditions, local regulations may stipulate further conditions that must be met before a pre-sale permit can be obtained.

As of the Latest Practicable Date, the Target Group was in compliance in all material respects with the relevant laws and regulations applicable to the pre-sale of properties in the PRC.

Payment arrangements

Purchasers of properties, including those purchasing properties for pre-sale, may arrange for mortgage loans with banks. Because of the financial risks involved, the Target Group does not provide loans directly. However, in accordance with industry practice, it provides guarantees to banks with respect to the mortgage loans offered to its purchasers. In line with industry practice, the Target Group does not conduct independent credit checks on its purchasers but rely on the credit checks conducted by the mortgagee banks.

As of 31 December 2008, 2009 and 2010, 30 April 2011 and 31 August 2011, the Target Group had outstanding guarantees for mortgage loans of its purchasers in the amount of RMB35.7 million, RMB772.1 million, RMB547.1 million, RMB223.9 million and RMB186.6 million, respectively. The PRC legal advisers of the Company are of the opinion that these short-term guarantees provided by the Target Group are legal, valid and enforceable under the relevant laws and regulations of the PRC. During the three years ended 31 December 2008, 2009 and 2010 and thereafter up to the Latest Practicable Date, the Target Group did not experience any material default on mortgage loans guaranteed by it. However, there can be no assurance that the Target Group will not incur losses on any defaults in the future.

The payment terms for the sale and pre-sale of properties are substantially identical. Purchasers are typically required to pay a deposit, ranging generally from RMB5,000 to RMB50,000, before entering into formal purchase agreements with the relevant project company. Upon signing of the purchase agreements, those purchasers who choose to make a lump-sum payment are typically required to make full payment of the total purchase price of the property. If the purchaser chooses to fund his or her purchase using mortgage loans provided by banks, under current PRC laws and regulations they may obtain mortgage loans up to the maximum amount allowed under PRC law, with a repayment period not exceeding 30 years. These purchasers must pay the remaining balance of the purchase price that is not covered by the mortgage loans at the time when the purchase agreements are signed.

Delivery and after-sale service

The customer service department of each of the project companies is responsible for managing the delivery of properties and providing customer services after the sale of properties.

Delivery

The Target Group endeavours to deliver its products to customers on a timely basis. It closely monitors the progress of construction of its property projects as well as conducting pre-delivery property inspections in an effort to ensure a timely delivery. The timetable for delivery is set forth in the purchase agreements entered into with the purchasers of pre-sale properties. Once the Target Group has performed various inspections and obtained the certificate of completion, it will notify the purchasers regarding the delivery. The purchase agreements in general contain liquidated damages clauses that set forth the amount of damages payable by the relevant project company in the event of any delay.

After-sale service

The Target Group is typically required to obtain a general property ownership certificate for each of its completed projects and in general will assist its customers in obtaining their property ownership certificates.

Property management

The Target Group engages third parties to provide property management services in relation to Toscana, Ivy Aroma Town and Yoooou.net projects. For other projects, the Target Group provides property management services primarily through Shanghai Shen Da Properties Co., Ltd., Shanghai Urban Development Commercial Properties Development Co., Ltd. and Hefei Shen Da Services Properties Co., Ltd., each of which is a subsidiary of Shanghai Urban Development. Typically, the relevant project company of the Target Group will enter into a property management agreement of a term of two to three years with such property management companies, who will be responsible for all aspects of the daily management of the property, including recruiting and training staff for the building and coordinating the leasing business.

INVESTMENT PROPERTY MANAGEMENT

The Target Group held a total of approximately 68,723 sq.m. investment properties as of 31 July 2011, which mainly include offices, retail shops, commercial and residential properties. Such investment properties consist of Urban Development International Tower, Asia-pacific Enterprises Tower, Huimin Commercial Tower and other retail and residential properties. The terms of the leases for commercial properties vary from one year to ten years. The tenants of the residential properties of the Target Group are mainly individuals who take out a lease for a term of one year to two years. Tenants of the commercial properties of the Target Group include reputable domestic and international firms and corporations, banks, restaurants and consultancy companies.

SUPPLIERS AND CUSTOMERS

The suppliers of the Target Group primarily include construction contractors, building material suppliers and equipment suppliers. The five largest suppliers of the Target Group accounted for less than 30% of its total purchases, excluding land costs, in each of the three years ended 31 December 2008, 2009 and 2010. For the four months ended 30 April 2011, the five largest suppliers and the largest supplier of the Target Group accounted for 54% and 24.7% of its total purchase. None of the Directors and their respective associates or any of the Shareholders which, to the knowledge of the Directors, own more than 5% of the Company's share capital as of the Latest Practicable Date, have any interest in any of the Target Group's five largest suppliers. The customers of the Target Group are principally individual purchasers from the PRC and tenants of the Target Group's investment properties and the five largest customers accounted for less than 30% of the revenue in each of the three years ended 31 December 2008, 2009 and 2010 and for the four months ended 30 April 2011.

GOVERNMENT POLICIES, REGULATIONS AND MEASURES

In the past, the PRC government has introduced an array of policies and measures intended to curtail the overheating of property development and discourage speculation in the residential property market. Most recently, the State Council circulated《國務院辦公廳關於進一步做好關於房地產市場調控工作有關問題的通知》(Notice of the State Council on Further Regulating the Real Estate Market) and Office of China Banking Regulatory Commission issued《中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知》(Notice of the China Banking Regulatory Commission Related to Improving Housing Financial Services and Risk Management). Please refer to the section headed "Risk Factors – Risks relating to property development in the PRC – PRC government policies, regulations and measures intended to discourage property speculation may affect the business of the Enlarged Group. Furthermore, the PRC government may in the future adopt other measures to slow down the rate of growth in the property development sector" for the risks that may be resulting from such policies and measures on the business of the Target Group.

In anticipation of possible property control policies and measures, the Target Group has undertaken a business strategy of increasing the number of affordable house projects in its project portfolio. As of 31 July 2011, the Target Group has a total of 558,360 sq.m. of affordable house projects under construction. This has allowed the Target Group to minimise and manage the impact created so far by the policies and measures introduced by the PRC government. In the four cities where the Target Group's project are located, Kunshan is not in the regime targeted by the central government policies and measures and therefore the pre-sale and sale of Yoooou.net and Royal Villa in the current financial year have not been materially affected. The sale in Shanghai and Chongqing this year has not been materially affected by such policies and measure as most of Urban Cradle in Shanghai and Ivy Aroma Town in Chongqing have been sold or pre-sold and only a small number of units are left for sale this year. The sale of Toscana is not affected as the local policies adopted by Changsha City are targeted to curtail the construction of properties with GFA per unit smaller than that of Toscana.

With respect to the requirements under the "70/90 rule," with effect from 1 June 2006, all new commodity residential property developments are required to have at least 70% of their total GFA composed of property units of less than 90 sq.m. each. As confirmed by the PRC legal advisers of the Company, the PRC central government has not promulgated any detailed guidelines or implementation rules relating to such requirement. As such, the "70/90 rule" has been subject to different interpretations by government authorities in different cities. None of the subsidiaries of Shanghai Urban Development have been subject to any investigation or penalty by any government authority in relation to the "70/90 rule" nor have they been materially and adversely affected by the rule. As at the Latest Practicable Date, the directors of Shanghai Urban

Development have confirmed that the Target Group has complied in all material respects with all applicable PRC legal requirements relating to property development and all of the property development projects of the Target Group have obtained requisite certificates and approvals from the local government authorities, including construction land planning permit, construction work planning permit, and/or the construction work commencement permit, except for those matters disclosed below:

(a) As of the Latest Practicable Date, the Target Group did not have land use rights certificates for granted land in respect of certain properties with a total GFA of approximately 589,316 sq.m. Further, with respect to certain residential properties with a total GFA of approximately 12,376 sq.m., the Target Group only had limited rights to use such properties as at the Latest Practicable Date. For further details, please refer to the paragraph headed "Project development – Land acquisition" in this section of the circular.

(b) The Target Group was not able to comply with all the terms of the land use rights grant contract in respect of the Xujiahui Centre development project due to the government's subsequent planning and occupation of a portion of this land as the construction site for subway lines No. 9 and 11. For further details, please refer to the paragraph headed "Project development – Construction" in this section of the circular.

Although the government policies and measures so far have not had a material impact on the business of the Target Group, the management of the Target Group is cautious on the possible future effects of such policies and measures. The management of the Group will continue to take a prudent approach in considering future development strategy, including but not limited to, the constitution of its project portfolio, the overall project design (in terms of property type, GFA and etc.) and the location of a project.

EMPLOYEES

As of 31 December 2010, the Target Group had approximately 710 full-time employees. During the year ended 31 December 2010, there was no material turnover to the number of staff employed by the Target Group.

As required by applicable PRC regulations, the Target Group participates in various employee benefit plans that are organised by the municipal and provincial governments, including housing provident fund, pension, medical, maternity and unemployment benefit plans. Members of the Target Group are required under the PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of their employees, up to a maximum amount specified by the respective local government authorities where the Target Group operates from time to time.

The Target Group has not made housing provident fund contributions or completed the required registration procedure for certain employees of the following companies since the respective dates indicated: Shanghai Wan Yuan since April 2002, 上海申大物業有限公司 (Shanghai Shen Da Properties Co., Ltd.) since August 2011, 合肥申大物業服務有限公司 (Hefei Shen Da Services Properties Co., Ltd.) since June 2008 and Kunshan Urban Development since April 2007. According to《住房公積金管理條例》(the Regulations on Management of Housing Provident Fund), the relevant government authority may order an entity which failed to comply with the registration procedures to rectify the failure within a prescribed time limit. Failing to comply with such an order may result in a fine ranging from RMB10,000 to RMB50,000. If an entity fails to make the requisite payment and deposit of the housing provident fund on time, it may be ordered to rectify the failure within a prescribed time limit. Up to the Latest Practicable Date, the Target Group had not received any employee complaints nor was there any legal actions against the Target Group regarding housing provident fund contributions. It has not received any orders to rectify the non-compliances or to pay any administrative fine in connection with any delinquent payments. The PRC legal advisers of the Company have confirmed that unless the Group receives an order to pay the delinquent payments but then fails to rectify the non-compliance within the prescribed time limit imposed by the relevant government authorities, no penalties may be imposed on the Group for the non-compliance. However, in the event that the relevant subsidiaries are found to have contravened the relevant laws and regulations, the Directors estimate that the underpaid housing provident fund contribution as at 31 August 2011 is approximately RMB920,000, which is calculated based on the actual salaries, number of the underpaid employees of the relevant subsidiaries during the relevant period as mentioned above and the relevant local PRC laws and regulations. The PRC legal advisers of the Company have reviewed the calculation basis of the underpaid housing provident fund contribution and confirmed that the calculation basis is in compliance with the requirements of the local laws and regulations in the cities where the relevant subsidiaries locate. Please also refer to the section headed "Risk Factors – Risks relating to the Enlarged Group – The Target Group did not comply fully with PRC employee social welfare contribution regulations and may be subject to fines or penalties".

The total staff costs of the Target Group for the three years ended 31 December 2008, 2009 and 2010 and for the four months ended 30 April 2011 were approximately RMB70.7 million, RMB77.9 million, RMB87.3 million and RMB36.9 million, respectively.

Save as disclosed above, the Target Group had complied with applicable employment laws and regulations in the PRC in all material respects and there had been no labour related legal proceedings against the Target Group during the three years ended 31 December 2008, 2009 and 2010 and thereafter up to the Latest Practicable Date.

SAFETY AND ENVIRONMENTAL MATTERS

Occupational health and safety

The Target Group is subject to the PRC laws and regulations regarding labour, safety and work-related incidents. The Target Group provides safety protection to its employees, which includes providing them with adequate safety equipment and ensuring that the construction sites have adequate precautionary measures. During the three years ended 31 December 2008, 2009 and 2010 and thereafter up to the Latest Practicable Date, the Target Group had been in compliance with the applicable PRC labour and safety regulations in all material respects and had not had any incident or complaint which had a material adverse effect on its operations. During the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, there had been no major accident that had resulted in the death or serious injury of the employees of the Target Group.

Environmental matters

The Target Group is subject to certain laws and regulations concerning the protection of the environment. The particular environmental laws and regulations that apply to any given property development project vary according to its location, the environmental factors associated with such development, construction and/or operations and the current and future use of the land and the properties. Pursuant to these laws and regulations, each property development project is required to undergo environmental assessments. An environmental impact assessment document has to be submitted by the property developer before the relevant authorities grants a permit for commencement of construction work on the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with applicable environmental standards and regulations before the property can be delivered to the purchaser. During the years ended 31 December 2008, 2009 and 2010 and for the four months ended 30 April 2011, the Target Group incurred expenses of approximately RMB5.5 million, RMB5.9 million, RMB9.5 million and RMB4.5 million, respectively, in relation to compliance with applicable PRC environmental rules and regulations.

ADVANCES BETWEEN MEMBERS OF THE TARGET GROUP AND/OR RELATED PARTIES

During the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, several members of the Target Group provided advances to certain other members of the Target Group and/or related parties. As at 30 April 2011, the total amount of such advances outstanding was RMB833.9 million. Please see below table for details of such advances.

Lender	Borrower	Amount *RMB million*	Term
Shanghai Wan Yuan	Shanghai Urban Development Group Jingshi Real Estate Co., Ltd.	300.0	Five years starting from 21 October 2009
Green Carbon Fund	Shanghai Urban Development Group Longcheng Real Estate Co., Ltd.	396.9	RMB230.1 million – 16 February 2011 to 16 February 2013; RMB166.8 million – 30 March 2011 to 16 February 2013
Shanghai Shen Da Properties Co., Ltd.	Shanghai Urban Development Group Longcheng Real Estate Co., Ltd.	5.0	22 March 2011 to 21 March 2012
Shanghai Shen Da Properties Co., Ltd.	Shanghai Huanyu Urban Investment Development Co., Ltd.	14.0	RMB10 million – 18 September 2010 to 17 September 2011; RMB4 million – 25 March 2011 to 24 March 2012
Shanghai Huanyu Urban Investment Development Co., Ltd.	Shanghai Xuhui Land Development Co., Ltd.	89.7	13 October 2010 to 27 September 2011
Shanghai Urban Development Commercial Properties Development Co., Ltd.	Kunshan Urban Development Real Estate Development Co., Ltd.	7.0	11 April 2011 to 10 April 2012
Shanghai Shilong Industrial Zone Joint Development Company Limited	Kunshan Urban Development Real Estate Development Co., Ltd.	13.0	12 April 2011 to 11 April 2012
Shanghai Shilong Industrial Zone Joint Development Company Limited	Shanghai Huanyu Urban Investment Development Co., Ltd.	2.0	22 April 2011 to 21 April 2012
Shanghai Sen Xin Investment Co., Ltd.	Shanghai Yingde Real Estate Co., Ltd.	6.3	4 January 2011 to 31 December 2011

In addition, 上海滄盛置業發展有限公司 (Shanghai Cangsheng Real Estate Development Co., Ltd.), the minority shareholder holding 10% of Kunshan Urban Development, provided advances to Kunshan Urban Development in the amount of RMB3.0 million, RMB7.0 million and RMB2.0 million for a term of one year expiring on 9 January 2012, two years expiring on 7 April 2012 and one year expiring on 11 April 2012, respectively.

According to the PRC legal advisers of the Company, these advances do not comply with relevant rules in the PRC which provide that only approved financial institutions authorised to engage in money lending may provide such loans. According to the relevant rules, PBOC has the power to prohibit such loans and subject the lender to an administrative penalty of up to five times the revenue generated from such unauthorised loans. Based on the RMB833.9 million advance outstanding as at 30 April 2011, the maximum penalty which the Target Group may be subject to up to 30 April 2011 in respect of such advances ranges from RMB66.1 million to RMB330.4 million, representing one to five times the interest income from such advances up to 30 April 2011. Shanghai Urban Development has confirmed that all the above-mentioned loans will not be renewed upon expiry of their respective term and that no member of the Target Group would be involved in any new direct loans in the future. Please refer to the risk factor "Several members of the Target Group provided advances to certain other members of the Target Group and/or related parties and advances may be cancelled and the lenders may be subject to fines or penalties".

LEGAL PROCEEDINGS

Background

On 24 June 2002, Shanghai Urban Development entered into agreements with 上海安格投資管理有限公司 (Shanghai Angus Investment Management Co., Ltd.) ("Shanghai Angus") and 上海珠蜂企業發展有限公司 (Shanghai Zhufeng Enterprise Development Co., Ltd.) ("Shanghai Zhufeng") for the acquisition of a 90% equity interest in Shanghai Wan Yuan (the "Agreements"). Shanghai Wan Yuan is the developer of Urban Cradle.

Pursuant to the these agreements, the total consideration to be paid by Shanghai Urban Development to Shanghai Angus and Shanghai Zhufeng for the acquisition was RMB821,295,000, payable in three tranches of RMB50,000,000, RMB350,000,000 and RMB421,295,000, respectively. The last tranche was agreed to be paid to a designated account on the condition that the then existing mortgages over certain land of Shanghai Wan Yan granted to secure loans taken out by Shanghai Angus and Shanghai Zhufeng are discharged. Shanghai Urban Development settled the first two payments as directed by Shanghai Angus and Shanghai Zhufeng. Similarly, when the remaining RMB421,295,000 was due, Shanghai Urban Development paid the full amount as directed by Shanghai Angus and Shanghai Zhufeng to a bank account of Shanghai Wan Yuan. Subsequently, a total amount of RMB360,000,000 out of such bank account was withdrawn by Shanghai Wan Yuan and applied as instructed by Shanghai Angus and Shanghai Zhufeng. The remaining RMB61,295,000 together with all the interest accrued thereon in the account is held by Shanghai Wan Yuan on trust for the benefit of Shanghai Angus and Shanghai Zhufeng.

Restricted bank deposits

In 2003, pursuant to a judgment by 上海市第一中級人民法院 (The First Intermediate People's Court of Shanghai), Shanghai Angus was convicted of making a false registration filing regarding its registered capital and its controlling shareholder was convicted of (a) making false registration filings on the amount of registered capital of a number of companies controlled by her; and (b) falsely withdrawing the registered capital of such companies after establishment. As a result, the account of Shanghai Wan Yuan jointly operated by its three shareholders was frozen. It had a bank deposit in the principal amount of RMB61,295,000 including interest accrued. As at 30 April 2011, the balance of the restricted bank deposit owed to Shanghai Angus and Shanghai Zhufeng was RMB64,897,000. As such amount under restricted bank deposits is held on trust for the benefit of other parties, the Target Group has credited a corresponding amount in its other payables. As at the Latest Practicable Date, this bank account was still frozen. No members of the Target Group is a party to this litigation case.

Shareholders' dispute

On 14 December 2007, Shanghai Angus and Shanghai Zhufeng (the "Plaintiffs") brought a lawsuit against Shanghai Urban Development at 上海市第一中級人民法院 (The First Intermediate People's Court of Shanghai) in respect of the alleged unpaid consideration in the amount of RMB154.5 million pursuant to the Agreements. As at the Latest Practicable Date, the proceedings were still on-going. The Plaintiffs request the court to order (a) that the Agreements be terminated; (b) Shanghai Urban Development to cease the development and sale of Urban Cradle; (c) Shanghai Urban Development to pay a liquidated damage in the amount of RMB333,644,835.71 for late payment under the Agreements; and (d) Shanghai Urban Development to bear the costs of the litigation. At the same time, Shanghai Urban Development counterclaims the Plaintiffs and requests the court to order the Plaintiffs to (a) provide the accounts and financial records of Shanghai Wan Yuan in relation to the period prior to its acquisition; (b) perform their obligations under the Agreements; (c) pay an amount of RMB371,219,282.72 (subject to audit) incurred up to and including 31 December 2008 in relation to the primary development of the Urban Cradle project; and (d) bear the costs of the counterclaim.

The directors of Shanghai Urban Development have reviewed the status of this litigation case and considered the advice from their litigation attorney. The PRC litigation attorney advising Shanghai Urban Development on this litigation case, 上海徐曉青律師事務所 (Shanghai Xuxiaoqing Law Firm), is of the opinion that (a) Shanghai Urban Development has performed its payment obligations in accordance with the provisions of the Agreements; and (b) considering that the development of Urban Cradle is at an advanced stage, the possibility that the court will order the termination of the Agreements and order Shanghai Urban Development to cease the development and sale of Urban Cradle is low. According to the PRC litigation attorney, in the event that the court makes a ruling that Shanghai Urban Development has breached the Agreements as a result of its failure to perform its payment obligations in accordance with the Agreements, Shanghai Urban Development may be ordered to pay damages in an amount not exceeding RMB333,644,835.71 and to bear the costs of the claims and counterclaims in the amount of approximately RMB1,710,024 and RMB778,461, respectively. In the unlikely event that the court orders the termination of the Agreements and that Shanghai Wan Yuan shall cease the development and sale of Urban Cradle, given that the Plaintiffs did not ask the court to restore the parties to the position as if the Agreements had not been entered into and in the view that the Agreements have been substantially performed, it is fairly remote that Shanghai Urban Development will be ordered to return its 90% interest in Shanghai Wan Yuan. However, in the event that Shanghai Urban Development is ordered to return its 90% interest in Shanghai Wan Yuan, the Target Group would not be able to recover any costs and expenses already incurred in relation to the development of the un-sold portion of Urban Cradle in the amount of approximately RMB1.8 billion as at 30 June 2011 and will not have the right to any revenue from any further sale of Urban Cradle which is currently estimated to be over RMB6 billion. As a result, the business and results of operations of the Target Group and the Enlarged Group (after Completion) could be materially and adversely affected.

Based on the opinion from the PRC litigation attorney that Shanghai Urban Development has performed its payment obligations in accordance with the provisions of the Agreements and it is possible that Shanghai Urban Development would have a favourable judgment, the directors of Shanghai Urban Development are of the opinion that no provisions are required to be made to the financial statements of the Target Group in respect of the litigation case at this stage.

Save as disclosed above, as at the Latest Practicable Date, no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Target Group.

COMPLIANCE WITH LAW

The PRC legal advisers have advised that the Target Group has obtained all the permits, licence and approvals for its operations within the PRC and, except for those matters disclosed below, the business of the Target Group had been substantially operated in compliance with applicable PRC laws in all material respects during the three years ended 31 December 2008, 2009 and 2010 and the period thereafter up to the Latest Practicable Date.

(a) As of the Latest Practicable Date, the Target Group did not have land use rights certificates for granted land in respect of certain properties with a total GFA of approximately 589,316 sq.m. Further, with respect to certain residential properties with a total GFA of approximately 12,376 sq.m., the Target Group only had limited rights to use such properties as at the Latest Practicable Date. For further details, please refer to the paragraph headed "Project Development – Land acquisition" in this section of the circular.

(b) The Target Group was not able to comply with all the terms of the land use rights grant contract in respect of the Xujiahui Centre development project due to the government's subsequent planning and occupation of a portion of this land as the construction site for subway lines No. 9 and 11. For further details, please refer to the paragraph headed "Project Development – Construction" in this section of the circular.

(c) During the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, several members of the Target Group provided advances to certain other members of the Target Group and/or related parties. As at 30 April 2011, the total amount of such advances outstanding was RMB833.9 million. In addition, 上海滄盛置業發展有限公司 (Shanghai Cangsheng Real Estate Development Co., Ltd.), the minority shareholder holding 10% of Kunshan Urban Development, provided advances to Kunshan Urban Development in the amount of RMB3.0 million, RMB7.0 million and RMB2.0 million for a term of one year expiring on 9 January 2012, two years expiring on 7 April 2012 and one year expiring on 11 April 2012, respectively. These advances do not comply with relevant rules in the PRC which provide that only approved financial institutions authorised to engage in money lending may provide such loans. For further details, please refer to the paragraph headed "Advances between Members of the Target Group and/or Related Parties" in this section of the circular and the risk factor "Several members of the Target Group provided advances to certain other members of the Target Group and/or related parties and advances may be cancelled and the lenders may be subject to fines or penalties".

(d) The Target Group did not make housing provident fund contributions for certain employees during the three years ended 31 December 2010 and the four months ended 30 April 2011. For further details, please refer to the paragraph headed "Employees" in this section of the circular and the risk factor "The Target Group did not comply fully with PRC employee social welfare contribution regulations and may be subject to fines or penalties".

CONTROLLING SHAREHOLDER

Immediately after Completion, without taking into account any Shares that may be issued upon the exercise of any outstanding Warrants or share options, SIH will own and control indirectly through Novel Good Limited (which is wholly owned by SIH) approximately 70.0% of the issued share capital of the Company and will remain as a controlling shareholder of the Company under the Listing Rules.

INFORMATION IN RELATION TO SIH, THE GROUP, THE TARGET GROUP AND SIDC

SIH and its subsidiaries are principally engaged in the business of infrastructure facilities, real estate and consumer products. The shares of SIH are listed and traded on the Main Board of the Stock Exchange (stock code: 363). The Group is principally engaged in the businesses of property development, property investment and hotel operations in the PRC. As at 30 June 2011, the Group had 15 projects in 11 cities, comprising mid- to high-end residential units, serviced apartments, hotels, commercial and office buildings, with an aggregate GFA of approximately 12.7 million sq.m.

The Target Group is primarily engaged in the business of property development in the PRC through its PRC operating subsidiaries. The Target Group owns ten property development projects mainly in four regions, namely Shanghai, Jiangsu, Hunan and Chongqing, with an aggregate GFA of approximately 3,393,070 sq.m. In addition, the Target Group, through a 35% owned associated company, has an interest in one property development project in Shanghai, with an aggregate GFA of 405,000 sq.m.

SIDC is a joint stock limited liability company established under the PRC laws. The A Shares of SIDC are listed on the Shanghai Stock Exchange (stock code: 600748). SIDC is a subsidiary of SIH and as at the Latest Practicable Date, SIH held approximately 63.65% of the issued share capital of SIDC. SIDC and its subsidiaries are principally engaged in the business of property development, property investment and management. As at 30 June 2011, SIDC had 20 property development projects located in nine cities including Ha'erbin, Tianjin, Qingdao, Shanghai, Huzhou, Chongqing, Dali, Chengdu and Quanzhou, comprising an aggregate GFA of approximately 6.0 million sq.m.

SIIC, the controlling shareholder of SIH, is a conglomerate controlled by the Shanghai Municipal Government and is primarily in the business of infrastructure, properties, pharmaceuticals, consumer goods and financial investment. As at the Latest Practicable Date, SIIC was indirectly holding an approximately 56.35% interest in SIH.

COMPETING BUSINESSES OF SIH

As a conglomerate with investments in various businesses, SIH has an interest in the following businesses which compete or may compete with the Enlarged Group's business.

Lots D & E in Qingpu District

In 2009, SIH, through its indirect wholly-owned subsidiary, S.I. Urban Development Holdings Limited ("SIUDH"), acquired the entire interests in the holding companies that hold three pieces of land located at 青浦區朱家角鎮新旺村(48-4地塊) (Qingpu District, Zhujiajiao Town, Xinwang Village (Lot 48-4)), 青浦區朱家角鎮新華村 (48/5地塊) (Qingpu District, Zhujiajiao Town, Xinhua Village (Lot 48/5)) (collectively as "Lot D") and 青浦區朱家角鎮10街坊(18/5地塊) (Qingpu District, Zhujiajiao Town, No.10 Street (Lot 18/5)) ("Lot E"), respectively. SIH intends to develop these parcels of land into low density residential areas and villas. As disclosed in the interim report of SIH for the six months ended 30 June 2011, the aggregate GFA of Lots D and E is 255,939 sq.m. and 217,428 sq.m., respectively. The aggregate GFA of Lots D and E only represented approximately 2.9% of the aggregate GFA of the Enlarged Group of 16.1 million sq.m. as at 31 July 2011. For further details of this acquisition, please refer to the announcement of SIH dated 12 August 2009. SIH has undertaken that it will jointly develop Lot D and Lot E with SIDC, and SIH will only participate in such projects as a minority shareholder holding a 49% interest.

Interests in SIDC

On 16 August 2010, S.I. Properties Development Limited ("SIPD"), an indirect wholly-owned subsidiary of SIH, and SIH entered into an agreement with 上海上實(集團)有限公司 (SIIC Shanghai (Holding) Co., Ltd.), pursuant to which SIPD has agreed to acquire 689,566,049 shares of SIDC, representing approximately 63.7% of the issued share capital of SIDC. SIDC is a joint stock limited liability company established under the PRC laws. Shares of SIDC are listed on the Shanghai Stock Exchange (stock code: 600748). SIIC Shanghai (Holding) Co., Ltd. is a limited liability company incorporated in the PRC with SIIC as the authorised representative exercising state-owned shareholder's right over it. SIDC and its subsidiaries are principally engaged in the business of property development, property investment and management in the PRC. The acquisition was completed in July 2011. For further details of this acquisition, please refer to the circular of SIH dated 2 September 2010.

As at 30 June 2011, SIDC had 20 property development projects located in nine cities including Ha'erbin, Tianjin, Qingdao, Shanghai, Huzhou, Chongqing, Dali, Chengdu and Quanzhou, comprising an aggregate GFA of approximately 6.0 million sq.m., which represents approximately 37.1% of the aggregate GFA of the Enlarged Group of 16.1 million sq.m. as at 31 July 2011. The table below sets out the use, location and the aggregate GFA of the 20 projects of SIDC.

Project	City	Use	Aggregate GFA *(Sq.m.)*
Completed			
Shanghai Zhiyin Property Ltd. (上海智穎置業有限公司)	Ha'erbin	Residential, commercial	90,201
Changhai Building (長海大廈)	Shanghai	Commercial, office	34,716
Under development			
Glorious Jiangnan (盛世江南)	Ha'erbin	Residential	234,069
Laiyin Xiaozheng (萊茵小鎮)	Tianjin	Residential, commercial	498,219
Sea over the Sea (海上海)	Qindao	Residentail, commercial	142,900
Tang Dao Wan Project (唐島灣項目)	Qindao	Residential, commercial	429,770
Hai Yuan Villa (海源別墅)	Shanghai	Villa	45,646
Bay over the Sea (海上灣)	Shanghai	Residential	534,328
Eastern International Villa (東方國際別墅)	Huzhou	Residential	64,573
Sui Tian Garden (水天花園)	Chongqing	Residential, commercial	248,003
Er Hai Garden (洱海莊園)	Dali	Residential, commercial	388,978
Future development			
International Beer City (國際啤酒城)	Qindao	Residential, commercial	630,000
Jin Xiu Garden (錦繡尊邸)	Shanghai	Residential	214,700
Shangshi Hujun Garden (上實湖峻花園)	Huzhou	Residential	85,555
Shangshi Holiday Inn Hotel (上實假日酒店)	Huzhou	Hotel, commercial	131,212
Huzhou Hudong District HD36-38 Plot (湖州湖東分區 HD36-38地塊)	Huzhou	Commercial	89,885
Huzhou Hudong District BLD22-3/4 Plot (湖州湖東分區 BLD22-3/4 地塊)	Huzhou	Commercial	94,228
Hurun Plaza Phase 1 (湖潤商務廣場一期)	Huzhou	Commercial	27,122
Chengdu Lots (成都地塊)	Chengdu	Residential	244,728
Quanzhou Donghai Beach Consolidation Project (泉州東海灘塗整理項目)	Qianzhou	Residential, commercial	1,743,805
Total			5,972,638

All of SIDC's existing executive directors were nominated by SIIC. However, none of the existing directors of SIDC are members of the board of the Company and there is no overlap between the senior management of SIDC and the Company. In the future, SIH may nominate executive directors to the board of SIDC.

As disclosed in the circular of SIH dated 2 September 2010, upon completion of the acquisition of the shares in SIDC, SIH would have two separate listed platforms in the PRC (through SIDC) and Hong Kong (through the Group) and would be able to fully capitalise on its funding capabilities in the PRC and Hong Kong. SIH and SIDC have agreed to jointly develop Lots D and E which is currently 100% owned by SIH, and Lots A, B and C of 青浦區朱家角 (Qingpu District, Zhujiajiao Town) which is currently 100% owned by SIDC ("Lots A, B and C"). Lots A, B and C have an aggregate GFA of 579,974 sq.m., which represents approximately 3.6% of the aggregate GFA of the Enlarged Group as at 31 July 2011. Upon the establishment of the joint venture to develop Lots A to E, SIH will only participate in such projects as a minority shareholder holding a 49% interest and will have no management control. Further, as a strategic foreign investor, SIPD is subject to the relevant provisions of the Ministry of Commerce.

Reasons of and circumstances leading to the acquisition of SIDC

SIH first forayed into the PRC real estate business in 2007 by acquiring an interest in Shanghai Urban Development. Like others involved in the property development business, SIH continually looked for opportunities to expand and consolidate its stake in the market through the acquisition of other developers.

In June 2009, a meeting took place between SIH and an investment bank during which the investment bank presented a proposal to SIH regarding the acquisition of a controlling interest in the Company (then known as Neo-China Land Group (Holdings) Limited). At that time, SIH was of the view that the acquisition of the Company would be a good opportunity for SIH to expand its real estate business in the PRC. Amongst other factors taken into account was the Company's scale and asset quality. SIH then proceeded with the acquisition of a controlling interest in the Company and completed the acquisition in June 2010. As a result of its acquisition of more than 30% of the voting power of the Company in June 2010, SIH (through its wholly-owned subsidiary) made a mandatory general offer to all other shareholders of the Company as required under the Takeovers Code. As the number of shares in respect of which acceptances were tendered, together with the shares acquired by SIH, was not more than 50% of the voting power of the Company, the offer lapsed.

Around the time of the completion of its acquisition of a controlling interest in the Company in June 2010, SIH was made aware of SIIC's intention to restructure the holding of its interest in SIDC so as to consolidate SIIC's PRC real estate business and reduce the competition among its group companies. After discussions with SIIC in July 2010, SIH entered into an agreement with SIIC in August 2010 pursuant to which, SIH would acquire a controlling interest in SIDC from SIIC.

SIH took the view that it would not be appropriate to acquire SIDC through the Company at the relevant time for the following major reasons:

(i) the acquisition of approximately 45.0% shareholding interest in the Company was only completed in June 2010, and SIH was still in the process of integrating with the Company at the time of SIIC's negotiation with SIH on the acquisition of SIDC in July and August 2010; and

(ii) the acquisition of the controlling interest in SIDC would require substantial financial resources. Taking into consideration the financial condition of the Company at that time, this would create a huge financial burden for the Company and may not be in the best interest of the Company to make such a substantial investment.

SIH also holds the view that its acquisition of SIDC would allow all parties some flexibility in deciding how to consolidate the property development business of all three companies. However, at the time of acquiring interests in the Company and SIDC, SIH did not consider how the property development businesses of the Company and SIDC were to be consolidated.

Due to the above mentioned historical reasons, SIH is now holding two separate PRC real estate listed companies. As disclosed in the previous announcements of SIH, it is the intention of SIH to consolidate its and its subsidiaries' PRC real estate businesses. The Transactions essentially seek to consolidate SIH's entire interest in Shanghai Urban Development into the Company, which are in line with such intention. However, as at the Latest Practicable Date, SIH has no concrete consolidation plans in respect of its interest in SIDC and the Company. SIH considers that restructuring its interest in SIDC and the Company in a short time frame would be difficult as it involves significant costs and uncertainties as to timing, and would be subject to approvals from the relevant shareholders of the Company, SIDC and/or SIH, as well as approvals from both Hong Kong and Shanghai regulatory authorities. In particular, as advised by the PRC legal advisers of SIH, the acquisition by SIDC of the Company will be regarded as an intra-group reorganisation within SIH and would therefore be subject to CSRC approval; however, CSRC has suspended all acceptance and processing of applications for the restructuring of property development entities since 15 October 2010 pursuant to《關於堅決遏制部分城市房價過快上漲的通知》(the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities) issued by the State Council on 17 April 2010. On the basis of the above, the directors of SIH were then and are still of the view that it is not practicably feasible to inject the Company into SIDC under the current regulatory circumstances in the PRC. For the same reason, SIH did not inject Shanghai Urban Development into SIDC. Further, according to the PRC legal advisers of SIH, in the event that SIDC proposes to acquire an interest in the Company, it is required to observe the relevant applicable procedures and obtain the approvals from the Ministry of Commerce, CSRC and other official bodies in the PRC, and there may also be legal impediments for SIDC to obtain such approvals. As advised by the PRC legal advisers of SIH, the acquisition by the Company of SIDC will also be subject to CSRC approval, and《關於堅決遏制部分城市房價過快上漲的通知》(the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities) as mentioned above would also apply. In view of the foregoing, the directors of SIH are of the view that it is also not practicably feasible to inject SIDC into the Company under the current regulatory circumstances in the PRC. Going forward, SIH will take the steps set out under the paragraph headed "Future plans" in this section of the circular to reduce competition between SIDC and the Enlarged Group.

Under the SIDC Undertaking, with a view to enhance the independence of SIH, the Company and SIDC and to completely resolve the competition issue, SIIC has undertaken that within 36 months after completion of the share acquisition in SIDC by SIH, SIIC shall procure that the relevant group companies (which include SIH, the Company and SIDC) would, pursuant to the applicable laws, rules, regulations and policies in the PRC and Hong Kong, consolidate their listed property businesses into either the A shares listing platform or the Hong Kong listing platform by way of asset injection, merger and acquisition or any other method permissible under the applicable laws, rules, regulations and policies.

As the share acquisition in SIDC by SIH completed in July 2011, the above undertaking commences from July 2011. SIH considers that there are two possible ways for it to further consolidate its listed property businesses as contemplated under the above undertaking: either by injecting SIDC into the Company or vice versa. SIH currently has no intention as to which way to follow, and this would mainly be subject to the legal and regulatory requirements and the financial conditions of SIDC and the Company. In the event that SIH has made a decision on how to consolidate its listed property businesses, it will be subject to, amongst other things, the approval of the independent shareholders of the Company, SIDC and/or SIH. In such case, the Company will also follow the applicable requirements under the Listing Rules, including independent shareholders' approval requirements and the issue of circular to its shareholders.

Other interests being disposed of

In addition, SIH is in the course of disposing its interests in certain land and a hotel in China. Upon completion, SIH will only retain an indirect minority interest in these projects.

On 26 February 2011, SIH and SIUDH entered into the following agreements:

(a) an agreement with Ace Score Holdings Limited, a subsidiary of Chow Tai Fook Enterprises Limited ("CTF"), and CTF, pursuant to which SIUDH has agreed to sell to Ace Score Holdings Limited its 90% interest in a holding company that indirectly holds a piece of land located at 青浦區朱家角鎮9街坊43/3丘 (43/3 Qiu, Block 9, Zhujiajiao Town, Qingpu District) in Shanghai ("Lot F"). Lot F is a piece of vacant bare land available for low density residential development. This disposal was completed on 30 June 2011. After completion, SIH retains 10% interest in the holding company. Ace Score Holdings Limited has a right of first refusal to acquire the remaining 10% interest in the holding company should SIH and SIUDH decide to sell such interest; and

(b) an agreement with Charisma City Limited, a subsidiary of CTF, and CTF, pursuant to which SIUDH has agreed to sell to Charisma City Limited its 90% interest in a holding company that indirectly holds a piece of land located at Zhujiajiao Town, Qingpu District, Shanghai, the PRC with a total site area of approximately 401,273 sq.m. ("Lot G"). Lot G is available for low density residential development. Upon completion of this disposal, SIH will retain 10% in the holding company. Charisma City Limited has a right of first refusal to acquire the remaining 10% interest in the holding company should SIH and SIUDH decide to sell such interest. SIH expects that completion of the disposal of Lot G will take place by the end of 2012.

On the same day, SIH entered into an agreement with Great Union Worldwide Limited and United Synergy Worldwide Limited, both of which are beneficially owned by CTF, pursuant to which SIH has agreed to sell to Great Union Worldwide Limited and United Synergy Worldwide Limited a 88.5% interest in the holding company that holds a 89.69% interest in an intermediate company which in turn holds a 97% interest in 上海上實南洋大酒店有限公司 (Shanghai SIIC South Pacific Hotel Co., Ltd.). Shanghai SIIC South Pacific Hotel Co., Ltd. holds a piece of land located at 500 Wei Hai Road in Jingan District, Shanghai, the PRC on which the Four Seasons Hotel Shanghai is located, and two residential apartments located at Jinfeng Building, No. 223 East Zhuanbang Road, Changning District, Shanghai, the PRC ("Hotel and Residential Property"). This disposal was completed on 30 June 2011. Following the completion of the disposal, SIH only has an indirect effective interest of approximately 10% in the Hotel and Residential Property through its remaining 11.5% shareholding in the holding company. For further details of the above disposal, please refer to the announcements of SIH dated 26 February 2011 and 22 June 2011, respectively.

As disclosed in the interim report of SIH for the six months ended 30 June 2011, the aggregate GFA of Lots F and G is 175,267 sq.m. and 200,637 sq.m., respectively. The aggregate GFA of the Hotel and Residential Property is 68,484 sq.m. The aggregate GFA of Lots F and G and the aggregate GFA of the Hotel and Residential Property only represents approximately 2.8% of the aggregate GFA of the Enlarged Group of 16.1 million sq.m. as at 31 July 2011.

Following the completion of the above disposals, SIH only has or will have limited participation in the management of the relevant holding companies of Lot F, Lot G and the Hotel and Residential Property.

Save for the above and its interest in the Company and the Target Group, SIH confirms that it holds no interest in any other business which competes or is likely to compete with the Group's business.

Information on CTF and the independence of Mr. Doo Wai-hoi, William as an independent non-executive Director

CTF is ultimately controlled by Dato' Dr. Cheng Yu-tung and his family members. Dr. Cheng is the father-in-law of Mr. Doo Wai-hoi, William, who is an independent non-executive Director, and the Company is a subsidiary of SIH. Accordingly, CTF is a connected person of SIH and the Company for the purpose of Chapter 14A (connected transactions) of the Listing Rules.

Having considered the circumstances of the disposals of Lots F and G and the Hotel and Residential Properties to CTF, the Directors are of the view that Mr. Doo's involvement in the disposals does not affect his independence as an independent non-executive Director for the following reasons.

The disposals only constituted a discloseable transaction of SIH, for which no shareholders' approval was required. Also, each of the disposals is a one-off transaction. After completion of the disposals, SIH only holds or will only hold a minority interest of approximately 10% in Lot F and G and the Hotel and Residential Property, which will not constitute part of the principal business of SIH.

During the negotiation process, Mr. Doo did not participate in the negotiations on behalf of SIH but instead participated in such negotiations as one of CTF's negotiation team members. In any case, SIH has ensured the most favourable terms and conditions available to itself through arm's length negotiation with CTF on the basis of valuation conducted by a professional valuer. SIH also procured its financial adviser's opinion that the terms and conditions of the disposals were fair and reasonable.

The disposals also constituted connected transactions of SIH pursuant to Chapter 14A of the Listing Rules. However, since the disposals are connected solely because of the interest of Mr. Doo, and Mr. Doo does not control SIH and his principal business interest is not held through the SIH group, the Exchange granted a waiver pursuant to Rule 14A.42(1) of the Listing Rules for the disposals from strict compliance with the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On the basis of the above, the Directors are of the opinion that Mr. Doo's involvement in the negotiation in the abovementioned disposals does not affect his independence to act as an independent non-executive Director under Rule 3.13 of the Listing Rules.

Reasons for SIH retaining its property development business

Upon completion of the relevant acquisitions and disposals as set out above, SIH will have the following property development businesses which do not form part of the business of the Group (the "SIH Excluded Business"):

- interest in the property development business of SIDC
- (upon the establishment of the joint venture to develop Lots A to E) 49% in Lots A, B, C, D and E
- 10% in Lots F and G
- 10% in the Hotel and Residential Property

During the three years ended 31 December 2008, 2009 and 2010, revenue generated from the SIH Excluded Business comprised revenue generated from the Hotel and Residential Property only, which represents approximately 4.3%, 3.0% and 2.2% of SIH's turnover for the years ended 31 December 2008, 2009 and 2010, respectively. The main reasons for SIH retaining the SIH Excluded Business are set out below:

Interest in the property development business of SIDC

SIDC was acquired by SIIC back in February 2003. Since the acquisition, SIIC has subsequently injected the majority of its development projects into SIDC, making it the listed platform for SIIC's property development business. To facilitate SIH's strategy to further expand its property development business in the PRC, SIIC decided to transfer its entire interest in SIDC to SIH in August 2010, which was completed in July 2011.

Upon Completion, the Enlarged Group will have interests in 25 projects in the PRC, 13 of which are located in the cities where SIDC has no existing property development projects, including Beijing, Sanhe, Xi'an, Shenyang, Changsha, Zhuhai, Shenzhen, Kunshan and Wuxi. 12 of them are located in cities where SIDC has project development projects, i.e. Shanghai, Chongqing, Tianjin and Chengdu.

The following table sets out the projects of SIDC and the Enlarged Group in the four overlapping cities as of 30 June 2011.

	SIDC Project	District	Use	Aggregate GFA *(Sq.m.)*	The Enlarged Group Project	District	Use	Aggregate GFA *(Sq.m.)*
Shanghai	Hai Yuan Villa (海源別墅)	Qingpu	Villa	45,646	Urban Cradle (萬源城)	Minhang	High-rise, villa, office, commercial	1,124,245
	Bay over the Sea (海上灣)	Qingpu	Residential	534,328	Xujiahui Centre (徐家匯中心)	Xuhui	Commercial, office	168,415
	Jin Xiu Garden (錦繡尊邸)	Jinshan	Residential	214,700	Shanghai Jing City (上海晶城)	Minhang	Affordable houses	558,360
	Changhai Building (長海大廈)	Jing'an	Commercial, office	34,716	Shanghai Jingjie (上海晶杰)	Minhang	Affordable houses	125,143
					Mei Long Nanfang Shangcheng (梅隴南方商務區)	Minhang	Commercial	421,300
					Jiujiu Youth City (九久青年城)	Songjiang	High-rise, commercial	212,126
					Xinzhuang Metro Superstructure Project (莘莊地鐵上蓋項目)	Minhang	Residential, commercial, office, hotel	405,000
Tianjin	Laiyin Xiaozheng (萊茵小鎮)	Xiqing	Residential, commercial	498,219	Laochengxiang (老城廂)	Nankai District	Residential, commercial, office, hotel	752,883
					Beichen (北辰)	Yixingfu	Residential, commercial, office, hotel	2,263,000

	SIDC Project	District	Use	Aggregate GFA *(Sq.m.)*	The Enlarged Group Project	District	Use	Aggregate GFA *(Sq.m.)*
Chongqing	Shui Tian Garden (水天花園)	Beipei	Residential, commercial	248,003	Ivy Aroma Town (常青藤 — 緹香小鎮)	Jiulong Pu	High-rise, villa	194,697
					Top City (城上城)	Jiulong Pu	Residential, commercial, office, hotel	785,225
Chengdu	Chengdu Lots (成都地塊)	Chenghua	Residential	244,728	Park Avenue (公園大道)	Wenjiang	Residential, commercial	625,670
Total				1,820,340				7,636,064

The GFA of the above projects of SIDC in the four overlapping cities represents approximately 30.5% of SIDC's aggregate GFA of 6.0 million sq.m. as at 30 June 2011. The GFA of the above projects of the Enlarged Group in the four overlapping cities represents approximately 47.4% of its aggregate GFA of 16.1 million sq.m. as at 31 July 2011. The total unsold aggregate GFA of the Enlarged Group in the four overlapping cities is approximately 5.0 million sq.m. Among the properties in the four overlapping cities, the Directors are of the view that the following four properties of the Enlarged Group with an aggregate unsold GFA of approximately 0.8 million sq.m. are not in competition with SIDC for the reasons set out below:

- Urban Cradle (Lot B) with an unsold aggregate GFA of 10,457 sq.m. are villas targeted at higher end customers and are therefore not competing in the same market segment as those villas developed by SIDC in Shanghai. The average selling price of the villas of Urban Cradle (Lot B) is approximately RMB100,000 to RMB120,000 per sq.m. In comparison, DTZ research indicates that the average selling price of villas comparable to those offered by SIDC in Shanghai is around RMB44,000 per sq.m.

- Urban Cradle (Lot E), Shanghai Jing City and Shanghai Jingjie with an aggregate unsold GFA of 568,234 sq.m. are affordable housing projects and resettlement housing projects and none of the projects of SIDC in Shanghai are in the same category.

- Laochengxiang, a property project of the Group in Tianjian, with an aggregate unsold GFA of approximately 69,368 sq.m. is developed for commercial use, whereas the property development project of SIDC in Tianjian is for residential use, hence this project does not compete with Laochengxiang.

- With respect to the projects in Chongqing, Ivy Aroma Town of the Enlarged Group with an aggregate unsold GFA of approximately 147,275 sq.m. involves villa development whereas the property development project of SIDC in Chongqing is for residential/commercial use. The villas of Ivy Aroma Town and the residential part of SIDC's project are targeted at different segments of the market and they do not significantly compete with each other.

For the reasons mentioned above, the aggregate unsold GFA of the projects of the Enlarged Group in the four overlapping cities which may constitute competition with the projects of SIDC amounts to 4.2 million sq.m., which represents approximately 26.0% of the Enlarged Group's aggregate GFA of 16.1 million sq.m. as at 31 July 2011. Nevertheless, given that the aggregate GFA of the projects of SIDC in the four overlapping cities only represents approximately 11.3% of the Enlarged Group's aggregate GFA of 16.1 million sq.m. as at 31 July 2011, the Directors are of the view that the business of SIDC does not pose significant competition to the business operation of the Group.

Furthermore, two of SIDC's projects located in the four overlapping cities, namely Changhai Building (長海大廈) and Shui Tian Garden (水天花園), which have an aggregate GFA of 0.3 million sq.m., are expected to be sold by the end of 2011.

The Company has considered the option of obtaining a non-compete undertaking from SIDC and has been advised that such an undertaking is not feasible. The PRC legal advisers of SIH have confirmed that pursuant to《上市公司治理準則》(the Guidelines for Corporate Governance of Listed Companies) issued on 7 January 2002 jointly by the CSRC and the former National Economic and Trade Commission, a controlling shareholder and its executive agencies have no authority to make any binding decisions for a listed company or its subsidiaries regarding the business of the listed group. In addition, the controlling shareholder is not permitted to interfere with the business operations of the listed company in any way other than exercising its voting rights in shareholders meetings. As such, SIH is not in a position to procure SIDC to issue a non-compete undertaking in favour of the Company.

Further, the PRC legal advisers of SIH have advised that as a listed company, SIDC owes duties to its shareholders as a whole and is required under the PRC law and regulations to treat all shareholders equally. It may not carry out any actions which favour the controlling shareholder or any particular shareholder at the expense of, or which are detrimental to, the interest of the other minority shareholders. Accordingly, it would be against this principle of fair treatment to shareholders if SIDC was to give a non-compete undertaking to the Company.

In addition, if SIDC was required to issue a non-compete undertaking in favour of the Company, this may also constitute a breach of the SIDC Undertaking (as defined below) that SIIC and SIH (as the controlling shareholders of SIDC) would not compromise the interest of SIDC, given that such non-competition undertaking from SIDC will in effect limit the development strategies of SIDC and may adversely impact SIDC's business operations and financial results.

49% in Lots A, B, C, D and E

As mentioned above, SIH and SIDC have agreed to jointly develop Lots A, B, C, D and E, and upon the establishment of the joint venture to develop Lots A to E, SIH will only participate in such projects as a minority shareholder holding a 49% interest. Under such arrangement, in the event that SIH proposes to dispose of its 49% interest in Lots A to E, SIDC may have a pre-emptive right to acquire such interest as the other shareholder of the proposed joint venture company to be established for the development of Lots A to E.

Subject to the relevant PRC laws, regulations and governmental approvals and also subject to any prior right of first refusal of the joint venture partner in respect of Lots A to E granted by SIH or by operation of law, SIH has granted the Company a right of first refusal to acquire its interest in Lots A to E in the event that SIH intends to dispose of such interest. For further details of the right of first refusal, please refer to the section headed "Future plans" below.

As SIH has agreed to jointly develop Lots A to E with SIDC and in view of SIDC's potential pre-emptive right to acquire the 49% minority interest in Lots A to E as mentioned above, SIH does not plan to inject its equity interest in Lots A to E into the Company.

In any event, SIH and the Company are of the view that Lots A to E would not constitute significant or direct competition with the property development business of the Enlarged Group on the basis that none of the projects of the Enlarged Group in Shanghai are located in the Qingpu District and the closest project is located over 30 kilometres away, and the type of properties expected to be developed in Lots A to E are low density residential apartments and villas, whereas those of the Enlarged Group mainly comprise high rise apartments, affordable houses, mixed use complex and commercial buildings.

10% in Lots F and G

Upon completion of the disposals of Lots F and G to CTF, SIH will only hold a 10% minority interest in these projects, and will not participate in the management of these projects. In addition, CTF, through its relevant subsidiaries, has a pre-emptive right to acquire such interests.

As SIH will only hold a 10% minority interest in Lots F and G, respectively, it will not have management control over these properties. SIH and the Company are of the view that a mere minority interest in Lots F and G without management control does not fit the acquisition criteria of the Company and acquiring such interest will not be in the best interest of the Company. On the above basis, and in view of the CTF's pre-emptive right to acquire such interest, SIH does not intend to inject such interest into the Enlarged Group in the future.

SIH and the Company are also of the view that Lots F and G would not constitute significant competition with the property development business of the Enlarged Group on the similar basis set out for Lots A to E.

10% in the Hotel and Residential Property

Upon completion of the disposal of the Hotel and Residential Property to CTF, SIH only holds a 10% effective indirect minority interest in this property, and will not participate in the management of this property.

The Group has a hotel in Xian operated by the Kempinski group. Because the Hotel and Residential Property and the Group's hotel in Xian are located in different provinces and managed by different hotel operators, while the Hotel and Residential Property is located in Shanghai and managed by the Four Seasons group and the Group's hotel is located in Xian and managed by the Kempinski group, and for the similar reasons set out above for Lots F and G, SIH and the Company are of the view that there is no significant competition between SIH's interest in the Hotel and Residential Property and the hotel business of the Group. In any case, SIH and the Company are of the view that a mere minority 10% interest in the Hotel and Residential Property without management control does not fit the acquisition criteria of the Company and acquiring such interest will not be in the best interest of the Company. On the above basis, SIH does not intend to inject such interest into the Enlarged Group in the future.

Future plans

As set out in the section headed "Non-compete undertaking" below, SIIC and SIH has provided a deed of non competition in favour of the Company, and SIH and SIIC will refrain from engaging in activities that may compete with the Group on the terms of that deed.

To further address future potential competition issues, SIIC, SIH and the Company have entered into the following arrangements:

(a) In the event that the Company wishes to waive its rights under the deed of non competition between itself, SIIC and SIH or if a decision needs to be made by the board of SIIC, SIH or SIDC and the Company in relation to any business opportunity in which SIIC, SIH or SIDC and the Company may compete against each other, all overlapping Directors will be absent from the relevant board meetings and therefore will not participate in the decision making process by the other Directors voting or otherwise interfere with the relevant decision reached.

(b) If any property development opportunity or business opportunity becomes available to SIH and/or SIIC (for this purpose excluding SIDC) which directly or indirectly competes, or may compete, with the business of the Company ("New Project"), SIH and/or SIIC shall, subject to the relevant PRC laws, regulations and governmental approvals, notify both the Company and SIDC at the same time in writing within 15 days from its awareness of a New Project or that relevant business opportunity and provide the Company and SIDC equally with all available information which is reasonably necessary for them to consider whether or not to participate in the New Project or that relevant business opportunity. In the event that both the Company and SIDC are interested in taking up the New Project or that relevant business opportunity, the Company and SIDC will use their own resources to pursue such opportunities on an arm's length basis.

(c) If SIH intends to dispose of its interest in Lots A to E, it shall, subject to the relevant PRC laws, regulations and governmental approvals and also subject to any existing prior right of first refusal of any party granted by SIH or by operation of law, notify the Company of such intention in writing and provide the Company with all information which is reasonably necessary for it to consider whether or not to acquire such interest. If the Company decides not to take up such interest or does not respond to SIH's notice within 15 days from receiving the notice, SIH or any of its subsidiaries may dispose of such interest at its own discretion. In relation to Lots F and G and the Hotel and Residential Property, since SIH only has or will only have a 10% minority interest in such properties, which is not material to the Enlarged Group and the acquisition of such interests without management control does not fit the acquisition criteria of the Company and is not in the best interest of the Company, SIH is not required to first offer such interests to the Company before any disposal.

SIH's and SIIC's obligations under this arrangement is in addition to their obligations under the deed of non competition as described below under "Non-compete undertaking", and neither SIH nor SIIC will interfere with any decision to be made by the Company under this arrangement.

The Directors believe that the above arrangements would effectively reduce any potential competition issue between the Group and SIH and/or SIIC and the interest of the Shareholders would be protected.

At the time when SIH proposed to acquire 63.7% interest in SIDC in August 2010, which took place after completion of SIH's acquisition of 45.02% interest in the Company in June 2010, the acquisition was subject to the non-competition rules of the CSRC and a review and determination of such issue by the CSRC. Article 27 of《上市公司治理準則》(the Guidelines for Corporate Governance of Listed Companies) requires that a listed company's business should be completely independent from its controlling shareholder. The controlling shareholder and its affiliated entities is not allowed to be engaged in the same or similar business as that of the listed company and it should take effective measures to avoid competition. During the process, an undertaking was given to the CSRC that SIIC/SIH will dispose of Lots F and G and the Hotel and Residential Property as set out above and will develop Lots A to E jointly with SIDC ("SIDC Undertaking"). Pursuant to the SIDC Undertaking, SIIC/SIH will not do anything that would be detrimental to the interest of SIDC in the future. The SIDC Undertaking has been provided to the CSRC to ensure that SIIC/SIH will comply with the Guidelines for Corporate Governance of Listed Companies. On the above basis, the acquisition was cleared by CSRC. According to the PRC legal advisers of SIH, on the basis that the Transactions would effectively reduce the number of intra-group competitors to SIDC, SIIC/SIH has complied with applicable non-competition requirements under article 27 of the Guidelines for Corporate Governance of Listed Companies. Further, the potential competition between SIH, the Company and SIDC will not have any continuing implications or consequences under such guidelines so long as SIIC/SIH observes the SIDC Undertaking (including the prior commitment regarding the joint development projects on Lots A to E). As also mentioned in the paragraph headed "Reasons of and circumstances leading to the acquisition of SIDC", there would be legal obstacles under the PRC laws, regulations and policies for SIH to inject Shanghai Urban Development into SIDC. In view of such legal obstacles, the PRC legal advisers of SIH are of the view that it would not be in the best interest for SIDC to acquire Shanghai Urban Development, and therefore the interest of SIDC's shareholders are not prejudiced as a result of the

Transactions. On the basis that (a) the acquisition of SIDC has been cleared by the CSRC; (b) the Transactions would effectively reduce the number of intra-group competitors to SIDC; (c) there are legal obstacles for SIH to inject Shanghai Urban Development into SIDC; (d) the SIDC Undertaking deals mainly with the measures to be undertaken to reduce the competition between SIH and SIDC in relation to specific property development projects and the undertaking does not impose restrictions or requirements on how SIH should deal with its shareholding in Shanghai Urban Development; and (e) the Transactions are in effect a step taken by SIH to restructure its subsidiaries in fulfillment of the SIDC Undertaking, the PRC legal advisers of SIH are of the view that SIH's entering into and the performance of its obligations under the Transactions is not in breach of the SIDC Undertaking.

PROPERTY DEVELOPMENT BUSINESS OF SIIC

Other than the interest in the property development business of SIH, SIIC also has the following property development businesses (the "SIIC Excluded Business"):

- 50% interest in a piece of land with a total site area of 582,508 sq.m. located in Qingdao Liangang (the "Qingdao Land");

- 17.65% interest in the project of Pearl of Baltic Sea with a total site area of 2.05 million sq.m. located in Russia; and

- 100% interest in a piece of land of 86.4 million sq.m. located on Chongming Island in Shanghai (the "Chongming Land").

On 14 September 2011, SIIC entered into a sale and purchase agreement with a purchaser for the disposal of its interest in the Qingdao Land. According to such agreement, the parties shall complete the sale and purchase of the Qingdao Land within 120 days from the signing of the agreement. Prior to the entering of the above agreement, Qingdao Land was for industrial use. SIIC understands that the purchaser of the Qingdao Land has already applied for the change of use of the Qingdao Land from industrial use to public economic housing use. The project of Pearl of Baltic Sea will be developed into a mixed-use project.

Chongming Land is an isolated island outside Shanghai City. The only connection between the central business district of Shanghai and Chongming Land is Shanghai Yangtze River Bridge and Shanghai Yangtze River tunnel, with a total driving distance of over 40 kilometres. SIIC's present plans are to develop Chongming Land into a large-scale ecological recreational and leisure project. Progress is still at an early development stage. Accordingly, neither SIIC nor the Company considers Chongming Land to constitute direct significant competition with the Group's business.

SIIC, through its wholly-owned subsidiary, has only obtained the land use rights for agricultural use and right of primary land development in relation to the Chongming Land. Under SIIC's land use rights for agricultural use, SIIC would be allowed to use the land for agricultural purposes, and under SIIC's right of primary land development, SIIC is responsible for the construction of public works for the Chongming Land such as water supply and drainage systems, power and heat supply systems, roads and communications network, and communications facilities, and the other groundworks such as the levelling of ground at the Chongming Land (the "**Preliminary Works**"). At this point in time, SIIC currently does not have the land use rights to further develop the Chongming Land into a property development.

Upon completion of the Preliminary Works, SIIC may apply to the relevant PRC government authorities to convert the Chongming Land from agricultural land to land available for sale/transfer. Subject to such approval for change of use, the relevant PRC government authorities will then sell the land use rights of the Chongming Land through competitive bidding, public auction or listing-for-sale process as required under the relevant PRC laws. There is no guarantee that SIIC will be able to win such competitive bidding, public auction or listing-for-sale process after completion of the Preliminary Works. Further, whether an approval for a change of use of the Chongming Land will be granted is not within the control of SIIC and this is the case both before and after SIIC's bidding for the land use rights of Chongming Land, despite the result of such bidding. In the event that SIIC is successful in the bidding of the land use rights of the Chongming Land, in view of the SIDC Undertaking, SIIC cannot itself carry out any property development for the Chongming Land.

Under the SIDC Undertaking, if SIIC obtains the land use rights of the Chongming Land for property development, SIIC cannot itself carry out the relevant property development of the Chongming Land but must instead, grant the right of first refusal on development of the Chongming Land to SIDC. In such a case, all the rights to carry out and the obligations for the property development of the Chongming Land will be undertaken by SIDC.

Based on the existing master plan of the Chongming Land as approved by the PRC government authorities, Chongming Land is an ecological project and its main purpose is for recreation and leisure. The project also includes other types of properties such as residential, commercial, hotel and office but the GFA is expected to be only about 4 million sq.m. (out of the total land area of 86.4 million sq.m.) and the main purpose of the project remains to be one of recreation and leisure. Only around 50% of the 4 million sq.m. will be developed into low density residential properties, which are targeted at customers who plan to use such property as a second home for leisure only due to the primary positioning of this project and its geographic location. Therefore, SIIC does not expect that residential properties if built for the Chongming Land, will constitute a substantial portion of this project.

In view of the foregoing and because it is uncertain whether SIIC will be able to obtain the land use rights of the Chongming Land for property development in the future, SIIC is unable to grant a right of first refusal to the Company in respect of the land use rights of the Chongming Land for property development. However, pursuant to the deed of non competition as described below under "Non-compete undertaking", SIIC has given a second right of first refusal on development of the Chongming Land to the Company, subject only to the existing right of first refusal of development given to SIDC.

On the basis that (a) the Qingdao Land is in the disposal process; (b) the project of Pearl of Baltic Sea is not in the PRC; and (c) the geographical location of the Chongming Land and its market positioning, the Directors are of the view that the SIIC Excluded Business and the business of the Enlarged Group do not significantly compete with each other.

NON-COMPETE UNDERTAKING

In order to address any future competition between the respective property development businesses of SIIC, SIH and the Group, SIIC and SIH have entered into a deed of non-competition (the "Non-compete Undertaking") dated 28 October 2011 in favour of the Company for itself and on behalf of its subsidiaries, pursuant to which each of SIIC and SIH has undertaken to the Company that, conditional upon Completion and during the Non-Compete Period (as defined below), other than the SIH Excluded Business and the SIIC Excluded Business, each of them will not, whether as principal or agent and whether undertaken directly or indirectly (including through any of their associates, subsidiaries, partnerships, joint ventures or other contractual arrangements) and whether for profit or otherwise, carry on, engage, invest, participate or otherwise be interested in any business of property development in the PRC (the "Restricted Business") which is in competition, directly, or indirectly, with the Restricted Business of the Group.

Notwithstanding the foregoing, each of SIIC and SIH may:

(a) carry on, engage, invest, participate or otherwise be interested in such Restricted Business where the pursuance of the opportunity by SIIC or SIH to carry on, engage, invest, participate or otherwise be interested in such Restricted Business has been reviewed and approved by the independent non-executive Directors or independent Shareholders; or

(b) have interests in shares or other securities of a company conducting any Restricted Business whose shares are listed on the Stock Exchange or any other recognised stock exchange, provided that SIIC, SIH and their associates taken together are not so interested as to be able to exercise or control the exercise of 5% or more of the voting power at general meetings of such company or control the composition of a majority of the board of directors of such company.

Further, pursuant to the Non-compete Undertaking, SIIC has granted a second right of first refusal on development on the Chongming Land to the Company. For the avoidance of doubt, such right is subject to the existing right of first refusal on development granted to SIDC.

The "Non-Compete Period" stated in the Non-compete Undertaking refers to the period commencing on the date of completion of the Transactions and ending on the earlier of:

(a) the date on which the Company ceases to be a subsidiary of SIH; and

(b) the date on which the Shares cease to be listed on the Stock Exchange and any other recognised stock exchange.

The Non-compete Undertaking shall not restrict the holding of (a) the Shares or (b) any interests in SIDC by SIH or any company or entity controlled by it. For the avoidance of doubt, the Non-compete Undertaking shall not restrict SIDC, its subsidiaries and any company in which SIDC and/or any of its subsidiaries taken together are directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings and any other company which is its subsidiary from engaging in the Restricted Business.

In addition, the arrangements with SIH and SIIC to address future potential competition issues, i.e. should the Company wish to waive its rights under the Non-compete Undertaking or in relation to the notification to be made where a competing property development opportunity or business opportunity becomes available to SIH or SIIC (please refer to the paragraph headed "Future Plans" above) is also encapsulated in the Non-compete Undertaking.

The Company's independent non-executive Directors will review each of SIIC's and SIH's compliance with the Non-compete Undertaking on an annual basis. For this purpose of review, each of SIIC and SIH will provide the Company's independent non-executive Directors all information reasonably necessary and within SIIC's or SIH's (as the case may be) possession. Each of SIIC and SIH will also make an annual declaration in the Company's annual report on its compliance with the undertakings under the Non-compete Undertaking.

INDEPENDENCE FROM SIH

Having considered the following factors, the Directors are of the view that the Enlarged Group will be able to conduct its business independently of SIH and its associates (other than the Enlarged Group) after Completion.

Operational independence

SIH is a conglomerate and engages in a variety of businesses including, among others, infrastructure facilities and consumer products. Real estate is only part of its business.

The Company and the relevant project companies hold the relevant licences and qualifications that are essential to the business operations of the Enlarged Group. All the contractors the Enlarged Group uses for its property development projects are independent third parties and the properties of the Enlarged Group are primarily sold to individual consumers in the PRC. The Enlarged Group has its own capabilities and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and information technology.

Management independence

The day-to-day management of the business of the Enlarged Group is primarily rested with the Board of Directors. The Board has 11 Directors comprising seven executive Directors and four independent non-executive Directors. Four executive Directors also hold directorship or senior management position with SIH and SIIC. The following table sets out the Directors who also serve on the board of or hold senior management positions with SIH and SIIC.

Directors	Position held in the Company	Positions held in SIH and/or SIIC	Responsibilities in SIH and/or SIIC
• Mr. Cai Yu Tian	Executive Director and chairman	Vice-chairman, chief executive officer and executive director, SIH President and executive director, SIIC	Overall operation and management of SIH and SIIC
• Mr. Ni Jianda	Executive Director and president	Deputy chief executive officer, SIH	Reporting to the board of directors of SIH regarding the property development business of SIH undertaken by the Group and the Target Group
• Mr. Qian Shizheng	Executive Director	Executive director, deputy chief executive officer, SIH Vice president, SIIC	Overseeing the financial activities and functions of SIH and SIIC
• Mr. Zhou Jun	Executive Director	Executive director, deputy chief executive officer, SIH Vice president, SIIC	Overseeing the project and business development of the infrastructure business of SIH and investment activities in SIH and SIIC
• Mr. Yang Biao	Executive Director	N/A	N/A
• Mr. Chen Anmin	Executive Director and executive vice president	N/A	N/A
• Mr. Jia Bowei	Executive Director	N/A	N/A

Directors	Position held in the Company	Positions held in SIH and/or SIIC	Responsibilities in SIH and/or SIIC
• Mr. Doo Wai-Hoi, William, J.P.	Independent non-executive Director and chairman of the remuneration committee	N/A	N/A
• Dr. Wong Ying Ho, Kennedy, BBS, J.P.	Independent non-executive Director and chairman of the nomination committee	N/A	N/A
• Mr. Fan Ren Da, Anthony	Independent non-executive Director and chairman of the investment appraisal committee	N/A	N/A
• Mr. Li Ka Fai, David	Independent non-executive Director and chairman of the audit committee	N/A	N/A

The Company has put in place procedures to manage any actual or potential directors' conflicts of interest. Pursuant to the Bye-laws, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested. Further, as required by the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, if a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a physical meeting should be held. Independent non-executive Directors who, and whose associates, have no material interest in the transaction should be present at such board meeting. In the event that any such proposed contract or arrangement or any other proposal also constitutes a major transaction or above or a connected transaction pursuant to Chapter 14 or 14A of the Listing Rules, respectively, the Board is also required to comply with all the requirements under the Listing Rules, including (where applicable) obtaining independent shareholders' approval.

In addition, as part of the Company's internal control and corporate governance arrangements, overlapping Directors will, in addition to abstaining from voting, absent themselves from the relevant board meeting and will not participate in the decision making process by the other voting Directors.

Those Directors who also occupy directorship or senior positions with SIIC and/or SIH only represent a minority of the Board. The remaining three executive Directors, each of whom possesses the relevant industry expertise and experience, are able to devote the majority of their time in managing the Enlarged Group. These three Directors, together with the four independent non-executive Directors (i.e. seven Directors in total) would be able to constitute a quorum of the meeting and to decide on any matters to be considered by the Board.

The table below set out the relevant experience in property development, management and finance of the Directors, other than the overlapping Directors.

	Director	Experience
•	Mr. Yang Biao	Mr. Yang has over five years of experience in real estate and he also has extensive experience in general management and finance and accounting. He is an executive Director of the Company based in the Group's office in Shanghai. Mr. Yang is responsible for overseeing various property development projects of the Group. He takes part in the management's project selection process, project positioning and planning and setting sales and marketing strategies for individual projects. Further, Mr. Yang oversees the execution of the Group's projects and ensures that the development progress of the projects is carried out in accordance with the approved plans. He is also responsible for public relations (including maintaining relationship with various government authorities) in his day-to-day management of the Group. He is the legal representative of a number of the Group's project companies, including 成都中新錦泰房地產開發有限公司 (Chengdu Zhongxin Jintai Real Estate Development Co., Ltd.) and 重慶中華企業房地產發展有限公司 (Chongqing Chinese Enterprises Real Estate Development Co., Ltd.), and a director of 湖南淺水灣湘雅溫泉花園有限公司 (Hunan Qianshuiwan Xiangya Garden Co., Ltd.). He is also a director and the vice-chairman of Shanghai Urban Development. Since he joined Shanghai Urban Development, he has participated in the development of various projects, such as Urban Cradle, Ivy Aroma Town and Toscana. He was also a director of SUD Chongqing Depu and Changsha Chengpu in 2008. Mr. Yang was a deputy director of the Audit Bureau of Xuhui District in Shanghai. He was a director of the Xuhui District State-owned Assets Administrative Committee with primary responsibilities in the decision making and operation of its property investment. He also participated in the decision making and operation of other property development project companies under the Xuhui District State-owned Assets Administrative Committee, including 上海匯城集團 (Shanghai Huicheng Group) and 上海徐房(集團)有限公司 (Shanghai Xufang (Group) Co., Ltd.) in 2006. He was also the deputy director of Xuhui District Office of the Chinese Communist Party and the deputy municipal secretary of the Xinjiang Aksu.

- Mr. Chen Anmin — Mr. Chen has over 30 years of experience in the construction and property development industry. He is an executive Director and the executive vice president of the Group mainly responsible for the Group's overall financial and auditing affairs, including the Group's financial reporting, budgeting, financial planning and financial compliance. He is also a director and an executive vice president of Shanghai Urban Development. He was the vice general manager of Shanghai Cement Group, the factory director of Shanghai Yaohua Glass Factory and the vice chairman of Shanghai Xingye Housing Co., Ltd. (a company listed in the Shanghai Stock Exchange with stock code of 600603).

- Mr. Jia Bowei — Mr. Jia has nearly ten years of experience in property development with 24 years of experience in finance and management. He is an executive Director of the Company mainly responsible for the daily management of the Group's headquarters in Hong Kong. He is also one of the authorised representatives of the Company appointed under the Listing Rules acting as the Company's principal channel of communication with the Stock Exchange. In 1999, he was the investment department manager of 新天國際葡萄酒業有限公司 (Suntime International Wine Co., Ltd.) and was responsible for its acquisition of a hotel in Sanya and a residential property project in Shenzhen. In 2003, he participated in a property development of Xintian International in Beijing. Before joining the Company, he worked as the chairman and a director for Citic Guoan Wine Co. Ltd. (a company listed on the Shanghai Stock Exchange with a stock code 600084 and formerly known as Suntime International Wine Co., Ltd.). Since he joined the Group in 2006, he participated in the development of a number of projects, including Top City in Chongqing, Jiujiu Youth City in Shanghai and Neo Water City in Xi'an. He has been an executive Director since 2008 and is mainly responsible for the Group's overall project management and related commercial negotiations. He is also responsible for liaising with government authorities and other third parties.

- Mr. Doo Wai-Hoi, William, J.P. — Mr. Doo has over 11 years of experience in the property industry. He is a non-executive director and the vice-chairman of New World China Land Limited, executive director of Lifestyle International Holdings Limited, and a director of New World Hotels (Holdings) Limited, whose principal activities include property development.

- Dr. Wong Ying Ho, Kennedy, BBS, J.P. — Dr. Wong has over seven years of experience in the property industry. He is an independent non-executive director of Asia Cement (China) Holdings Corporation, China Overseas Land & Investment Limited and Goldlion Holdings Limited, whose principal activities include property development and related activities.

- Mr. Fan Ren Da, Anthony — Mr. Fan's expertise lies in the field of general management, corporate finance, mergers and acquisitions, venture capital, company consolidation and restructuring. He has over three years of experience in the property industry. Mr. Fan held senior positions in a number of international financial institutions. He is an independent non-executive director of Renhe Commercial Holdings Company Limited and was also an independent non-executive director of Chinney Alliance Group Limited, principal activities of these entities include property development and management and related activities.

- Mr. Li Ka Fai, David — Mr. Li has over five years of experience in the property industry. He is a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, United Kingdom as well as The Institute of Chartered Secretaries and Administrators, United Kingdom and an associate member of The Institute of Chartered Accountants in England and Wales. Mr. Li is an independent non-executive director of Cosmopolitan International Holdings Limited, whose principal activities include property development.

In relation to allocation of time, as members of senior management, the three Directors are not required to attend the office at all times during normal office hours. Their main duties are to advance the interest of the Company by applying their extensive industry experience. It is noted that Mr. Cai Yu Tian and Mr. Qian Shizheng have held overlapping senior management roles in different companies in SIIC, SIH and the Enlarged Group for over four years, and Mr. Zhou Jun for over two years, during which they have demonstrated their ability to allocate sufficient time and dedication to all three companies in an appropriate and efficient manner. As disclosed in the annual report of the Company for the year ended 31 December 2011, the Board has a very good track record of board meeting attendance rate. The following table sets out the number of board meetings attended by each Director in 2010 (or if shorter since his date of appointment):

Director	**Attendance/number of board meetings held during the year since his appointment**
Mr. Cai Yu Tian	8/8
Mr. Ni Jianda	8/8
Mr. Qian Shizheng	7/8
Mr. Zhou Jun	7/8
Mr. Yang Biao	6/8
Mr. Chen Anmin	7/8
Mr. Jia Bowei	19/21
Mr. Doo Wai-Hoi Willian, J.P.	8/8
Dr. Wong Ying Ho, Kennedy, BBS, J.P.	8/8
Mr. Fan Ren Da, Anthony	8/8
Mr. Li Ka Fai, David	8/8

As illustrated in the table above, the Board has a record of high attendance rate and this clearly demonstrates that the Directors are able to devote sufficient time and effort to attend to the Company's affairs, and properly discharge their functions as Directors of the Company.

Mr. Cai Yu Tian, Mr. Ni Jianda, Mr. Qian Shizheng and Mr. Zhou Jun have also agreed to continue to devote an adequate amount of their time and resources to oversee the management of the business the Enlarged Group to fulfil their duties to the Company as director, give strategic advice to the Board, attend Board meetings and fulfil duties required under the Bye-laws and relevant laws. In this connection, the Directors are of the view that the business of the Enlarged Group is being managed separately and independently from the business of SIH.

Financial independence

The Directors are of the view that the Enlarged Group is able to maintain financial independence from SIH. The Group has historically had, and following Completion the Enlarged Group will have, its own internal control and accounting systems, its own finance department responsible for discharging the treasury function for cash and receipts and payments, accounting, reporting and internal control functions independent from SIH. The Company has a full time chief financial officer, Ms. Bao Jing Tao, who has been with the Group for more than five years.

In December 2010, 上海上實(集團)有限公司 (SIIC Shanghai (Holding) Co., Ltd.) ("SIIC Shanghai"), an associate of SIIC (the ultimate holding company of SIH), provided a loan of RMB1,000 million to the Target Group through entrusted loan agreements administrated by China Construction Bank, Bank of Communications and Minsheng Bank, respectively. Such loans are unsecured and bear interest at 5.81% per annum and due within one year.

In 2010 and 2011, Shanghai Urban Development provided loans, through entrusted loan agreements administrated by banks, to the Group. As at 31 August 2011, the balance of such loans was RMB1,000 million.

The following table sets forth certain details of such loans:

Entrusted bank	**Balance as at 31 August 2011**	**Interest rate per annum**	**Term expiring on**
	RMB'million	%	
Shanghai Pudong Development Bank	250	6.972	28 December 2011
Industrial Bank Co., Ltd.	250	120% of the then prevailing PBOC's benchmark lending rate	28 January 2012
Shanghai Pudong Development Bank	250	7.572	21 June 2012
Shanghai Pudong Development Bank	250	7.572	4 July 2012

The loans were provided for property project development of the Company. No such loans were outstanding as at 31 December 2008 and 2009. Following Completion, any outstanding amount due under such loans will become intra-group borrowings of the Target Group.

In addition, in December 2010, SIHL Finance Limited, a wholly owned subsidiary of SIH, granted a loan in the principal amount of HK$1,000 million to the Company, which is unsecured and bearing interest at 5.5% per annum. The loan is due on 30 December 2011.

SIH only became a controlling shareholder of the Company in June 2010. Prior to that, the Group primarily sourced its funding from borrowings from banks and other financial institutions as well as from loan capital markets including the issuance of the US$400 million 9.75% senior notes due 2014. This illustrates that the Group is able to maintain financial independence from SIH.

The loans provided by SIIC Shanghai and SIHL Finance Limited are short-term in nature repayable within one year. They merely represent a cheaper and more efficient means of financing available to the Target Group and to the Group and reflect SIH's commitment to its investment in the Enlarged Group. As alternatives to the loans provided by SIIC Shanghai and SIHL Finance Limited, the Target Group and the Group have financing arrangements in place with banks in the PRC to provide funding of up to RMB20 billion and RMB1,000 million, respectively. Such financing arrangements are not guaranteed by SIH, SIIC or their associates. As of 31 August 2011, none of such financing facilities have been utilised except that the Target Group had drawn down RMB5,065.0 million of such facilities. As of 26 December 2010, the benchmark lending rate for loans repayable within one year published by the PBOC was 5.81%. The Directors expect that the interest rate on the financing facilities upon draw down would be in the range of 110% to 115% of the PBOC's benchmark lending rate. The Board estimates that an aggregate notional interest expense of HK$133.6 million would be payable by the Target Group and the Group if the loans provided by SIIC Shanghai and SIHL Finance Limited were provided by independent banks and assuming an interest rate of 115% of the benchmark lending rate of 5.81%. While there are alternative banking facilities available to the Enlarged Group, the use of loans provided by SIIC Shanghai and SIHL Finance Limited present the most attractive option as they bear lower interest rates and are less costly to the Enlarged Group. Given that there are alternative bank facilities available, the Directors consider that while the loans provided by SIIC Shanghai and SIHL Finance Limited are not critical to the continuing operations of the Enlarged Group, they are nonetheless beneficial to the Company and its Shareholders.

In light of the above, the Directors are of the view that the Enlarged Group will be capable of carrying on its business independently of, and will not place undue reliance on, SIH after Completion.

CROSS GUARANTEE

As disclosed in the circular of SIH dated 28 December 2009, Shanghai Urban Development and State-owned Management Company entered into the Cross Guarantee Agreement on 26 December 2002, whereby Shanghai Urban Development and State-owned Management Company agreed to guarantee each other's obligations in respect of the loans and credit facilities which they may respectively obtain from financial institutions from time to time to the extent of not more than RMB700 million (equivalent to approximately HK$831.6 million). On 15 December 2009, Shanghai Urban Development and State-owned Management Company entered into the Cross Guarantee Supplemental Agreement to amend the terms of the Cross Guarantee Agreement whereby the parties agreed to increase the guarantee limit from RMB700 million (equivalent to approximately HK$831.6 million) to RMB1,200 million (equivalent to approximately HK$1,425.5 million). The Cross Guarantee Agreement as amended by the Cross Guarantee Supplemental Agreement is for a term of three years from 1 January 2010 to 31 December 2012, inclusive of both dates.

The reason for the Cross Guarantee Agreement is to enable State-owned Management Company and Shanghai Urban Development to obtain certain loans and credit facilities required to meet their respective funding needs. Since the existing guarantees provided by State-owned Management Company and Shanghai Urban Development pursuant to the Cross Guarantee Arrangement were entered into with the relevant financial institutions before the date of the Announcement, it is impracticable for Shanghai Urban Development to seek early termination of the relevant guarantees provided by Shanghai Urban Development pursuant to the Cross Guarantee Agreement without the consents of the relevant financial institutions and/or State-owned Management Company.

As at 31 August 2011, (i) the total amount of loans and credit facilities obtained by Shanghai Urban Development in respect of which guarantees were provided by State-owned Management Company was approximately RMB594.0 million (equivalent to approximately HK$705.6 million); and (ii) the total amount of loans and credit facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development was approximately RMB216.0 million (equivalent to approximately HK$256.6 million).

No security over the assets of Shanghai Urban Development or the Company is or will be granted in respect of guarantees provided by State-owned Management Company pursuant to the Cross Guarantee Agreement. The Directors (including all the independent non-executive Directors) are of the view that the guarantees provided by State-owned Management Company are on normal commercial terms.

The aggregate amount of loans and credit facilities obtained by State-owned Management Company in respect of which Shanghai Urban Development would provide guarantees pursuant to the Cross Guarantee Agreement for each of the three years ending 31 December 2012 is subject to a cap of RMB1,200 million (equivalent to approximately HK$1,425.5 million).

State-owned Management Company is a state-owned enterprise, whose establishment was approved by the People's Government of Xuhui District and authorised by Xuhui SAAC. It had a registered capital of RMB243.1 million, total assets of RMB3,196 million and total shareholders' equity of RMB1,306 million as of 31 December 2010. During the last eight years, the Target Group has established a close partnership with State-owned Management Company. So far as the directors of Shanghai Urban Development are aware, up to the Latest Practicable Date, State-owned Management Company had not defaulted on any of its borrowings for which Shanghai Urban Development has provided guarantee pursuant to the Cross Guarantee Agreement. The directors of Shanghai Urban Development confirm that they are not currently aware of any circumstances affecting the ability of State-owned Management Company to meet its repayment obligations under such borrowings.

The Directors (including all the independent non-executive Directors) are of the view that the provision of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by State-owned Management Company pursuant to the Cross Guarantee Agreement is on normal commercial terms and such terms are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.41 of the Listing Rules, since the Target Group has entered into the Cross Guarantee Agreement before the entering into of the Transactions, the provisions of guarantees by Shanghai Urban Development in respect of the loans and credit facilities obtained by State-owned Management Company will be subject to the reporting, annual review and disclosure requirements. If any variation or renewal of the Cross Guarantee Agreement is required, the Company will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules in due course.

PUT AND CALL OPTIONS

As disclosed in the section headed "History and Background of the Target Group – History and Background – Members of the Target Group – 城開綠碳(天津)股權投資基金合夥企業(有限合夥) (Urban Development Green Carbon (Tianjin) Equity Investment Fund (Limited Partnership))" of the circular, on 7 April 2011, Shanghai Urban Development, being one of the two limited liability partners of Green Carbon Fund, entered into an equity interest transfer agreement with China Railway, the other limited partner of Green Carbon Fund, and 喜神(天津)股權投資基金管理有限公司 (Xishen (Tianjin) Equity Investment Fund Management Co., Ltd.), the general partner of Green Carbon Fund. Pursuant to the agreement, China Railway has the right to require Shanghai Urban Development to acquire all of its interest in Green Carbon Fund at any time after 22 months from 16 February 2011 (the "**Put Option**") and Shanghai Urban Development has the right to require China Railway to transfer its interest at any time after 24 months from 16 February 2011 (the "**Call Option**") at a consideration equals to the sum of the investment injected by China Railway plus an interest calculated at a rate of 9.55% per annum from the date of the investment, less all dividends declared and paid to China Railway during the period. The total investment of China Railway in Green Carbon Fund is RMB396.9 million.

Upon Completion, China Railway will become a connected person of the Company by virtue of its being a substantial shareholder of Green Carbon Fund, and the exercise of the rights mentioned above after Completion will constitute a connected transaction of the Company and are subject to the requirements set out in Chapter 14A of the Listing Rules. The exercise of the Put Option is not at the discretion of Shanghai Urban Development, while the exercise of the Call Option is at the discretion of Shanghai Urban Development.

The Directors (including all the independent non-executive Directors) consider that the Put Option and the Call Option are on normal commercial terms and such terms are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Put Option

Grant

The Put Option constitutes an option under Rule 14.72 of the Listing Rules, as China Railway has a right to require Shanghai Urban Development to acquire its interest while there is no obligation on the part of China Railway to do so. Since the equity interest transfer agreement had been executed and the option had been granted to China Railway before the entering into of the Transactions, pursuant to Rule 14A.41, the Put Option is subject to applicable reporting, annual review and disclosure requirements.

Exercise

Since the exercise of the Put Option is not at the discretion of Shanghai Urban Development, the Company will be required to issue an announcement pursuant to Rule 14A.69(2) of the Listing Rules upon exercise by China Railway of the Put Option. The Company will also be required to issue an announcement under Rule 14A.69(3) of the Listing Rules upon China Railway notifying Shanghai Urban Development that it will not exercise the Put Option or the Put Option otherwise expires.

Call Option

Grant

The Call Option constitutes an option under Rule 14.72 of the Listing Rules, as Shanghai Urban Development has a right to require China Railway to sell its interest in the fund but not an obligation to do so (assuming the Put Option has not been exercised by China Railway). Since the equity interest transfer agreement had been executed and the option had been granted to Shanghai Urban Development before the entering into of the Transactions, pursuant to Rule 14A.41 of the Listing Rules, the Call Option is subject to applicable reporting, annual review and disclosure requirements.

Exercise

Upon exercise or non-exercise of the Call Option by Shanghai Urban Development, the Company will comply with Rule 14A.70(2) and Rule 14A.70(3) of the Listing Rules.

Further, if any variation or renewal of the Put Option or the Call Option is required, the Company will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

GENERAL

An announcement has been made by the Company in relation to certain transactions of the Company which will become connected transactions of the Company upon Completion.

In the event that the terms of the continuing connected transactions are modified or the Enlarged Group enters into any new transactions or agreements with any connected person in the future, the Company will comply with the provisions of Chapter 14A of the Listing Rules.

DIRECTORS

The Board consists of 11 members, four of whom are independent non-executive Directors. The following table provides certain information about the Directors:

Name	Age	Position
Mr. Cai Yu Tian (蔡育天先生)	61	Chairman and executive Director
Mr. Ni Jianda (倪建達先生)	48	Executive Director
Mr. Qian Shizheng (錢世政先生)	59	Executive Director
Mr. Zhou Jun (周軍先生)	42	Executive Director
Mr. Yang Biao (楊彪先生)	48	Executive Director
Mr. Chen Anmin (陳安民先生)	61	Executive Director
Mr. Jia Bowei (賈伯煒先生)	45	Executive Director
Mr. Doo Wai-Hoi, William, J.P. (杜惠愷先生，太平紳士)	67	Independent non-executive Director
Dr. Wong Ying Ho, Kennedy, BBS, J.P. (黃英豪博士，銅紫荊星章，太平紳士)	48	Independent non-executive Director
Mr. Fan Ren Da, Anthony (范仁達先生)	51	Independent non-executive Director
Mr. Li Ka Fai, David (李家暉先生)	56	Independent non-executive Director

Executive Directors

Mr. Cai Yu Tian, aged 61, is the chairman of the Board and an executive Director. He was appointed on 5 July 2010. Mr. Cai is also the vice-chairman, chief executive officer and an executive director of SIH and the president and a director of SIIC. He was appointed as a director and deputy chairman of Shanghai Urban Development on 9 July 2007, and subsequently he became the chairman of Shanghai Urban Development on 7 December 2007. He is also the chairman of General Water of China Co., Ltd., and the non-executive chairman of Asia Water Technology Ltd. (a company listed in Singapore). Mr. Cai holds a master's degree from East China Normal University, majoring in world economics. During the period from September 1987 to November 2005, he was the deputy director and the director of the Shanghai Municipal Housing Administration Bureau, the director of the Shanghai Municipal Housing and Land Administration Bureau and the director of the Shanghai Municipal Housing, Land and Resources Administration Bureau. Mr. Cai has more than 20 years of experience in real estate development and general management. On 27 October 2011, Mr. Cai was fined for HK$4,000 and ordered to pay costs of HK$19,714 for late filing of disclosures of his interests under Part XV of the SFO in respect of his acquisitions of an aggregate of 100,000 shares in SIH, which took place on 5 May 2010 and 12 May 2010, respectively.

Mr. Cai acquired 50,000 shares in SIH on the Stock Exchange on 5 May 2010 and a further 50,000 shares in SIH on 12 May 2010 (the "Share Acquisitions"). As advised by Mr. Cai, his intention to increase his shareholding in SIH is to demonstrate to the shareholders of SIH that, as a director of SIH, he is supportive of SIH's operations and is committed to the long term growth prospects of SIH. He has confirmed that the Share Acquisitions did not occur during any black-out period as referred to in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in Appendix 10 to the Listing Rules and that he was not in possession of any unpublished price sensitive information in relation to SIH or its securities at the time of the Share Acquisitions.

SIH has advised that it has established its own Code for Securities Transactions by Directors or Relevant Employees pursuant to the relevant provisions in the Model Code and the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules. The directors and those employees of SIH who, because of his office or employment, are likely to be in possession of any unpublished price sensitive information in relation to SIH or its securities must comply with such code in dealing in the securities of SIH. The code of SIH was set on terms no less exacting than the required standards set out in the Model Code. At the time of the Share Acquisitions, Mr. Cai was out of Hong Kong and did not obtain the prior confirmation from SIH's designated director to approve his dealings in the securities of SIH, nor notify the Stock Exchange and SIH of the Share Acquisitions within the time prescribed under Part XV of the SFO. Save for Mr. Cai in respect of the Share Acquisitions, each director and relevant employee of SIH has confirmed that the requirements of the Model Code and SIH's code were fully complied with during the year ended 31 December 2010. The above has been disclosed in the 2010 annual report of SIH.

When Mr. Cai returned to Hong Kong after his business trip, he immediately notified SIH of the Share Acquisitions and initiated actions to rectify the late filing and arranged for the submission of the disclosure of interests forms to the Stock Exchange and to SIH on 25 May 2010. Mr. Cai was only late for his filing for a very short period of time. Mr. Cai has confirmed to the Company that the late filing was solely caused by his inadvertent oversight, and Mr. Cai had no intention to withhold any information from the shareholders and the public.

On 27 October 2011, Mr. Cai was fined for HK$4,000 in respect of the Incident and was ordered to pay costs of HK$19,714. At the court hearing, the Magistrate accepted that Mr. Cai's late filing was due to an inadvertent oversight and accordingly imposed a fine at the lower end of the scale.

After the Incident, SIH has reminded its directors of their obligations to comply with the Model Code and its own Code for Securities Transactions by Directors or Relevant Employees in respect of any dealings in securities of SIH including to obtain prior permission before dealing, and to make adequate and timely disclosure of their interests in accordance with Part XV of the SFO. In addition, SIH will from time to time remind its directors of the above compliance requirements. To improve its compliance standards, SIH has enhanced its procedures under the Code for Securities Transactions by Directors or Relevant Employees so that when directors obtain their prior confirmations to deal in the shares of SIH, they are simultaneously reminded of their obligations to make timely disclosure in accordance with Part XV of the SFO. Similar to SIH, the Company has adopted the Model Code as its own code for securities transactions by Directors, which are no less exacting than the required standards as set out in the Model Code. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2010, and each of them confirmed that he has complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions. The Company has also made corresponding amendment to its code for securities transactions by Directors to include the procedures of simultaneously reminding the Directors of their obligations to make timely disclosure in accordance with Part XV of the SFO when they obtain their prior confirmations to deal in the securities of the Company. The Company will from time to time remind the Directors their obligations under the Model Code.

The late filing by Mr. Cai was an isolated incident and the Incident was immaterial as reflected by the minimal penalty imposed by the court. The fact that Mr. Cai took a proactive approach and promptly initiated actions to rectify the late filing within a short period of time illustrates that Mr. Cai understands his directors' duties. On the above basis, the Company confirms that the ruling will not affect Mr. Cai's competence in continuing to discharge his duties as the chairman and an executive director of the Company.

Based on the above facts surrounding the Incident, in particular the circumstances resulting in the late filing, the fact that it was an isolated event and the amount of fine involved, the Sponsor is of the view that the Incident does not affect Mr. Cai's suitability to act as a director of the Company. Further, the Sponsor has discussed the Incident with Mr. Cai and in particular, has discussed his understanding of his obligations regarding directors' securities transactions. The Sponsor is of the view that Mr. Cai understands his obligations at law and under the Listing Rules. Mr. Cai has also affirmed that he understands the importance of his obligations. The Sponsor has also examined the Company's code of conduct for directors and is satisfied that the relevant requirements are not less strict than required at law and under the Listing Rules.

Mr. Ni Jianda, aged 48, is an executive Director of the Company and was appointed on 5 July 2010. He is a deputy chief executive officer of SIH. He has been a director of Shanghai Urban Development since 18 July 2007. He is also the president of Shanghai Urban Development. He graduated from Shanghai University, and La Trobe University of Australia with a master's degree in business administration in 1997. Mr. Ni was the general manager of Shanghai Xuhui Real Estate Management Co., Ltd., a deputy general manager of Shanghai Urban Development and the general manager of the real estate department of China Huayuan Group Ltd. (which is primarily in the business of property development textile, financial services and pharmaceuticals) from October 1997 to July 1998. He has more than 20 years of professional experience in real estate development and general management. Mr. Ni was elected a member of the Shanghai Municipal People's Congress in 2003, and honoured as one of the 25 Chinese Entrepreneurs with Most Reforming Ideas, among the Top Ten Persons of the Year elected by the 2006 China International Real Estate and Architech Fair, one of the 2007 Boao Forum-Most Influential Persons in China's Real Estate Industry in 20 Years and one of the Top Ten Entrepreneurs in the Shanghai Real Estate Sector in 18 Years in 2005. He was a vice chairman of Shanghai Youth Federation and is currently the chairman of Shanghai Young Entrepreneurs Association and a vice chairman of the Shanghai Real Estate Association.

Mr. Qian Shizheng, aged 59, is an executive Director of the Company and was appointed on 5 July 2010. Mr. Qian is an executive director and a deputy chief executive officer of SIH. He is also a vice president of SIIC. He has been a director of Shanghai Urban Development since 9 July 2007. He graduated from Fudan University with a bachelor's degree in economics in 1983 and a doctorate degree in management in 2001. He taught at Fudan University during 1983 to 1997 before he joined SIIC in March 1998. Currently, he is the vice chairman of Haitong Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange with a stock code of 600837) and an independent non-executive director of Lonking Holdings Limited (stock code: 3339) and Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd. (stock code: 1157). He has over 20 years of experience in finance and accounting.

Mr. Zhou Jun, aged 42, is an executive Director of the Company and was appointed on 5 July 2010. Mr. Zhou is an executive director and a deputy chief executive officer of SIH. He has been a director of Shanghai Urban Development since 9 July 2007. He is also a vice president of SIIC and the chairman of Shanghai Galaxy Investment Co., Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Industrial Management (Shanghai) Limited, United Run Tong Water Company Limited and Shanghai Shen-Yu Development Co., Ltd., and General Water of China Co., Ltd., and a non-executive director of Asia Water Technology Ltd. (a company listed in Singapore). He graduated from Nanjing University with a bachelor's degree in economics in 1991 and from Fudan University with a master's degree in economics (international finance) in 1994. He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. He held the positions of a deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., deputy general manager of Shanghai United Industrial Co., Ltd. (now Shanghai Pharmaceutical Co., Ltd.) and general manager of the strategic department of SIIC. He is a member of the Shanghai Municipal People's Congress. Mr. Zhou has more than 10 years of professional experience in securities, finance, real estate and project planning.

Mr. Yang Biao, aged 48, is an executive Director of the Company and was appointed on 5 July 2010. He is based in the Group's office in Shanghai. Mr. Yang is responsible for overseeing various property development projects of the Group. He takes part in the management's project selection process, project positioning and planning and setting sales and marketing strategies for individual projects. Further, Mr. Yang oversees the execution of the Group's projects and ensures that the development progress of the projects is carried out in accordance with the approved plans. He is also responsible for public relations (including maintaining relationship with various government authorities) in his day-to-day management of the Group. He is the legal representative of a number of the Group's project companies, including 成都中新錦泰房地產開發有限公司 (Chengdu Zhongxin Jintai Real Estate Development Co., Ltd.) and 重慶中華企業房地產發展有限公司 (Chongqing Chinese Enterprises Real Estate Development Co., Ltd.), and a director of 湖南淺水灣湘雅溫泉花園有限公司 (Hunan Qianshuiwan Xiangya Garden Co., Ltd.). Mr. Yang has been a director of Shanghai Urban Development since 18 July 2007. He is also the vice-chairman of Shanghai Urban Development. Since he joined Shanghai Urban Development, he has participated in the development of various projects, such as Urban Cradle, Ivy Aroma Town and Toscana. He was also a director of SUD Chongqing Depu and Changsha Chengpu in 2008. Mr. Yang taught at Shanghai Normal University from July 1986 to March 2000. He was a deputy director of the Audit Bureau of Xuhui District in Shanghai from March 2000 to September 2005 and a director of the Xuhui District State-owned Assets Administrative Committee with primary responsibilities in the decision making and operation of its property investment from September 2005 to June 2010. He also participated in the decision making and operation of other property development project companies under the Xuhui District State-owned Assets Administrative Committee, including 上海匯城集團 (Shanghai Huicheng Group) and 上海徐房(集團)有限公司 (Shanghai Xufang (Group) Co., Ltd.) in 2006. He was also the deputy director of Xuhui District Office of the Chinese Communist Party and the deputy municipal secretary of the Xinjiang Aksu from July 2002 to July 2005. He has over five years of experience in real estate and he also has extensive experience in general management and finance and accounting.

Mr. Chen Anmin, aged 61, is an executive Director and was appointed on 5 July 2010. He is also the executive vice president of the Group. He is mainly responsible for the Group's overall financial and auditing affairs, including the Group's financial reporting, budgeting, financial planning and financial compliance. Mr. Chen has been a director of Shanghai Urban Development since 18 July 2007 and he is an executive vice president of Shanghai Urban Development. He is a director of China Haisum Engineering Co., Ltd. (a company listed in the Shenzhen Stock Exchange with a stock code of 2116). He was the vice general manager of Shanghai Cement Group, the vice chairman of Shanghai Xingye Housing Co., Ltd. (a company listed on the Shanghai Stock Exchange with a stock code of 600603) and a director of Ningbo Fubang Precision Industry Group Stock Co., Ltd. (a company listed on the Shanghai Stock Exchange with a stock code of 600768). He was also the factory director of Shanghai Yaohua Glass Factory. He has over 30 years of experience in the construction and property development industry.

Mr. Jia Bowei, aged 45, is an executive Director of the Company and was appointed on 24 January 2008. He is mainly responsible for the daily management of the Group's headquarters in Hong Kong. He is one of the authorised representatives of the Company appointed under the Listing Rules acting as the Company's principal channel of communication with the Stock Exchange. In 1999, he was the investment department manager of 新天國際葡萄酒業有限公司 (Suntime International Wine Co., Ltd., which subsequently changed its name to Citic Guoan Wine Co., Ltd., a company listed on the Shanghai Stock Exchange with a stock code 600084) and was responsible for its acquisition of a hotel in Sanya and a residential property project in Shenzhen. In 2003, he participated in a property development of Xintian International in Beijing. He joined the Group in 2006, and has since participated in the development of a number of the Group's projects, including Top City in Chongqing, Jiujiu Youth City in Shanghai and Neo Water City in Xi'an. Since his appointment as an executive Director in 2008, he has been mainly responsible for the Group's overall project management and related commercial negotiations. He is also responsible for liaising with government authorities and other third parties. Mr. Jia graduated from Xin Jiang Finance Institute in 1999 and obtained his post-graduate qualification in 2000. In 2003, he obtained a master's degree in business administration from Guanghua Management School of Peking University. Before joining the Company, he worked as the chairman and a director for Citic Guoan Wine Co., Ltd. (a company listed on the Shanghai Stock Exchange with a stock code 600084 and formerly known as Suntime International Wine Co., Ltd.). Mr. Jia has nearly ten years of experience in property development with 24 years of experience in finance and management.

Independent non-executive Directors

Mr. Doo Wai-Hoi, William, J.P., aged 67, is an independent non-executive Director. He was appointed on 5 July 2010. He is a director of New World Hotels (Holdings) Limited and Fung Seng Diamond Company Limited. Mr. Doo has served as a Governor of the Canadian Chamber of Commerce in Hong Kong since 1995. In addition, he is a Member of the Standing Committee of the Eleventh Chinese People's Political Consultative Conference in Shanghai, and the Convener of the Shanghai Committee in Hong Kong and Macau. In June 2005, he was appointed as the Honorary Consul of the Kingdom of Morocco in Hong Kong. He has over 11 years of experience in the property industry. He is also a director of the following publicly listed companies:

Listed Company	Role
Hong Kong main board listed companies	
• New World China Land Limited (stock code: 917)	Non-executive director and the vice-chairman
• NWS Holdings Limited (stock code: 659)	Non-executive director and the deputy chairman
• Lifestyle International Holdings Limited (stock code: 1212)	Executive director
• The Bank of East Asia, Limited (stock code: 23)	Independent non-executive director

Chow Tai Fook Enterprises Limited is a controlling shareholder of New World China Land Limited. Both companies are ultimately controlled by Dato' Dr. Cheng Yu-tung and his family members. Dato' Dr. Cheng Yu-tung is Mr. Doo's father-in-law.

Dr. Wong Ying Ho, Kennedy, BBS, J.P., aged 48, is an independent non-executive Director. He was appointed on 5 July 2010. He is a solicitor, a China Appointed Attesting Officer and a director of the China Law Society. He obtained his doctorate in Civil Law from the University of Kent in 2007. He is the managing partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. He is a director of Bohai Industrial Investment Fund Management Company Limited and Hong Kong Airlines Limited. Dr. Wong is a National Committee Member of the Chinese People's Political Consultative Conference. He is also a member of the Election Committee of Hong Kong which is responsible for the election of Hong Kong's Chief Executive and a deputy convener of the New Century Forum. He is also a co-founder of the Hong Kong Legal Forum. Dr. Wong served on Hong Kong's legislature from 1996 to 1998 and was selected as one of the Ten Outstanding Young Persons of Hong Kong awarded by Junior Chamber International Hong Kong (formerly known as Hong Kong Junior Chamber) in 1998. He was also one of the recipients of the Ten Outstanding Young Persons of the World awards awarded by the Junior Chamber International in 2003. Dr. Wong has over seven years of experience in the property industry. He is a director of the following listed companies:

Listed Company	Role
Hong Kong main board listed companies	
• Hong Kong Resources Holdings Company Limited (stock code: 2882)	Executive director
• Asia Cement (China) Holdings Corporation (stock code: 743)	Independent non-executive director
• China Overseas Land & Investment Limited (stock code: 688)	Independent non-executive director
• Goldlion Holdings Limited (stock code: 533)	Independent non-executive director
London AIM listed company	
• Pacific Alliance Asia Opportunity Fund Limited (AIM: PAX)	Director

In or around June/July 2011, Dr. Wong was requested by the Independent Commission Against Corruption to assist them in investigations in relation to the acquisition of shares in Ocean Grand Chemicals Holdings Limited, which has been since renamed as Hong Kong Resources Holdings Company Limited (stock code: 2882). Dr. Wong acquired interest in Hong Kong Resources Holdings Company Limited during its restructuring in October 2008. As announced by Hong Kong Resources Holdings Company Limited on 13 July 2011, the board of Hong Kong Resources Holdings Company Limited received confirmation that the investigations were initiated against Dr. Wong and another person in their own personal capacity, and as at the date of that announcement, no charges had been laid by the Independent Commission Against Corruption against Dr. Wong.

Mr. Fan Ren Da, Anthony, aged 51, is an independent non-executive Director and was appointed on 5 July 2010. He has over three years of experience in the property industry. He is currently the chairman of AsiaLink Capital Limited. Mr. Fan was the managing director of Ta Fu International Holdings Limited (now known as China New Energy Power Group Limited) (stock code: 1041). He was also an independent non-executive director of Chinney Alliance Group Limited (stock code: 385). Mr. Fan received his master of business administration degree from the University of Dallas in the United States of America in 1986. He is now a candidate of the doctorate degree of management in science and engineering at Shanghai Jiao Tong University School of Law. He is a director of the following listed companies:

Listed Company	**Role**
PRC Shenzhen listed company	
• Shenzhen World Union Properties Consultancy Co., Ltd. (stock code: 2285)	Independent director
Hong Kong main board listed companies	
• Hong Kong Resources Holdings Company Limited (stock code: 2882)	Independent non-executive director
• Uni-President China Holdings Limited (stock code: 220)	Independent non-executive director
• Raymond Industrial Limited (stock code: 229)	Independent non-executive director
• Renhe Commercial Holdings Company Limited (stock code: 1387)	Independent non-executive director
• CITIC Resources Holdings Limited (stock code: 1205)	Independent non-executive director
• Tenfu (Cayman) Holdings Company Limited (stock code: 6868)	Independent non-executive director

Mr. Li Ka Fai, David, aged 56, is an independent non-executive Director. He was appointed on 5 July 2010. He is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants, United Kingdom as well as a fellow of The Institute of Chartered Secretaries and Administrators, United Kingdom and an associate member of The Institute of Chartered Accountants in England and Wales. He is the former independent director and former chairman of the audit committee of China Vanke Co., Ltd. (a company listed on the Shenzhen Stock Exchange with a stock code of 2). Mr. Li has over five years of experience in the property industry. He is an independent non-executive director of the following listed companies:

Listed Company	Role
Hong Kong main board listed companies	
• Goldlion Holdings Limited (stock code: 533)	Independent non-executive director, chairman of the audit committee and member of both the remuneration committee and nomination committee
• China-Hongkong Photo Products Holdings Limited (stock code: 1123)	Independent non-executive director and chairman of the audit committee
• Cosmopolitan International Holdings Limited (stock code: 120)	Independent non-executive director and chairman of the audit committee and member of the remuneration committee
• AVIC International Holding (HK) Limited (formerly known as CATIC International Holdings Limited) (stock code: 232)	Independent non-executive director, member of the audit committee and member of the remuneration committee
• China Merchants Holdings (International) Company Limited (stock code: 144)	Independent non-executive director, member of the audit committee and member of the remuneration committee

Save as disclosed above, each of the Directors confirms for himself that: (i) he has not held any directorships, current or past, since 1 January 2008 up to the date of this circular in any public companies, the securities of which are listed on any securities market in Hong Kong and/or overseas; (ii) he is not related to any other Director, member of senior management or substantial or controlling shareholders of the Company; (iii) no additional information is required to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; (iv) he is not interested in any business apart from the business of the Enlarged Group, which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group; (v) there are no other matters that need to be brought to the attention of holders of securities of the Company; and (vi) all the requirements under Rule 13.51(2) of the Listing Rules have been fulfilled.

The business addresses of Mr. Cai Yu Tian, Mr. Qian Shizheng and Mr. Zhou Jun are 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong. The business addresses of Mr. Ni Jianda, Mr. Yang Biao and Mr. Chen Anmin are 42-43th Floor, Tower 2, Ganghui Center, 3 Hongqiao Road, Shanghai, PRC. The business addresses for the remaining Directors are the address of the head office of the Company in Hong Kong.

SENIOR MANAGEMENT

The senior management of the Group comprises the executive Directors, the company secretary of the Company and the following persons:

Mr. Shu Chang, aged 53, is a vice president of the Company. Mr. Shu is also the assistant chief executive officer of SIH. Mr. Shu graduated from the Beijing Second Foreign Languages Institute in 1983 with a bachelor's degree in French literature and The City University of New York in the U.S. in 1990 with a master's degree of arts. Mr. Shu was a director of the Europe Second Division of the Chinese People's Association for Friendship with Foreign Countries, manager of JPMorgan Co., a director and president of China Brilliance International E-Business Co., the chairman of Jun An Investment Holding Co., the chief of the financial department and assets operation department of Shanghai Motors Co., a director of SAIC Motor Corporation Ltd., a director and chief investment officer of JinJiang International Holdings Co., Ltd. and a deputy general manager of Beijing Automobile Investment Co., Ltd. prior to his employment with the Group. He has more than 20 years of experience in corporate management and finance.

Ms. Huang Fei, aged 47, is a vice president of the Company. Ms. Huang was awarded a master's degree in business administration and European integration by Technische Universität Dresden in 2003. She was the league secretary of the Third Tramway Company of the Public Transport Corporation, the chairman of the labour union of Xuhui Urban Construction Corporation, the manager of sales division of Shanghai Urban Development, the general manager of Shanghai Urban Development (Group) Real Property Agent Company prior to her employment with the Group. She is currently a party committee member and vice-president of Shanghai Urban Development and deputy general manager (finance) of Shanghai Wan Yuan.

Mr. Ye Wei Qi, aged 48, is a vice president of the Company. Mr. Ye has a master's degree in business administration from EIPOS Europäisches Institut für postgraduate Bildung an der Technischen Universität Dresden in 2002. He was the manager of finance department of Shanghai Far East Aviation Technology Import and Export Company, the manager of budget finance department of Shanghai Great World Plaza Company Limited, the deputy manager of budget finance department Shanghai Great World (Group) Company. prior to his employment with the Group. He was also the director of the auditing office, manager of investment and development department and assistant to the general manager of Shanghai Urban Development. He is currently the vice president of Shanghai Urban Development and general manager of Shanghai Huanyu Investment Co., Ltd.

Mr. Zhong Tao, aged 39, is the vice president of the Company. Mr. Zhong obtained a master's degree in business management from Shanghai Fudan University in 1998. He was a project manager of Shanghai Industrial Real Property Group (Shanghai) Company Limited, an assistant to the general manager of Shanghai Xinghe Digital Investment Company Limited, and the chief planning officer of Shanghai Industrial Management (Shanghai) Company Limited prior to his employment with the Group. He is also currently the vice president of Shanghai Urban Development.

Ms. Bao Jing Tao, aged 35, is the Chief Financial Officer of the Company. She has over ten years of experience in accounting and financial management. She obtained her master's degree in finance from South West University of Finance and Economics in 2001. She was an executive Director of the Company from 24 January 2008 to 27 July 2010.

The business address of Mr. Shu Chang and Ms. Bao Jing Tao is the address of the head office of the Company in Hong Kong. The business address for the remaining members of the senior management (other than the executive Directors) is 42-43th Floor, Tower 2, Ganghui Center, 3 Hongqiao Road, Shanghai, PRC.

COMPANY SECRETARY

Mr. Chan Kin Chu, Harry, aged 42, has been the company secretary of the Company since 1 June 2011. Mr. Chan graduated from The University of Hong Kong in 1992 with a bachelor of laws degree. He also obtained a master of laws degree from The University of London, U.K. in 1998 and a bachelor of laws degree from Tsinghua University, the PRC in 2005. He was admitted to the High Court of Hong Kong Special Administrative Region as a solicitor. Mr. Chan has over ten years of working experience in legal, compliance and corporate governance matters. Before joining the Group, Mr. Chan worked for a sizable property developer as in-house counsel.

AUDIT COMMITTEE

The Company has established an audit committee whose primary duties are to review the accounting principles and practices adopted by the Group, to review the financial reporting process and internal control system of the Group, and to review the independence and objectivity of the Group's external auditors, the scope of their audit services and the related audit fees payable to the external auditors. The Audit Committee consists of Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David. Mr. Li Ka Fai, David is the chairman of the audit committee.

REMUNERATION COMMITTEE

The Company has established a remuneration committee whose primary duties include (but without limitation): (i) to make recommendations to the Directors on the Company's policy and structure for all remunerations of the Directors and senior management; (ii) to determine the specific remuneration packages of all executive directors and senior management for submission to the Board for approval; (iii) to review and approve all executive directors' and senior management's performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time; (iv) to review and approve the compensation payable to all executive directors and senior management in connection with any loss or termination of their office; (v) to review and approve compensation arrangements relating to dismissal or removal of directors; and (vi) to ensure that no director or any of his associates is involved in any decision on his remuneration. The remuneration committee consists of Mr. Fan Ren Da, Anthony, Mr. Doo Wai-Hoi, William, J.P. and Mr. Ye Wei Qi. Mr. Doo Wai-Hoi, William is the chairman of the remuneration committee.

NOMINATION COMMITTEE

The Company has established a nomination committee consisting of two independent non-executive Directors, namely Mr. Fan Ren Da, Anthony and Dr. Wong Ying Ho, Kennedy, BBS, J.P., and one executive Director, namely Mr. Ni Jianda. Dr. Wong Ying Ho, Kennedy, BBS, J.P. is the chairman of the nomination committee. The primary function of the nomination committee is to make recommendations to the Board on potential candidates to fill vacancies on or additional appointment to the Board and for senior management positions. Nominations of directors and senior management candidates by the Nomination Committee are based on considerations such as vacancy available, the candidate's competence and experience, possession of requisite skills and qualifications, independence and integrity.

INVESTMENT APPRAISAL COMMITTEE

The Company has established an investment appraisal committee consisting of Mr. Fan Ren Da, Anthony, an independent non-executive Director, Mr. Zhou Jun, an executive Director and Mr. Ye Wei Qi, a vice president of the Company. Mr. Fan Ren Da, Anthony is the chairman of the committee. The main responsibilities of the investment appraisal committee are to:

- research and advise on the long-term development strategy of the Company;
- research and advise on material investment projects of the Company;
- research and advise on material capital operation and asset operation projects of the Company;
- research and advise on material events which affect the development of the Company;
- make subsequent assessment on investment projects; and
- review the above matters.

REMUNERATION POLICY

The Company's Directors and senior management are paid compensation in the form of salaries, benefits in kind, discretionary bonuses and options granted under the Company's share option scheme based on the performance of the Group. The Company also reimburses them for expenses necessarily and reasonably incurred for providing services to the Group or in the execution of their functions in relation to the Group's operations. The Company regularly reviews and determines the remuneration and compensation package of the Directors and senior management, by reference to, among other things, the Company's operating results, individual performances and comparable market statistics.

The above remuneration policy is expected to continue and apply to the Directors and senior management of the Enlarged Group after Completion.

The Group provides in-house training to its employees to enhance their knowledge of its property projects, the Group's corporate culture and sales techniques, and to provide training to individual employees according to their job description.

During the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, the Group did not suffer any material disruption to its business operations as a result of labour disputes.

COMPLIANCE ADVISER

The Company has appointed Somerley Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules to advise in the following circumstances in accordance with Rule 3A.23 of the Listing Rules:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where the business activities, developments or results of the Group deviate from any forecast, estimate or other information in this circular; and

(d) where the Stock Exchange makes an inquiry of the Company of unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the date of Completion and end on the date on which the Company sends its financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after Completion.

BACKGROUND

Mr. Li Songxiao was an executive director of the Company and its chairman from 29 October 2003 to 22 August 2009. Following his resignation as director and chairman on 22 August 2009, SIH acquired a controlling shareholding in the Company. The Board was then comprised of seven executive directors, one non-executive director and two independent non-executive directors. On the completion of SIH's acquisition, all the then directors of the Company, save for Mr. Jia Bowei, resigned and new directors were appointed in their position. The outgoing directors did not hold any positions in the Group post resignation except Ms. Bao Jing Tao who was redesignated as the chief financial officer of the Group.

Since SIH became a controlling shareholder of the Company, the Company has been putting in place various measures to improve its internal control to deal with the projects entered into prior to SIH's acquisition, including improving the monitoring of construction costs and sale prices of property development projects. Please see below and also the risk factors headed "There have been concerns with the Group's internal control system whilst the Group is implementing certain measures to improve its internal control system. The improvement process is continuous and the Group is still in the process of implementing certain measures" and "The results of operations of the Enlarged Group are dependent on its ability to manage the costs of its projects and to maximise revenue from these projects".

GROUP'S EXISTING PROJECTS COMMENCED PRIOR TO SIH'S ACQUISITION OF A CONTROLLING INTEREST IN THE COMPANY

A property developer's ability to derive profits from its construction projects depends on how well it can control the relevant construction costs and whether it is able to obtain the profitable sale prices for its properties. A major part of the construction costs is made up of the fees payable to the contractors.

As set out in the risk factor headed "The results of operations of the Enlarged Group are dependent on its ability to manage the costs of its projects and to maximise revenue from these projects", construction costs in the PRC are generally increasing partly due to rising costs faced by the contractors due to inflation and rising labour costs in the PRC. In addition, other than costs, there are a number of factors a developer must take into account in determining whether to award a contract to a contractor, including the relevant contractor's skill and expertise as well as the design and deadline demands of the relevant project, in particular, given that there is no assurance the actual construction costs incurred for a project, which often takes months or years to complete, will not exceed the initial estimation by the developer.

The other important factor in a developer's business is the price at which it sells its properties. PRC property developers generally face intense competition from other developers – please also refer to the risk factor "The Enlarged Group faces intense competition from other real estate developers". Correctly determining the appropriate price is vital to the success of a developer's business. While a lower price drains revenue from the project, too high a figure puts off potential customers who have a wide choice of properties as offered by the Enlarged Group's competitors.

For the eight months ended 31 December 2009 and for the year ended 31 December 2010, the Group recorded a loss of HK$2,184.3 million and HK$835.9 million, respectively. Amongst other factors, this was partially due to the low gross profit margins of certain projects of the Group. These projects were undertaken by the three constructors listed below, with whom the Group entered into construction contracts prior to SIH's acquisition of a controlling interest in the Company.

上海海地建設工程有限公司 (Shanghai Haidi Construction Engineering Co., Ltd.)

- Lot 1 of the Laochengxiang project in Tianjin, the value of whose construction contract was approximately RMB969,690,000 for an aggregate GFA of approximately 232,933 sq.m.;
- Lot 9 of the Laochengxiang project in Tianjin, the value of whose construction contract was approximately RMB853,690,000 for an aggregate GFA of approximately 205,367 sq.m.;
- the residential portion of Lot 15 of the Laochengxiang project in Tianjin, the value of whose construction contract was approximately RMB135,585,433 for an aggregate GFA of approximately 88,618 sq.m.;
- Lot A9 of the Top City project in Chongqing, the value of whose construction contract was approximately RMB23,786,238 for an aggregate GFA of approximately 33,980 sq.m.; and
- Lot A5 and A6 of the Neo-Water City project in Xi'an, the value of whose construction contract was approximately RMB616,403,600 for an aggregate GFA of approximately 377,669 sq.m.

天津申亞建築工程有限公司 (Tianjin Shenya Construction Engineering Co., Ltd.)

- Lot 2 of the Laochengxiang project in Tianjin, the value of whose construction contract was approximately RMB139,506,000 for an aggregate GFA of approximately 46,502 sq.m.; and
- Lot 4 of the Laochengxiang project in Tianjin, the value of whose construction contract was approximately RMB335,000,000 for an aggregate GFA of approximately 71,846 sq.m.

東方建設集團有限公司 (Orient Construction Group Co., Ltd.)

- Lot A4 of the Neo-Water City project in Xi'an, the value of whose construction contract was approximately RMB458,600,000 for an aggregate GFA of approximately 212,297 sq.m.;
- Lot A10 of the Neo-Water City project in Xi'an, the value of whose construction contract was approximately RMB637,689,000 for an aggregate GFA of approximately 323,650 sq.m.;

- Lot A13 of the Neo-Water City project in Xi'an, the value of whose construction contract was approximately RMB418,130,000 for an aggregate GFA of approximately 232,296 sq.m.;

- Lot A14 of the Neo-Water City project in Xi'an, the value of whose construction contract was approximately RMB418,770,000 for an aggregate GFA of approximately 232,650 sq.m.;

- Lot A15 of the Neo-Water City project in Xi'an, the value of whose construction contract was approximately RMB449,670,000 for an aggregate GFA of approximately 249,818 sq.m.; and

- Lot 1B, Lot 1C, Lot 5 and Lot 9 of the Beichen project in Tianjin, the aggregate value of whose construction contracts was approximately RMB2,651,200,000 for an aggregate GFA of approximately 1,078,200 sq.m.

The aggregate GFA of the phases/lots and the value of the relevant construction contracts are extracted directly from the signed contracts. Copies of these contracts are available for public inspection on the Company's website at www.siud.com and on the SFC's website at www.sfc.hk, or at the Company's office from the date of this circular up to and including the date of SGM. For detailed information, please refer to the section headed "Documents Available for Inspection" in Appendix VII to this circular.

To ensure that the Group obtains the best price from its contractors for future projects, the Group adopted measures to ensure that it will hold competitive tenders for its projects. In March 2011, the Group has implemented《集團招標採購管理辦法》(an internal guideline on the procedure for tendering and procurement), which puts in place a two-tier system on the Group and project companies for the supervision of the tendering process and the granting of construction contracts. It further sets out the role and responsibility of different departments in overseeing the tendering process. In addition, as part of the plan to improve its internal control, the Group will also implement various measures. Please refer to the paragraph headed "Improving the Group's internal control" below for details of such measures taken.

While the construction contracts for the abovementioned projects cannot be varied at the sole discretion of the Group, in addition to the above measures, the Group has taken various steps to ensure proper management of the projects, including its engagement of independent project managers to ensure that the relevant contractors carry out their work to the required standards and within the project's development timeframe. Independent project managers are also engaged to ensure that payments made to the relevant contractors are proper and fair and are not in excess of the agreed contractual prices.

The following table sets forth certain information relating to the property development projects of the Group, including those which the Group has yet to obtain the land use rights certificates. The information is based on actual data or estimates as at 31 July 2011, the valuation date of the properties of the Group as set out in the valuation report in Appendix IVB.

As of 31 July 2011

Project	Location	Site area (sq.m.)	Aggregate GFA (sq.m.)	Total salable GFA (sq.m.)	Unsold aggregate GFA (sq.m.): Residential	Retail	Office	Hotel	Mixed use	Others	Total salable GFA held as investments (sq.m.)	Actual/Expected: Commencement date[15]	Pre-sale date[15]	Completion date	Interest attributable to SIUD %	Reference to valuation report	Estimated ASP (RMB per sq.m.)
West Diaoyutai	Beijing	42,541	250,930[1]	230,802	4,815	1,644	N/A	N/A	49,345	N/A	N/A	11/2004	04/2005	2007-2013, in phases	90%	g1, j1	45,000 – 55,000[16]
Youngman Point	Beijing	112,700	348,664[2]	295,114	18,934	14,319	N/A	N/A	N/A	24,284	N/A	07/2004	06/2004	2007-2013, in phases	100%	g2, i1	N/A
American Rock	Beijing	121,499	523,833	454,610	N/A	N/A	N/A	N/A	N/A	8,320	N/A	11/2002	04/2003	Completed	100%	g3	N/A
Yanjiao	Sanhe	333,333	666,600	666,600	N/A	N/A	N/A	N/A	666,600	N/A	N/A	No schedule	No schedule	2012-2014, in phases	100%	j2	N/A
Laochengxiang	Tianjin	244,252	752,883[3]	646,205	1,561	69,368	30,327	N/A	N/A	29,552	36,863	08/2005	12/2005	2006-2013, in phases	100%	g4, h2, i2, i12, j3	Residential: 16,000 – 30,000 Retail: 18,000 – 22,000
Beichen	Tianjin	1,115,476	2,263,000[4]	2,125,500	N/A	N/A	N/A	N/A	2,042,750	N/A	N/A	No schedule	No schedule	2012-2014, in phases	40%	j4	N/A
Jiujiu Youth City	Shanghai	57,944	212,126[5]	164,687	N/A	2,189	18,680	N/A	N/A	26,273	16,349	01/2007	12/2007	2009-2012, in phases	100%	g7, h4, i10	18,450 – 22,550
Forest Garden	Changsha	667,749	895,705[6]	864,842	675,267	4,444	N/A	N/A	N/A	N/A	N/A	05/2007	08/2007	2007-2014, in phases	67%	g8, i8, j7	Residential: 2,700 – 3,300 Retail: 5,400 – 6,600
Mei Long Nanfang Shangcheng	Shanghai	87,327	421,300[7]	421,300[7]	N/A	N/A	N/A	N/A	421,300[7]	N/A	N/A	No schedule	No schedule	No schedule	25%	d2	N/A
Neo Water City	Xi'an	2,082,486[14]	3,534,736[8]	3,205,699	283,466	35,533	N/A	84,291	1,331,770	193,167	N/A	05/2006	07/2007	2008-2014, in phases	72%	g6, i3, i4, i5, i6, i7, i11, j6, k1	Residential: 7,100 – 9,000 Retail: 10,080 – 12,320
Tai Yuan Street	Shenyang	22,651	239,651[9]	198,551	N/A	N/A	N/A	N/A	190,178	N/A	N/A	No schedule	No schedule	2012-2014, in phases	80%	j9	N/A
Top City	Chongqing	120,014	785,225[10]	707,969	895	188,873	25,074	44,396	131,576	74,656	158,584	08/2005	08/2006	2008-2014, in phases	100%	g5, g9, h3, j5, i13	Office: 8,100 – 9,900
Park Avenue	Chengdu	228,107	625,670[11]	521,836	51,929	4,322	N/A	N/A	277,738	47,643	N/A	11/2007	09/2008	2011-2014, in phases	100%	i9, j8	Residential: 4,132 – 5,270 Retail: 11,430 – 13,970
Qi Ao Island	Zhuhai	2,215,516	1,090,000[12]	770,000	N/A	N/A	N/A	N/A	770,000	N/A	N/A	No schedule	No schedule	No schedule	100%	j10	N/A
Phoenix Tower	Shenzhen	11,038	106,190[13]	79,391	191	N/A	857	N/A	N/A	N/A	1,048	N/A	N/A	Completed	91%	h1	N/A
Total		**7,462,633**	**12,716,513**	**11,353,106**													

Note:

1. Please note that the PRC Legal Opinion of AllBright Law Offices dated 31 October 2011 ("**PRC Legal Opinion**") states that the GFA of this project is only 249,496 sq.m. The GFA stated above (difference of 1,434 sq.m.) is, however, based on the Company's actual measurement of the project GFA.
2. Please note that the PRC Legal Opinion states that the GFA of this project is only 349,322 sq.m. The GFA stated above (difference of 658 sq.m.) is, however, based on the Company's actual measurement of the project GFA.
3. Please note that the PRC Legal Opinion states that the GFA of this project is only 725,859 sq.m. The GFA stated above, however, includes non-saleable car parks as well as the protective site Yangjia Dayuan (楊家大院), both of which are within the project's premises.
4. Please note that the PRC Legal Opinion states that the GFA of this project is only 2,042,750 sq.m. The GFA stated above is, however, based on the Company's construction plans for the project. As at 31 July 2011, these plans were yet to be approved by the relevant government authority.
5. Please note that the PRC Legal Opinion states that the GFA of this project is only 213,754 sq.m. The GFA stated above (difference of 1,628 sq.m.) is, however, based on the Company's actual measurement of the project GFA.
6. Please note that the PRC Legal Opinion states that the GFA of this project is only 1,015,749 sq.m. The GFA stated above is, however, based on the Company's construction plans for phase II of the project. As at 31 July 2011, these plans were yet to be approved by the relevant government authority.
7. Please note that the GFA stated above includes an underground area of 98,220 sq.m. which is not included in the GFA identified in the PRC Legal Opinion. As at 31 July 2011, the land use rights certificate for this underground area was yet to be issued.
8. Please note that the GFA stated above is, however, based on the Company's construction plans for lots A2, A3 and A12. However, as at 31 July 2011, the plans for these lots were yet to be approved by the relevant government authority.
9. Please note that the GFA stated above is, however, based on the Company's construction plans for the project. However, as at 31 July 2011, the relevant plans were yet to be approved by the relevant government authority.
10. Please note that the PRC Legal Opinion states that the GFA of this project is only 779,570 sq.m. The GFA stated above (difference of 5,655 sq.m.) is, however, based on the Company's actual measurement of the project GFA.
11. Please note that the GFA stated above is, however, based on the Company's construction plans for the project. However, as at 31 July 2011, the relevant plans were yet to be approved by the relevant government authority.
12. Please note that the GFA stated above is, however, based on the Company's construction plans for the project. However, as at 31 July 2011, the relevant plans were yet to be approved by the relevant government authority.
13. The aggregate GFA stated in the relevant construction work permit and building ownership certificate is 105,422 sq.m. The above GFA is, however, based on the Company's actual measurements of the project GFA.
14. Please note that the PRC Legal Opinion states that the site area of this project is only 2,071,387 sq.m. The difference with the GFA stated above (difference of 11,099 sq.m.) arises from the fact that the land use rights certificate for aforementioned portion of Lot A1 (11,099 sq.m.) was yet to be obtained as at the date of the PRC Legal Opinion.
15. The actual/estimated commencement date and pre-sale date stated for any project refers to (a) the date construction works commenced for that project (regardless of phases) and (b) the date the Company obtained the first pre-sale permit for that project, respectively.

IMPROVING THE GROUP'S INTERNAL CONTROL

As a result of issues leading to the earlier suspension of trading in the Company's Shares on the Main Board of the Stock Exchange during the period from 22 January 2008 to 25 June 2010 at the request of the Company and the ICAC investigations referred to in its announcement of 11 May 2009, the Company sought assistance from an independent professional adviser to undergo an independent review of its internal controls for a review period from 1 May 2009 to 31 December 2009.

As set out in the Company's announcement dated 24 June 2010, this review covered areas of (i) entity wide and corporate level controls such as conflict of interest policies, composition and functions of the Board and audit committee, risk assessment policies and procedures, information and communication policies and procedures and internal audit function and (ii) certain business process level controls including revenue and receivables, purchase and payables (for property development), treasury and cash management, gift, travelling and entertainment and financial reporting.

Following the issue of the internal control consultant's report for the review period from 1 May 2009 to 31 December 2009, the Company has taken steps to improve its corporate governance and internal control by implementing the measures set out in the announcement dated 24 June 2010. There include, amongst others, the following:

- reinforced its internal controls over payments by improving the cross-checking and approval processes and spreading them among different responsible persons;

- approved terms of reference of the remuneration committee;

- enhanced its procedures to ensure proper disclosure of related party and connected party transactions. The new procedures now require the identification of any property purchases by the Directors in the Company's monthly sales reports;

- enhanced its anti-fraud policies and procedures as well as reporting mechanisms;

- enhanced its internal control department and made it an independent department that reports to the audit committee directly; clarified the job descriptions, responsibilities and reporting line of key functional departments and management positions;

- developed a code of conduct and formally communicated it to all personnel;

- established a risk management committee and developed risk assessment mechanisms; and

- enhanced controls over various items such as tax identification and payment, staff loans document preparation and retention, cash and treasury management, access to its financial records and systems, accounting policies and procedures, consolidation policies and procedures.

The Board was comprised of seven executive directors, one non-executive director and two independent non-executive directors prior to SIH's acquisition of a controlling interest in the Company in June 2010. Following SIH's acquisition, all the then directors of the Company, save for Mr. Jia Bowei, resigned and new directors were appointed in their position. The outgoing directors did not hold any positions in the Group post resignation except Ms. Bao Jing Tao who was redesignated as chief financial officer.

The Company subsequently reappointed the internal control consultant to conduct a follow up review of the earlier report and the follow-up review report issued on 17 May 2011 indicated that the internal control weaknesses mentioned in the announcement dated 24 June 2010 have been substantially remedied. The follow-up report was presented to the Board for review. In addition to the findings on two areas, namely "control over contracts for material transactions" and "authorisation of cash payments" which were disclosed in the annual report of the Company for the year ended 31 December 2010, set out below is the progress on the improvement and status of other areas of internal control weaknesses:

1. Access to the control system for financial reporting

Maintenance of user access rights and the excessive user access rights to the accounting system for financial reporting has been partially remediated. The remedial actions still in progress include further tightening of controls over privileged user accounts in the accounting system, removing excessive access rights and incompatible functions, and disabling rights to delete posted journal entries.

2. Anti-fraud policies and procedures

Internal policies for anti-fraud procedures have been put in place but they require further enhancement. In addition, the Company has set up a whistle-blowing e-mail arrangement in its internal publishing system to facilitate staff reports of any suspicious cases encountered by them. Implementation of complaint procedures for suppliers and other third parties are still in progress.

3. Compliance and disclosure under the Listing Rules and accounting standard

The Company has adopted all the terms of references of all the board committees. After restructuring, the Company now has sufficient number of independent non-executive Directors and has set up all the board committees required by the Listing Rules. The Company's accounting policies and procedures have been further enhanced and previous weaknesses in this area have been remediated.

4. Internal Audit

The organisation structure of the internal audit department is being refined, and the staff and their respective roles and responsibilities are also being changed.

5. Job description, responsibilities and reporting line of key functional departments and management positions

The human resources department is in the process of collecting job descriptions, responsibilities and reporting lines from key functional departments for the preparation and/or update of relevant documents which are yet to be finalised.

6. Staff code of conduct

The Company has established a staff code of conduct which, together with the staff handbook, will be distributed to the staff of the Company. The notice in relation to the documents was posted in the internal publishing system.

7. Risk assessment

The Company has established a risk management department which issued a draft document regarding its roles and responsibilities. The draft document will be further discussed and refined before it is finalised and approved by the Board.

The Company is committed to maintaining a high standard of corporate governance and to continually strengthening its internal controls systems in the interests of shareholders of the Company. To monitor the effectiveness of the internal controls systems, in addition to the internal audit function of the Group, the Board will continue to appoint an independent professional firm to conduct internal control reviews of selected areas of the Group and will report to the Shareholders on the progress of its improvement of its internal control in its next annual report.

DEALING IN SHARES BY SUBSTANTIAL SHAREHOLDERS

Rule 9.09 of the Listing Rules provides that there must be no dealings in the securities for which listing is sought by any connected person of the new applicant from four clear business days before the expected hearing date until listing is granted. Further, the directors of a new applicant shall forthwith notify the Stock Exchange of any such dealing or suspected dealing of which they become aware of. If any of the directors or their associates are found to have engaged in such dealings, the application may be rejected.

The Company has applied to the Stock Exchange for a waiver from the strict application of Rule 9.09 of the Listing Rules in relation to its Potential New Substantial Shareholders (as defined below) and their respective associates for the following reasons:

- as the Shares are currently listed on the Main Board of the Stock Exchange, the Company has no control over the investment decisions of its Shareholders and their respective associates (other than the Directors, directors of the Company's subsidiaries, and their respective associates) and the investing public in Hong Kong;

- as at the Latest Practicable Date, Mr. Li Song Xiao (who was an executive Director and the chairman of the Company) is interested in 192,174,495 Shares, representing approximately 7.3% of the issued share capital of the Company. He ceased to be a controlling shareholder of the Company after his disposal of his interest in 500,000,000 Shares to SIH which was completed in June 2010. None of Mr. Li and his associates is a connected person of the Company. Since Mr. Li's resignation as a director and the chairman of the Company in August 2009, Mr. Li has ceased to be involved in the day to day management and operation of the Group, and had no control over the board of the Company. Further, after SIH became a controlling shareholder of the Company in June 2010, Mr. Li and his associates have completely ceased to be involved in the management and operation of the Group. The Company has no control over the investment decisions of Mr. Li and his associates;

- at the Latest Practicable Date, over 50% of the issued share capital of the Company is held by the public (within the meaning as defined under Rule 8.24 of the Listing Rules);

- the Company understands that there is currently one substantial shareholder, being Novel Good Limited, a company wholly owned by SIH. Further, there may be investors or Shareholders currently holding less than 10% of the Company's issued share capital ("Potential New Substantial Shareholders") who, as a result of Shares purchases on the Stock Exchange, may also become substantial shareholders of the Company and therefore connected persons, during the period between the fourth clear business days before the expected hearing date and the date when listing is granted; and

- whilst the Company has implemented procedures to ensure that all directors and the chief executive of the Company and its subsidiaries, SIH and their respective associates do not deal in securities of the Company (other than the subscription of the Consideration Shares by SIH pursuant to the Transactions) starting from four clear business days before the expected hearing date of the new listing application of the Company until the date when listing is granted, the Company cannot prevent a Potential New Substantial Shareholder from emerging and dealing in the Shares prior to the grant of the listing.

The Stock Exchange has granted a waiver from the strict application of Rule 9.09 of the Listing Rules to the Company in relation to Potential New Substantial Shareholders and their respective associates on the following conditions:

- the Potential New Substantial Shareholders and their respective associates have not been and will not be involved in the new listing of the Company and, except for Mr. Li Song Xiao and his associates, the Potential New Substantial Shareholders and their respective associates have not been and will not be involved in the management and operation of the Company;

- the Company and its management do not have control over investment decisions of the Potential New Substantial Shareholders and their respective associates or the public investors;

- the Company undertakes that it will release price sensitive information to the public as required by relevant laws, rules and regulations so that anyone who may deal in the Shares will not be in possession of any price sensitive information which has not been released to the public;

- the directors and senior management of the Company and their respective associates, substantial shareholders, or other existing connected persons will not deal in the Shares (other than the subscription of the Consideration Shares by SIH pursuant to the Transactions) during the period from four clear business days before the expected hearing date of the new listing application of the Company until listing is granted; and

- the Company shall notify the Stock Exchange if there is any dealing or suspected dealing in the Shares by any connected persons of the Company.

You should read the following discussion in conjunction with the combined financial statements of the Target Group included in the accountants' report and the notes thereto included in Appendix I to this circular and the selected historical financial information and operating data included elsewhere in this circular. The combined financial statements have been prepared in accordance with HKFRS.

The historical results of the Target Group do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. The actual results of the Enlarged Group and/or the Target Group may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors" in this circular.

The financial information extracted from the combined financial statements of the Target Group as of and for the years ended 31 December 2008, 2009 and 2010 and for the four months ended 30 April 2011 included in this circular is audited. Financial information of the Target Group for the four months ended 30 April 2010 is unaudited and financial information of the Target Group as of or for any period subsequent to 30 April 2011 included in this circular is derived from management accounts and is therefore unaudited.

OVERVIEW

The Target Group is primarily engaged in the business of property development in the PRC through its PRC operating subsidiaries. The Target Company indirectly holds 59% in Shanghai Urban Development, which was established in 1996 as a state-owned enterprise. In July 2007 it was converted to a Sino-foreign equity joint venture company following the acquisition by SIH of a 40% equity interest in it. In December 2007, SIH acquired a further 19% equity interest in Shanghai Urban Development. Shanghai Urban Development is currently owned as to 59% indirectly by the Target Company and 41% by Xuhui SAAC.

The Target Group owns ten property development projects mainly in four regions in the PRC, namely Shanghai, Jiangsu, Hunan and Chongqing, with an aggregate GFA of approximately 3,393,070 sq.m. In addition, the Target Group, through a 35% owned associated company, has an interest in one property development project in Shanghai, with an aggregate GFA of 405,000 sq.m. Based on the 2011 interim results announcement of SIH dated 15 September 2011, sales realised by Shanghai Urban Development and its subsidiaries in the first half of 2011 amounted to HK$1,041 million and the sales area realised during the same period was 52,702 sq.m. A pre-sale amount of HK$680 million was recorded during the first half of 2011 from the sale of a total GFA of 38,238 sq.m. In addition, the Target Group also recorded a total rental income of approximately HK$83.78 million in the first half of 2011 from its investment properties of approximately 77,056 sq.m., which mainly comprise Urban Development International Tower, Huimin Commercial Tower and other retail properties. On 25 March 2011, the Target Group entered into a sale and purchase agreement for the disposal of its entire interest in SUD Hefei, the developer of Rose Town City Villa. The disposal was completed in April 2011 and following which the Target Group ceased to have any interest in SUD Hefei. Please refer to the paragraph headed "Subsidiaries disposed of or deregistered since 1 January 2008" in the section headed "History and Background of the Target Group" in this circular for further information on the disposal.

FACTORS AFFECTING THE RESULTS OF OPERATIONS OF THE TARGET GROUP

The business, financial position and results of operations of the Target Group are significantly affected by a number of factors, many of which may not be within the control of the Target Group. A discussion of these factors is set out below.

Economic growth, urbanisation and demand for real estate properties in China

Economic growth, urbanisation and improving standards of living have been the main forces driving the increasing market demand for residential properties in China. At the current stage of China's economic development, while the property industry in China is regarded by the PRC government as one of China's key industries, it is significantly dependent on China's overall economic growth, including the increase in the purchasing power of Chinese consumers and the resulting demand for residential properties in China. Because the Target Group primarily focuses on property development projects in Tier I and Tier II cities, private sector developments and urbanisation in China, particularly in these and other future target cities, are especially important to the operations of the Target Group. These factors are expected to continue to have a significant impact on the number of potential property buyers and the pricing and profitability of residential properties, which directly affect the results of operations of the Target Group. If there is a downturn in the PRC economy or in any of the property markets in which of the Target Group has operations, its financial condition and results of operations may be adversely affected.

The PRC property market has experienced significant volatility in recent years as a result of market conditions and fluctuations in property sales volumes and prices, especially as a result of the recent deterioration in PRC's economic growth, the PRC credit environment and the global economic and financial crisis, which has reduced demand for the properties that the Target Group sells. These factors have also resulted in banks and other financial institutions becoming less willing to make credit available to property purchasers and companies in the property development industry. In particular, during economic downturns or market slowdown's as has been the case for the PRC property market recently, potential purchasers or purchasers of properties tend to become more prudent and act more cautiously out of concern for further declines of property prices and may even terminate or defer their decisions to purchase property. Customers who have already entered into pre-sale contracts with the Target Group during periods of better economic or market conditions may also wish to cancel their pre-sale contracts and adopt a wait-and-see approach in anticipation of a better bargain. In the three months ended 30 September 2011, the Target Group received 47 cancellations of sale or pre-sale from customers and had to return an amount of RMB860,000 to customers. While customers are not required to provide a reason for their cancellation, the Target Group believes that certain of those cancellations could have been due to the recent deterioration in the global and PRC economic and market conditions. In addition, the Target Group faces intense competition from other real estate developers. Please refer to the risk factor headed "The Enlarged Group faces intense competition from other real estate developers". Correctly determining the appropriate price in response to the change in market conditions is vital to the success of the Target Group's business. Competitors of the Target Group may reduce the prices of their properties as a result of the prevailing economic or market conditions, which could result in increased pricing pressure on the Target Group and further restrict the Target Group's ability to sell properties. Please also refer to the risk factor headed "The recent deterioration of the PRC's economic growth and the global financial crisis may affect the Enlarged Group's business. It could limit the Enlarged Group's ability to continue to finance its working capital and to meet its liquidity requirements and materially and adversely affect its financial position and results of operations".

Regulatory measures for the property sector in China

PRC government policies and measures regarding property development and related industries have a direct impact on the Target Group's business and results of operations. From time to time, the PRC government adjusts its taxation policies and its macro-economic policies to promote or slow down the development of the property sector. Since 2004, the PRC government has taken various steps to control land acquisition, planning, design, construction and pre-sale of properties, money supply, credit availability, mortgage, taxation and fixed asset investment with a view to preventing China's economy from overheating and to achieving balanced and sustainable economic growth. Nonetheless, between 2008 and 2009, the PRC government implemented a series of economic and other measures designed to combat the adverse impact of the global financial crisis and stimulate the growth of the property market. Since the fourth quarter of 2009, in response to concerns about the overheating of the property market, the PRC government has adopted, and may continue to adopt, a series of measures to, among other things, slow the escalation of property prices and curb speculation in the property market. PRC regulatory measures affecting the property sector will continue to impact on the business and results of operations of the Target Group. For details of such government regulations, please refer to the risk factors headed "The Enlarged Group's business is subject to extensive governmental regulation" and "PRC government policies, regulations and measures intended to discourage property speculation may affect the business of the Enlarged Group. Furthermore, the PRC government may in the future adopt other measures to slow down the rate of growth in the property development sector" in the section headed "Risk Factors" of this circular.

Pre-sale

Pre-sale represents a critical source of the Target Group's operating cash inflows during its project development process. PRC law allows the Target Group to pre-sell properties before completion upon satisfaction of certain conditions and requires the Target Group to use the pre-sales proceeds to develop the properties that have been pre-sold. See the paragraph headed "Sales and marketing – Pre-sale" in the section headed "Business of the Target Group" in this circular for further details. The amount and timing of cash inflows from pre-sale are affected by a number of factors, including satisfaction of government regulations and other conditions relating to the construction and pre-sale schedules of the Target Group's relevant projects, as well as the market demand for the Target Group's properties available for pre-sale. The amount of cash inflows generated from pre-sale of properties affects the Target Group's need for external financing and its financing expenses, which could in turn impact the Target Group's ability to finance its continuing property developments as well as its financial condition and results of operations.

Timing of property development

The number of property projects that the Target Group undertakes during any particular period is limited due to the substantial capital requirements for land acquisitions and construction. In addition, significant time is required for the development of property projects and it may take months or probably years before the completion and delivery of a property project. No revenue is recognised with respect to a property project until it has been completed and delivered to the customers. In addition, as market demand is not stable, revenue in a particular period may also depend on the Target Group's ability to gauge the expected market demand at the expected launch time for completion and delivery of a particular project, while delays in construction, regulatory approval processes and other factors can adversely affect the timetable of the Target Group's projects. As a result, the Target Group's results of operations have fluctuated in the past and are likely to continue to fluctuate in the future. Please also refer to "Risk Factors – Risks relating to property development in the PRC – The Enlarged Group may face delay in completing its property development projects".

Abilities to acquire suitable land

The continuing growth of the Target Group will depend on its ability to acquire quality land at reasonable prices. As the PRC economy continues to grow at a relatively high speed and demand for residential properties remains strong, the Target Group's management expects that competition among developers for land reserves will remain intense. In addition, the statutory means of public tender, auction and listing-for-sale for the grant of state-owned land use rights is also likely to increase competition for land development and increase land acquisition costs. Please also refer to "Risk Factors – Risks relating to property development in the PRC – The Enlarged Group may not always be able to obtain sites that are suitable for property development".

Product mix

The Target Group derives its revenue mainly from sale of properties. Over the years, it has developed and introduced various products to the market, targeting a broad customer base. Its results of operations and cash flows generated from operating activities vary from period to period depending on the product mix and the average selling prices of different types of products. In addition, the Target Group's results of operations and cash flows generated from operating activities may also vary depending on the market demand at the time it sells or pre-sells its properties. The revenue the Target Group receives from its property development depends on the local market prices which in turn depend on the supply and demand of the local market, as well as the type of properties being developed.

Investment properties

Properties which are held for long-term rental income and/or for capital appreciation, and are not occupied by the Target Group, are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are classified as property and equipment and stated at cost until construction or development is complete, at which time they are reclassified and subsequently accounted for as investment properties. Investment properties are measured initially at their cost. After initial recognition, investment properties are carried at fair value. Fair value is based on the current prices in an active market for the properties with similar leases and other contracts, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, the Target Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at each balance sheet date by independent valuers. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Access to capital and cost of financing

Borrowings from banks, related parties and third parties are an important source of funding for the Target Group's property developments. As of 31 December 2008, 2009 and 2010 and 30 April 2011, the Target Group's total bank and other loans and payables due to entities controlled by Xuhui SAAC were RMB3,949.1 million, RMB4,790.9 million, RMB6,943.4 million and RMB7,450.1 million, respectively. The interest rates of a substantial portion of the Target Group's borrowings are linked to benchmark lending rates published by the PBOC. The PBOC from time to time adjusts the benchmark lending rates. Any change in the interest rate on the Target Group's bank borrowings, including as a result of an interest rate adjustment by the PBOC, will affect the Target Group's interest payments and finance costs and therefore affect its cash flow, financial condition and results of operations. In addition, the Target Group's access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government on bank lending for property development.

ACCOUNTING TREATMENT OF THE TRANSACTIONS

The acquisition of the Target Group is considered as a business combination under common control because the Company and the Target Company are ultimately controlled by SIH both before and after Completion of the Transactions. Accordingly, the acquisition of the Sale Share will be accounted for using the principles of merger accounting.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The discussion and analysis of the financial position and results of operations of the Target Group are based on the combined financial statements prepared in accordance with the significant accounting policies set out in the accountants' report on the Target Group included in Appendix I to this circular. Preparation of the Target Group's individual and combined financial information requires its management to make estimates and judgments in applying certain accounting policies which may have a significant impact on the combined results. The management bases its estimates on historical experience and other assumptions which the management believes to be reasonable under the circumstances. Results may differ from these estimates under different assumptions and conditions. The following are regarded as significant accounting policies which may require estimates and assumptions from the Target Group's management.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Target Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Target Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Target Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the combined statement of financial position as “customer deposits from sale of properties” under “current liabilities”.

Rental income, including rental invoiced in advance from letting of properties under operating leases, is recognised on a straight line basis over the period of the relevant leases.

Interest income is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

Dividend income from investments is recognised when the shareholders’ rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Target Group and the amount of revenue can be measured reliably).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the asset is derecognised.

LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditure including costs of land use rights, borrowing costs and all property development expenditures.

The Target Group is subject to LAT in the PRC which has been included in income tax of the Target Group. However, the Target Group has not finalised its land appreciation tax returns with the tax authorities for certain of its property development projects. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Target Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

EIT

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the combined statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years/periods and it further excludes items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The Target Group's items of property, plant and equipment are depreciated on a straight line basis, at the following rates per annum:

Buildings	Over the shorter of 5%, or over the period of the lease term
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	10% – 20%
Plant and machinery	5% – 20%
Leasehold improvements	20%

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Target Group as lessee

Operating lease payments are recognised as an expenses on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Target Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Target Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the combined statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Impairment losses on tangible assets

At the end of the reporting period, the Target Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Properties held for sale and properties under development held for sale are stated at the lower of cost and net realisable value on an individual basis. Cost comprises the acquisition costs and other direct costs attributable to such properties.

The Target Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earn rentals and/or for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Allowance for properties under development and properties held for sale

The management of the Target Group regularly reviews the recoverability of the Target Group's properties under development and properties held for sale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Appropriate allowance for properties under development and properties held for sale is made if the estimated recoverable amount is lower than its carrying amount. During the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, the Target Group provided for inventory impairment allowance of a reversal of RMB32.9 million, a reversal of RMB3.4 million, RMB26.8 million and a reversal of RMB1.8 million, respectively as the management estimated that the cost of sales of properties are higher than the probable recoverable selling price. As at 31 December 2008, 2009 and 2010 and 30 April 2011, the aggregate carrying amount of properties under development and properties held for sale for the Target Group was RMB11,018.8 million, RMB13,208.9 million, RMB12,819.8 million and RMB14,931.2 million, respectively.

Estimated impairment of trade and other receivables

The Target Group estimates impairment losses for trade and other receivables resulting from the inability of the debtors to make the required payments. The Target Group bases the estimates on the aging of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

When there is objective evidence of impairment loss, the Target Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, 2009 and 2010 and 30 April 2011, the aggregate carrying amount of the Target Group's trade and other receivables were approximately RMB1,982.7 million, RMB1,632.7 million, RMB1,772.7 million and RMB1,092.7 million, respectively.

DESCRIPTION OF SELECTED COMPONENTS OF COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Revenue of the Target Group is primarily from the sale and leasing of properties. As revenue from the sale of properties constitutes a substantial portion of the Target Group's revenue, its results of operations for a given period are dependent upon the type and GFA of properties the Target Group has completed and delivered during that period, the market demand for those properties and the prices of the pre-sold or sold properties. Conditions in the property markets in which the Target Group operates change from period to period and are affected significantly by the general economic, political and regulatory developments in the PRC. For the years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, the Target Group recognised revenue from the sale of properties in the amount of RMB2,181.7 million, RMB1,676.1 million, RMB3,555.0 million and RMB720.5 million, respectively. The rental income during the three years ended 31 December 2010, and the four months ended 30 April 2010 and 2011, remained stable, as the composition of the Target Group's properties leased during this period remained largely unchanged.

The following is an analysis of the Target Group's revenue from its major business services:

	For the year ended 31 December						For the four months ended 30 April			
	2008		2009		2010		2010		2011	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Sale of properties	2,181,710	92.4	1,676,116	90.7	3,555,018	95.4	2,217,012	97.7	720,507	92.7
Rental income	178,942	7.6	171,930	9.3	171,178	4.6	52,959	2.3	56,340	7.3
	2,360,652	100.0	1,848,046	100.0	3,726,196	100.0	2,269,971	100.0	776,847	100.0

Cost of sales

Cost of sales comprises the costs the Target Group incurs directly in relation to its property development activities as well as its leasing operation. Cost of sales includes construction related costs, costs relating to the acquisition of land use rights, capitalised interest on relevant borrowings during the period of construction and other business costs as follows:

- *Construction costs*. These consist primarily of fees paid for the design and construction of a property project.

- *Land use rights costs*. These represent costs relating to acquisition of the rights to occupy, use and develop land, including land premium, demolition and resettlement costs.

- *Capitalised interest*. The Target Group capitalises a portion of its borrowing costs to the extent that such costs are directly attributable to the construction of a particular project. In general, the Target Group capitalises finance costs incurred from the commencement of the planning and design of a project until the physical completion of construction. Costs that are not directly attributable to the construction of a particular project are recorded as finance costs in the combined statement of comprehensive income and therefore fluctuations in the amount and timing of capitalisation of borrowing costs from period to period will affect the Target Group's finance costs.

- *Other business costs*. The Target Group incurs other business costs primarily in relation to its leasing operation.

Net investment income

Net investment income primarily includes interest earned on bank deposits, dividend income from investments, change in fair value of financial assets classified as held-for-trading, and other interest income generated primarily from an advance in the amount of RMB1,000 million to Well Development Investment Limited. Well Development Investment Limited is a limited liability company incorporated in the BVI. On 1 April 2008, Shanghai Urban Development entered into a sale and purchase agreement with Well Development Investment Limited, an independent third party of the Target Group, for the acquisition of 100% equity interest in each of 中佳(徐州)房地產開發有限公司 (Zhongjia (Xuzhou) Real Estate Development Co., Ltd.), 佳展新業(徐州)房地產開發有限公司 (Jiazhan Xinye (Xuzhou) Real Estate Development Co., Ltd.), 佳展(徐州)房地產開發有限公司 (Jiazhan (Xuzhou) Real Estate Development Co., Ltd.) and 中住佳展地產(徐州)有限公司 (Zhongzhu Jiazhan Real Estate (Xuzhou) Co., Ltd.) (collectively, "Xuzhou project companies") for a total consideration of RMB1,000 million. Xuzhou project companies collectively own a piece of land in Xuzhou for the development of a project called 徐州中新森林海 (Xuzhou Zhongxin Forest Sea), in respect of which Shanghai Urban Development was interested in developing. Since Well Development Investment Limited was unable to satisfy all its obligations under the sale and purchase agreement, Shanghai Urban Development and Well Development Investment Limited subsequently entered into four supplemental agreements to extend the deadlines for Well Development Investment Limited to perform all its obligations. On 1 January 2010, Shanghai Urban Development and Well Development Investment Limited agreed to terminate the original sale and purchase agreement and all the subsequent supplemental agreements. The total RMB1,000 million was repaid by Well Development Investment Limited to Shanghai Urban Development in stages and the last payment was made on 28 February 2011. As at 31 December 2008, 2009 and 2010, the balance due from Well Development Investment Limited was RMB1,061.8 million, RMB1,146.0 million and RMB370.0 million, respectively. The amount was secured by the equity interests of Well Development Investment Limited held in Xuzhou Project companies and interest-bearing at a fixed rate of 16%, 16% and 8% per annum for the years ended 31 December 2008, 2009 and 2010, respectively. The PRC legal advisers of the Company are of the opinion that such advances and the interest charged by Shanghai Urban Development did not violate any applicable laws and regulations in the PRC.

The following table sets forth a breakdown of the Target Group's investment income for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank deposits	10,403	8,474	17,237	7,426	7,333
Other interest income	102,637	153,692	49,116	5,869	3,983
Total interest income	113,040	162,166	66,353	13,295	11,316
Dividend income from investments	–	6,185	–	–	–
Change in fair value of financial assets classified as held-for-trading	(6,904)	4,715	(433)	(5,944)	(295)
	106,136	173,066	65,920	7,351	11,021

Other income

Other income primarily includes (i) change in fair value of the Target Group's investment properties, including Urban Development International Tower, Huimin Commercial Tower, Asia-pacific Enterprise Tower and other retail properties and (ii) rental income from property, plant and equipment, including rental of rail tracks by Shanghai Huanyu and rental of warehouse by Shanghai Shilong. During the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, the Target Group recorded an increase in fair value of investment properties of RMB2.5 million, RMB200.3 million, nil and nil, respectively. In 2009, the increase in fair value of RMB200.3 million was primarily due to the revaluation of Urban Development International Tower. In the four months ended 30 April 2011, the Target Group recorded a land levelling income of RMB36.8 million in relation to the primary development work carried out at Ivy Aroma Town.

The following table sets forth a breakdown of the Target Group's other income for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Increase in fair value of investment properties	2,450	200,266	–	–	–
Rental income from property, plant and equipment	15,955	12,702	16,532	3,475	3,779
Guarantee fee income	7,144	–	–	–	–
Land levelling income	–	–	–	–	36,813
Others	15,274	4,856	19,227	6,450	3,917
	40,823	217,824	35,759	9,925	44,509

Increase in fair value of properties under development upon transfer to investment properties

A property is transferred from inventories to investment property when the Target Group changes its intention to hold the property to earn rentals and/or for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

In 2008, an increase in fair value of RMB460.0 million arose as a result of the re-categorisation of certain properties under development to investment properties upon commencement of the lease of such properties. Any increase in the fair value of investment properties upon transfer to investment properties is included in the combined profit or loss of the Target Group in the period in which it arises. However, any increase which reflects unrealised capital gains in the value of the investment properties and do not generate any cash inflow to the Target Group. The fair value of the Target Group's investment properties is based on the valuation of such properties conducted by DTZ, an independent property valuer, using property valuation techniques involving certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would be expected to result in changes in the fair value of the Target Group's investment properties and corresponding adjustments to the amount of increases reported in the Target Group's income statement. For the years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, the Target Group recorded an increase in fair value of properties under development upon transfer to investment properties of RMB460.0 million, nil, nil and nil, respectively. The increase in the fair value in 2008 was in relation to Huimin Commercial Tower and Asia-pacific Enterprise Tower.

Distribution and selling costs

Distribution and selling costs mainly include service fees paid to property sales agents, advertisement expenses relating to the sale of properties, exhibition expenses, sales and marketing staff costs, rental fees for offices and other expenses relating to sales and marketing.

Administrative expenses

Administrative expenses mainly include salaries paid to management and administrative staff, general office expenses, rental expenses paid for office, bank charges for arranging loan financing, entertainment and travel expenses, donation and other expenses.

Finance costs

Finance costs primarily include interest expenses on borrowings from banks and other financial institutions and shareholders (other than capitalised interest, which is included in the cost of properties under development). The following table sets forth a breakdown of the Target Group's finance costs for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank and other borrowings:					
– wholly repayable within five years	153,091	171,253	212,833	64,290	125,262
– wholly repayable over five years	28,134	46,625	55,222	6,423	12,415
	181,225	217,878	268,055	70,713	137,677
Less: amounts capitalised in properties under development held for sale	(134,394)	(150,105)	(146,200)	(37,934)	(55,183)
	46,831	67,773	121,855	32,779	82,494

Over the three years ended 31 December 2010, the Target Group's finance costs increased slower relatively to the increase in the balances of the bank and other loans during the period as the interest rates applicable to the majority of such loans are lower in 2010 compared to 2008 and 2009.

Share of results of associates

Share of results of associates during the three years ended 31 December 2010 and the four months ended 30 April 2011 represents the Target Group's share of results attributable to its interests in the following associates: 上海城開派特貴金屬有限公司 (Shanghai Urban Development Pai Te Metals Precious Metals Co., Ltd.), 上海城開房地產經紀有限公司 (Shanghai Urban Development Real Estate Agency Co., Ltd.), 上海深城環保設備工程有限公司 (Shanghai Shen Cheng Environmental Furniture Protection Equipment Engineering Co., Ltd.) and 上海城大水處理科技有限公司 (Shanghai Cheng Da Water Treatment Technology Co., Ltd.). The Target Group's interests in Shanghai Shen Cheng Environmental Furniture Protection Equipment Engineering Co., Ltd. and Shanghai Urban Development Pai Te Metals Precious Metals Co., Ltd. were disposed of in May 2010 and March 2011, respectively. Please refer to the paragraph headed "Gain on disposal of interests in associates" below.

Gain (loss) on disposal of interests in subsidiaries

Gain (loss) on disposal of interests in subsidiaries during the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011 represents gain (loss) realised on the disposal of the Target Group's interests in two subsidiaries during such periods. In 2010, the Target Group disposed of 50% equity interest in Shanghai Cheng Da, a subsidiary owned by Shanghai Urban Development as to 75% immediately before the disposal, to an independent third party. On 25 March 2011, the Target Group entered into a sale and purchase agreement for the disposal of its entire interest in SUD Hefei, the developer of Rose Town City Villa, and the assignment of a shareholder's loan of RMB239 million to an independent third party for an aggregate consideration of RMB500 million. The disposal was completed in April 2011, following which the Target Group ceased to have any interest in SUD Hefei.

Gain on disposal of interests in associates

Gain on disposal of interests in associates during the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011 represents gain realised on the disposal of the Target Group's interests in associates during such periods. In 2010, the Target Group disposed of its 35% interest in 上海深城環保設備工程有限公司 (Shanghai Shen Cheng Environmental Furniture Protection Equipment Engineering Co., Ltd.) and in 2011, the Target Group disposed of its 45.9% in 上海城開派特貴金屬有限公司 (Shanghai Urban Development Pai Te Precious Metals Co., Ltd.).

Income tax expenses

Income tax expenses represent current and deferred PRC corporate income tax and LAT payments made and provisions payable by the Target Group in the PRC. Under the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less certain deductible items including cost of land use rights, borrowing costs and property development expenditures.

RESULTS OF OPERATIONS

The following table sets forth the combined statement of comprehensive income data, expressed in absolute figures and as a percentage of revenue, for the periods indicated derived from the combined statements of comprehensive income of the Target Group set out in the accountants' report included in Appendix I to this circular.

	For the year ended 31 December						For the four months ended 30 April			
	2008		2009		2010		2010		2011	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Revenue	2,360,652	100.0	1,848,046	100.0	3,726,196	100.0	2,269,971	100.0	776,847	100.0
Cost of sales	(1,775,992)	(75.2)	(993,801)	(53.8)	(2,562,323)	(68.8)	(1,350,268)	(59.5)	(339,352)	(43.7)
Gross profit	584,660	24.8	854,245	46.2	1,163,873	31.2	919,703	40.5	437,495	56.3
Net investment income	106,136	4.5	173,066	9.4	65,920	1.8	7,351	0.3	11,021	1.4
Other income	40,823	1.7	217,824	11.8	35,759	0.9	9,925	0.4	44,509	5.8
Increase in fair value of properties under development upon transfer to investment properties	460,000	19.5	–	0.0	–	0.0	–	0.0	–	0.0
Distribution and selling costs	(81,476)	(3.4)	(117,775)	(6.4)	(135,806)	(3.6)	(79,896)	(3.5)	(26,921)	(3.5)
Administrative expenses	(193,396)	(8.2)	(178,007)	(9.6)	(226,811)	(6.1)	(54,778)	(2.4)	(66,770)	(8.6)
Finance costs	(46,831)	(2.0)	(67,773)	(3.7)	(121,855)	(3.3)	(32,779)	(1.4)	(82,494)	(10.6)
Share of results of associates	9,563	0.4	2,123	0.1	2,883	0.1	103	0.0	119	0.0
Gain (loss) on disposal of interests in subsidiaries	–	0.0	–	0.0	16	0.0	16	0.0	(32,366)	(4.2)
Gain on disposal of interests in associates	–	0.0	–	0.0	171	0.0	36	0.0	1,555	0.2
Profit before taxation	879,479	37.3	883,703	47.8	784,150	21.0	769,681	33.9	286,148	36.8
Income tax expense	(174,313)	(7.4)	(428,989)	(23.2)	(385,155)	(10.3)	(371,015)	(16.3)	(121,034)	(15.6)
Profit and total comprehensive income for the year/period	705,166	29.9	454,714	24.6	398,995	10.7	398,666	17.6	165,114	21.2

	For the year ended 31 December						For the four months ended 30 April			
	2008		2009		2010		2010		2011	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Profit and total comprehensive income for the year/period attributable to										
– Owners of the Target Company	406,563	17.2	248,383	13.4	202,108	5.4	205,315	9.0	82,910	10.7
– Non-controlling interests	298,603	12.7	206,331	11.2	196,887	5.3	193,351	8.6	82,204	10.5
	705,166	29.9	454,714	24.6	398,995	10.7	398,666	17.6	165,114	21.2
Dividend	–	–	–	–	–	–	–	–	670,000	–

Four months ended 30 April 2011 compared to the corresponding period in 2010

Revenue

The revenue of the Target Group decreased by 65.8% from RMB2,270.0 million in the first four months in 2010 to RMB776.8 million for the corresponding period in 2011.

- *Sale of properties*. Revenue generated from the sale of properties decreased by 67.5% to RMB720.5 million for the four months ended 30 April 2011 from RMB2,217.0 million for the corresponding period in 2010, primarily due to a decrease in total GFA sold in the first four months in 2011. The decrease in the GFA sold was primarily attributable to a decrease of total saleable GFA as (i) only a small portion of properties of Urban Cradle, Toscana and Royal Villa were offered for sale during the period and (ii) SUD Hefei, the Rose Town City Villa project, was sold in April 2011. The revenue of the Target Group recorded during the four months ended 30 April 2010 was primarily attributable to the sale and delivery of Phase D of Urban Cradle, which accounted for over 90% of the sale of Phase D of Urban Cradle for the whole year in 2010. For the period from May to December in 2010, the revenue of the Target Group was primarily attributable to properties sold and delivered for Royal Villa, Rose Town City Villa and Ivy Aroma Town, in addition to several properties sold and delivered for Lot D of Urban Cradle. Generally, properties at Phase D of Urban Cradle commanded a higher average profit margin than the properties sold at Royal Villa, Rose Town City Villa and Ivy Aroma Town sold during 2010. As a result of the above reasons, revenue for the four months ended 30 April 2010 accounted for a significant amount of the revenue for the entire year of 2010.

- *Rental income*. Rental income increased slightly by 6.4% to RMB56.3 million in the first four months of 2011 compared to RMB53.0 million for the corresponding period in 2010. The portfolio of the investment properties rented during the first four months of 2011 and the corresponding period in 2010 was similar, primarily comprising Urban Development International Tower, Huimin Commercial Tower and other office and retail properties.

Cost of sales

The cost of sales of the Target Group decreased by 74.9% from RMB1,350.3 million in the first four months in 2010 to RMB339.4 million for the corresponding period in 2011, primarily reflecting the decrease in sales over these same periods.

Gross profit and gross profit margin

Gross profit decreased by 52.4% from RMB919.7 million in the first four months in 2010 to RMB437.5 million for the corresponding period in 2011, primarily reflecting the decrease in sales. Gross profit margin increased from 40.5% in the first four months in 2010 to 56.3% for the corresponding period in 2011, primarily due to higher selling prices and hence higher margins achieved for the properties sold at Urban Cradle during the four months ended 30 April 2011.

Net investment income

Net investment income increased by 49.9% from RMB7.4 million in the first four months in 2010 to RMB11.0 million for the corresponding period in 2011, primarily due to a decrease in loss from change in fair value of financial assets classified as held-for-trading, which primarily consisted of shares in listed companies.

Other income

Other income increased by 348.5% from RMB9.9 million in the first four months in 2010 to RMB44.5 million for the corresponding period in 2011. In the first four months in 2011, the Target Group recorded a land levelling income of RMB36.8 million in relation to the primary development work carried out at Ivy Aroma Town. The Target Group recorded no such income for the corresponding period in 2010.

Increase in fair value of properties under development upon transfer to investment properties

The Target Group did not transfer any properties under development to investment properties during the first four months of 2010 and 2011 and did not recognise any change in fair value as a result thereof.

Distribution and selling costs

Distribution and selling costs decreased by 66.3% from RMB79.9 million in the first four months in 2010 to RMB26.9 million for the corresponding period in 2011, which was primarily due to a decrease in fees paid to property sales agents and a decrease in advertisement expenses, both of which were results of decreases in properties sales over the same period.

Administrative expenses

Administrative expenses increased by 21.9% from RMB54.8 million in the first four months in 2010 to RMB66.8 million for the corresponding period in 2011, which was primarily due to bank charges paid in relation to new borrowings, and an increase in the amount of salaries paid to management and administrative staff and an increase in the bonus paid.

Finance costs

Finance costs increased by 151.7% from RMB32.8 million in the first four months in 2010 to RMB82.5 million for the corresponding period in 2011, which was primarily due to an increase in the amount of loans taken by the Target Group in the four months ended 30 April 2011.

Share of result of associates

Share of result of associates increased by 15.5% from RMB103,000 in the first four months in 2010 to RMB119,000 for the corresponding period in 2011.

Gain (loss) on disposal of interests in subsidiaries

Results on disposal of interests in subsidiaries changed from a gain of RMB16,000 in the first four months in 2010 to a loss of RMB32.4 million for the corresponding period in 2011. In April 2011, the Target Group disposed of its 100% equity interest in SUD Hefei, a wholly-owned subsidiary of Shanghai Urban Development, to an independent third party at an aggregate consideration of RMB261 million and recorded a loss of RMB32.4 million. In 2010, the Target Group disposed of 50% equity interest in 上海城大水處理科技有限公司 (Shanghai Cheng Da Water Treatment Technology Co., Ltd.), a subsidiary owned by the Target Group as to 75% immediately before the disposal, to an independent third party for a consideration of RMB0.5 million and recorded a gain of RMB16,000.

Gain on disposal of interests in associates

Gain on disposal of interests in associates increased from RMB36,000 in the first four months in 2010 to RMB1.6 million for the corresponding period in 2011. In the four months ended 30 April 2011, the Target Group disposed of its 49.5% interest in 上海城開派特貴金屬有限公司 (Shanghai Urban Development Pai Te Metals Precious Metals Co., Ltd.) and recorded a gain of RMB1.6 million.

Income tax expenses

Income tax expenses decreased by 67.4% from RMB371.0 million in the first four months in 2010 to RMB121.0 million for the corresponding period in 2011 primarily due to the decrease of profit before tax during the period.

Profit and total comprehensive income for the period

As a result of the above factors, profit for the period decreased by 58.6% from RMB398.7 million in the first four months in 2010 to RMB165.1 million for the corresponding period in 2011. The Target Group's net profit margin increased from 17.6% to 21.3% for the corresponding period in 2010 and 2011, primarily reflecting better gross profit margin achieved in the four months ended 30 April 2011.

Financial year ended 31 December 2010 compared to financial year ended 31 December 2009

Revenue

The revenue of the Target Group increased by 101.6% from RMB1,848.0 million in 2009 to RMB3,726.2 million in 2010.

- *Sale of properties*. Revenue generated from the sale of properties increased by 112.1% to RMB3,555.0 million in 2010 from RMB1,676.1 million in 2009, primarily due to an increase in total GFA sold in 2010, which was partially offset by the decrease in average selling price per sq.m. during the period. The increase in the GFA sold was primarily attributable to the completion and delivery of Urban Cradle, Rose Town City Villa and Ivy Aroma Town. The higher average selling price per sq.m. in 2009 was primarily a result of more villas in the Urban Cradle project delivered in 2009 compared to 2010.

- *Rental income*. Rental income remained relatively stable at RMB171.2 million in 2010 compared to RMB171.9 million in 2009. Rental income for both years was generated primarily from the leasing of Urban Development International Tower, Huimin Commercial Tower and other office and retail properties.

Cost of sales

The Target Group's cost of sales increased by 157.8% from RMB993.8 million in 2009 to RMB2,562.3 million in 2010, primarily due to the increase in sales during the corresponding period.

Gross profit and gross profit margin

Gross profit increased by 36.2% from RMB854.2 million in 2009 to RMB1,163.9 million in 2010 primarily reflecting the increase in sales. Gross profit margin decreased from 46.2% in 2009 to 31.2% in 2010, primarily due to the change in product mix of the properties, with less villas in the Urban Cradle project delivered in 2010.

Net investment income

Net investment income decreased by 61.9% from RMB173.1 million in 2009 to RMB65.9 million in 2010, primarily due to the reduction in other interest income with a decrease in the advances to Well Development Investment Limited to RMB48.3 million in 2010 from RMB146.0 million in 2009. The decrease in advances to Well Development Investment Limited was a result of a decrease in the outstanding amount owed to the Target Group in 2010 as well as a decrease in the interest rate charged on the outstanding amount from 16% per annum in 2009 to 8% per annum in 2010.

Other income

Other income decreased by 83.6% from RMB217.8 million in 2009 to RMB35.8 million in 2010. In 2009, the Target Group recorded an increase from the change in the fair value of investment properties of RMB200.3 million resulting from the revaluation of Urban Development International Tower in 2009. The Target Group recorded no increase in the change of the fair value of investment properties in 2010.

Increase in fair value of properties under development upon transfer to investment properties

The Target Group did not transfer any properties under development to investment properties during the two years 2009 and 2010 and did not recognise any change in fair value as a result thereof.

Distribution and selling costs

Distribution and selling costs increased by 15.3% from RMB117.8 million in 2009 to RMB135.8 million in 2010, which was primarily due to an increase in service fees paid to property sales agents as a result of the increase in property sales over the same period, and an increase in exhibition expenses primarily in relation to the promotion of new phases in Urban Cradle and Ivy Aroma Town.

Administrative expenses

Administrative expenses increased by 27.4% from RMB178.0 million in 2009 to RMB226.8 million in 2010, which was primarily due to an increase in bank charges paid in relation to new borrowings, and an increase in the amount of salaries paid to management and administrative staff as a result of an increase in headcount as well as an increase in the bonus paid.

Finance costs

Finance costs increased by 79.8% from RMB67.8 million in 2009 to RMB121.9 million in 2010, which was primarily due to an increase in the amount of loans taken by the Target Group in 2010. The total amount of bank and other loans outstanding as at 31 December 2009 and 2010 was RMB4,240.5 million and RMB6,388.6 million, respectively.

Share of result of associates

Share of result of associates increased by 35.8% from RMB2.1 million in 2009 to RMB2.9 million in 2010.

Gain (loss) on disposal of interests in a subsidiary

The Target Group recorded a RMB16,000 gain upon its disposal in 2010 of 50% equity interest in 上海城大水處理科技有限公司 (Shanghai Cheng Da Water Treatment Technology Co., Ltd.), a subsidiary owned by the Target Group as to 75% immediately before the disposal, to an independent third party for a consideration of RMB0.5 million. The Target Group did not record any gain or loss on the disposal of interests in subsidiaries in 2009 as it did not carry out any such disposal.

Gain on disposal of interests in associates

The Target Group recorded a RMB0.2 million gain upon the disposal in 2010 of its 35% interest in Shanghai Shen Cheng Environmental Furniture Protection Equipment Engineering Co., Ltd. The Target Group did not record any gain or loss on disposal of interests in associates in 2009 as it did not carry out any such disposal.

Income tax expenses

Income tax expenses decreased by 10.2% from RMB429.0 million in 2009 to RMB385.2 million in 2010. While the amount of tax expenses in 2009 and 2010 remained relatively stable, the composition of income tax expenses varied. A larger part of the tax expenses in 2010 was related to the PRC LAT whereas in 2009 a larger part was related to EIT. Further, in 2010 there was an increase in utilisation of tax losses previously not recognised.

Profit and total comprehensive income for the year

As a result of the above factors, profit for the year decreased by 12.3% from RMB454.7 million in 2009 to RMB399.0 million in 2010. The Target Group's net profit margin decreased from 24.6% in 2009 to 10.7% in 2010, primarily reflecting a change in the product mix of the properties.

Financial year ended 31 December 2009 compared to financial year ended 31 December 2008

Revenue

The revenue of the Target Group decreased by 21.7% from RMB2,360.7 million in 2008 to RMB1,848.0 million in 2009.

- *Sale of properties*. Revenue generated from the sale of properties decreased by 23.2% to RMB1,676.1 million in 2009 from RMB2,181.7 million in 2008, primarily due to a decrease in total GFA sold in 2009, despite the average selling price per sq.m. increased during the period. The increase in average selling price per sq.m. in 2009 was primarily a result of the selling price of villas in the Urban Cradle project delivered, which had higher average selling prices per sq.m., whereas the properties delivered in 2008 were primarily non-villa type.

- *Rental income*. Rental income decreased slightly by 3.9% to RMB171.9 million in 2009 from RMB178.9 million in 2008. The portfolio of the investment properties rented during 2009 and 2008 was similar, primarily comprising Urban Development International Tower, Huimin Commercial Tower and other office and retail properties.

Cost of sales

The cost of sales of the Target Group decreased by 44.0% from RMB1,776.0 million in 2008 to RMB993.8 million in 2009, primarily due to the decrease in sales over the same periods.

Gross profit and gross profit margin

Gross profit increased by 46.1% from RMB584.7 million in 2008 to RMB854.2 million in 2009. Gross profit margin increased from 24.8% in 2008 to 46.2% in 2009, primarily reflecting the higher selling price of villas in Urban Cradle delivered in 2009.

Net investment income

Net investment income increased by 63.1% from RMB106.1 million in 2008 to RMB173.1 million in 2009, primarily due to an increase in other interest income, with an increase in the advances to Well Development Investment Limited to RMB146.0 million in 2009 from RMB95.6 million in 2008, as the advances were outstanding throughout the entire year in 2009 but part of the year in 2008. The interest rate on the amount outstanding remained at 16% per annum in 2008 and 2009.

Other income

Other income increased by 433.6% from RMB40.8 million in 2008 to RMB217.8 million in 2009 primarily due to an increase in fair value of investment properties of RMB200.3 million resulting from the revaluation of Urban Development International Tower in 2009.

Increase in fair value of properties under development upon transfer to investment properties

The Target Group recognised an increase of RMB460.0 million from the change in the fair value of properties under development upon transfer to investment properties in 2008 as the leases of offices in Urban Development International Tower commenced. The Target Group did not transfer any properties under development to investment properties in 2009 and did not recognise any change in fair value as a result thereof.

Distribution and selling costs

Distribution and selling costs increased by 44.6% from RMB81.5 million in 2008 to RMB117.8 million in 2009, which was primarily due to an increase in advertising expenses in relation to the promotion of Lot D of Urban Cradle and Rose Town City Villa.

Administrative expenses

Administrative expenses decreased by 8.0% from RMB193.4 million in 2008 to RMB178.0 million in 2009, which was primarily due to a decrease in office expenses following the end of the depreciation period in 2008 for the decoration expenses of the head office of Shanghai Urban Development, and partially offset by an increase in staff costs due to an increase in headcount and the introduction of bonus payment to the management and administrative staff starting in 2009.

Finance costs

Finance costs increased by 44.7% from RMB46.8 million in 2008 to RMB67.8 million in 2009, which was primarily due to an increase in the amount of loans taken by the Target Group in 2009. The total amount of bank and other loans outstanding as at 31 December 2008 and 2009 was RMB3,207.6 million and RMB4.240.5 million, respectively.

Share of result of associates

Share of result of associates decreased by 77.8% from RMB9.6 million in 2008 to RMB2.1 million in 2009, which was primarily due to the cessation of profit contribution by 錦仕龍 (Jinshilong) following the disposal of the Target Group's interest in Jinshilong in 2008, and generally reflecting the result contributions by various other associates of the Group in 2009.

Income tax expenses

Income tax expenses increased by 146.1% from RMB174.3 million in 2008 to RMB429.0 million in 2009, primarily due to an increase in the PRC LAT paid, as a result of the increase in revenue generated at a higher profit margin in 2009.

Profit and total comprehensive income for the year

As a result of the above factors, profit for the year decreased by 35.5% from RMB705.2 million in 2008 to RMB454.7 million in 2009. The Target Group's net profit margin decreased from 29.9% in 2008 to 24.6% in 2009, primarily reflecting a decrease in properties sales.

LIQUIDITY AND CAPITAL RESOURCES

The Target Group operates in a capital intensive industry and has historically financed, and expects to continue to finance its working capital and capital expenditures through proceeds from the pre-sale and sale of properties, rental income, borrowings from financial institutions and capital contributions and advances from shareholders. The Target Group's short-term liquidity requirements relate to funding its working capital and servicing its indebtedness. The Target Group's sources of short-term liquidity include cash balances, proceeds from pre-sale and sale of properties and new loans. Its long-term liquidity requirements relate to funding of its property development projects and repayment of its long-term debt. The Target Group's sources of long-term liquidity include borrowings and capital contributions from shareholders.

The following table is a condensed summary of the Target Group's combined cash flow statements and analysis of balances of cash and cash equivalents for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash (used in) from operating activities	(820,711)	1,209,308	(1,761,246)	(1,928,230)
Net cash (used in) from investing activities	(486,451)	113,646	644,344	(418,570)
Net cash from financing activities	1,689,229	836,639	1,993,595	1,657,058
Net increase (decrease) in cash and cash equivalents	382,067	2,159,593	876,693	(689,742)
Cash and cash equivalent at beginning of the year/period	440,129	822,196	2,981,789	3,858,482
Cash and cash equivalent at end of the year/period, represented by bank balances and cash	822,196	2,981,789	3,858,482	3,168,740

Cash flows used in or from operating activities

Over the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, the Target Group derived its cash inflow from operating activities principally from the cash receipts of the pre-sale and sale of properties and rental income. The Target Group's cash outflow from operating activities was principally related to the construction costs.

For the four months ended 30 April 2011, the Target Group's net cash used in operating activities was RMB1,928.2 million, primarily reflecting gross cash used in operations of RMB1,897.7 million and income tax payment of RMB30.5 million during the period.

Cash used in operations for the four months ended 30 April 2011 was RMB1,897.7 million, while the Target Group's profits before tax was RMB286.1 million. The difference of RMB2,183.8 million represents the adjustments of profit and loss items with non-cash effects of RMB41.1 million and an outflow of working capital adjustments of RMB2,225.0 million. The Target Group's working capital outflow was primarily due to (a) an increase of RMB2,695.9 million in inventories primarily as a result of payment of construction costs incurred in relation to Urban Cradle; (b) a decrease of RMB184.5 million in customer deposits from sale of properties primarily due to a decrease in pre-sale of the Target Group's properties during the period, and partially offset by a decrease of RMB396.8 million in trade and other receivables primarily as a result of the refund of guarantee deposits paid for land auction in the PRC and an increase of RMB258.8 million of trade and other payables primarily in relation to an increase of construction costs.

For the year ended 31 December 2010, the Target Group's net cash used in operating activities was RMB1,761.2 million, primarily reflecting cash used in operations of RMB1,450.9 million and income tax payment of RMB310.3 million during the year.

Cash used in operations for 2010 was RMB1,450.9 million, while the Target Group's profits before tax was RMB784.2 million. The difference of RMB2,235.1 million represents adjustments for profit and loss items with non-cash effects of RMB87.8 million and the cash outflow adjustments of RMB2,322.9 million. The Target Group's working capital outflow was primarily related to (a) a decrease of RMB1,705.8 million in customer deposits from sale of properties primarily due to the completion and delivery of Urban Cradle and Rose Town City Villa in 2010 and the related amount was recognised as revenue; (b) an increase of RMB668.9 million in trade and other receivables primarily as a result of the guarantee deposits paid for land auction in the PRC; (c) a decrease of RMB456.8 million in trade and other payables as the Target Group settled construction costs incurred in relation to Urban Cradle, Rose Town City Villa, Ivy Aroma Town, Royal Villa and Shanghai Jingshi, and (d) a decrease of RMB508.5 million in inventories due to the delivery of Urban Cradle and Rose Town City Villa in 2010.

For the year ended 31 December 2009, the Target Group's net cash from operating activities was RMB1,209.3 million, primarily reflecting cash generated from operations of RMB1,621.0 million net of income tax payment of RMB411.7 million during the year.

Cash generated from operations for 2009 was RMB1,621.0 million, while the Target Group's profits before tax was RMB883.7 million. The difference of RMB737.3 million represents adjustments for profit and loss items with non-cash effects of RMB294.3 million and an inflow of working capital adjustments of RMB1,031.6 million. The Target Group's working capital inflow was primarily due to (a) an increase of RMB2,641.3 million in customer deposits from sale of properties in relation to the pre-sale of Urban Cradle; (b) a decrease of RMB363.2 million in trade and other receivables as a result of payment of purchase prices for Urban Cradle delivered at the end of 2008; and (c) an increase of RMB63.6 million of trade and other payables primarily in relation to an increase of construction costs, and partially offset by an increase of RMB2,036.5 million in inventories as a result of payment of constructions costs incurred in relation to Urban Cradle, Rose Town City Villa, Ivy Aroma Town and Toscana.

For the year ended 31 December 2008, the Target Group's net cash used in operating activities was RMB820.7 million, primarily reflecting cash used in operations of RMB817.7 million and income tax payment of RMB3.0 million during the year.

Cash used in operations for 2008 was RMB817.7 million, while the Target Group's profit before tax was RMB879.5 million. The difference of RMB1,697.2 million represents the adjustments for profit and loss items with non-cash effects of RMB552.1 million and an outflow of working capital adjustments of RMB1,145.1 million. The Target Group's working capital outflow was primarily related to (a) a decrease of RMB1,138.1 million in customer deposits from sale of properties primarily due to the completion and delivery of Urban Cradle; (b) an increase of RMB250.3 million in trade and other receivables as a result of the delivery of Urban Cradle at the end of 2008; (c) a decrease of RMB55.0 million in trade and other payables following payment of construction costs incurred in relation to Urban Development International Centre; and (d) a decrease RMB300.0 million in inventories following the completion and delivery of Urban Cradle.

Cash flows used in or from investing activities

For the four months ended 30 April 2011, the Target Group's net cash used in investing activities was RMB418.6 million, which primarily consisted of a payment of RMB798.0 million as part of its subscribed capital contribution for a 35% interest in 上海莘天置業有限公司 (Shanghai Xintian Real Estate Co., Ltd.) and a further loan of RMB250.0 million advanced to the Group. The Target Group's net cash used in investing activities during the period was partially offset by a repayment of RMB370.0 million from Well Development Investment Limited for the advances made by the Target Group for the acquisition of equity interests in certain project companies, net cash proceeds of RMB236.5 million received for the disposal of the Target Group's 100% interest in SUD Hefei, and a decrease in restricted/pledged bank deposits of RMB13.3 million.

For the year ended 31 December 2010, the Target Group's net cash from investing activities was RMB644.3 million, which primarily consisted of RMB630.0 million of repayment from Well Development Investment Limited for the advances made by the Target Group for the acquisition of equity interests in certain project companies, RMB212.4 million of interest received in relation to the Target Group's bank deposits and the amount advanced by the Target Group to Well Development Investment Limited, and RMB69.8 million of decrease in restricted/pledged bank deposits. The Target Group's cash from investing activities was partially offset by a RMB250.0 million loan advanced to the Group, RMB25.0 million purchases of available-for-sale investments and RMB4.4 million purchases of property, plant and equipment.

For the year ended 31 December 2009, the Target Group's net cash from investing activities was RMB113.6 million, which primarily consisted of RMB78.0 million of interest income in relation to the Target Group's bank deposits and the amount advanced by the Target Group to Well Development Investment Limited, RMB71.0 million of repayment from Xuhui SAAC and RMB20.3 million of proceeds from the disposal of investment properties. The Target Group's cash from investing activities was partially offset by an increase in restricted/pledged bank deposits of RMB54.0 million as a result of increase in deposits as guarantees for mortgages taken by the Target Group's property buyers, and the purchase of furniture, office equipment and vehicles of RMB7.3 million mainly for Shanghai Jingshi and Shanghai Urban Development.

For the year ended 31 December 2008, the Target Group's net cash used in investing activities was RMB486.5 million, which primarily consisted of an advance of RMB1,000 million advance to Well Development Investment Limited, increase in restricted/pledged bank deposits of RMB43.6 million for increase in deposits as guarantees for mortgages taken out by the Target Group's property buyers, and purchase of property, plant and equipment of RMB9.8 million. The Target Group's net cash used in investing activities was partially offset by proceeds from disposal of interests in 上海家得利超市有限公司 (Shanghai Jiadeli Supermarket Co., Ltd.) of RMB306.2 million, a repayment of RMB192.1 million due from Xuhui SAAC, RMB51.2 million of interest received from an increase in deposits as guarantees for mortgages taken out by the Target Group's property buyers.

Cash flows from or used in financing activities

For the four months ended 30 April 2011, the Target Group's net cash from financing activities was RMB1,657.1 million, which primarily consisted of new borrowings of RMB1,431.8 million raised from banks and capital contribution of RMB525.0 million from the non-controlling shareholder of 上海城開集團龍城置業有限公司 (Shanghai Urban Development Group Longcheng Real Estate Co., Ltd.), and capital injection of RMB694.0 million contributed by SIH and Xuhui SAAC, the shareholders of Shanghai Urban Development. The Target Group's cash from financing activities was partially offset by repayment of RMB580.6 million borrowings, repayment of RMB275.5 million of advance from Xuhui SAAC and RMB137.7 million of interest paid.

For the year ended 31 December 2010, the Target Group's net cash from financing activities was RMB1,993.6 million, which primarily consisted of new borrowings of RMB4,922.0 million raised from financial institutions, ultimate shareholder of the Target Group, shareholders of certain subsidiaries of the Target Group and capital contribution of RMB170.6 million from non-controlling shareholder of non-wholly owned subsidiaries of Shanghai Urban Development, partially offset by the repayment of RMB2,773.9 million borrowings, interest payment of RMB268.1 million and dividend payment of RMB61.5 million to non-controlling shareholders of non-wholly owned subsidiaries of Shanghai Urban Development.

For the year ended 31 December 2009, the Target Group's net cash from financing activities was RMB836.6 million, which primarily consisted of new borrowings of RMB3,619.3 million raised from a financial institution, a shareholder of subsidiary of Shanghai Urban Development and another third party and capital contribution of RMB225.0 million from Xuhui SAAC, the non-controlling shareholder of Shanghai Urban Development. The Target Group's cash from financing activities was partially offset by repayment of RMB2,586.5 million borrowings, RMB217.9 million of interest paid and repayment of RMB191.1 million of advance from Xuhui SAAC.

For the year ended 31 December 2008, the Target Group's net cash from financing activities was RMB1,689.2 million, which primarily consisted of new borrowings of RMB3,203.4 million from shareholders of certain subsidiaries of Shanghai Urban Development and other third parties, and capital contribution of RMB105.0 million from non-controlling shareholder of Shanghai Urban Development. The Target Group's cash from financing activities was partially offset by the repayment of RMB1,076.6 million borrowings, repayment of RMB316.2 million of advance from Xuhui SAAC and RMB181.2 million of interest paid.

CERTAIN BALANCE SHEET ITEMS

Summary combined statement of financial position

	For the year ended 31 December			For the four months ended 30 April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**15,781,368**	**20,018,210**	**20,683,802**	**22,150,062**
Current assets	13,875,827	17,937,864	18,589,843	19,248,252
Non-current assets	1,905,541	2,080,346	2,093,959	2,901,810
Total liabilities	**6,967,681**	**10,537,071**	**10,694,917**	**11,594,063**
Current liabilities	4,289,693	7,680,120	6,514,483	6,578,619
Non-current liabilities	2,677,988	2,856,951	4,180,434	5,015,444
Total equity	**8,813,687**	**9,481,139**	**9,988,885**	**10,555,999**
Attributable to owners of the Target Company	3,993,441	4,374,567	4,576,675	4,673,744
Attributable to non-controlling interests	4,820,246	5,106,572	5,412,210	5,882,255

Investment properties

The Target Group holds certain investment properties, which principally comprise properties held for long-term rental yields. The Target Group classifies investment properties as non-current assets. As of 31 July 2011, the Target Group's investment properties had a total rentable GFA of approximately 68,723 sq.m. and were valued by DTZ, an independent property valuer, at RMB1,880.0 million based on valuations of current prices in an active market for all properties and assuming that all land is granted land. As of 31 December 2008, 2009 and 2010 and 30 April 2011, the Target Group's investment properties had a value of RMB1,700.0 million, RMB1,880.0 million, RMB1,880.0 million and RMB1,880.0 million, respectively.

Inventories

The following table sets forth the Target Group's inventories as of the balance sheet dates indicated:

	As at 31 December			As at 30 April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development held for sale	9,366,847	10,144,986	10,627,185	13,386,778
Properties held for sale	1,651,978	3,063,879	2,192,603	1,544,426
	11,018,825	13,208,865	12,819,788	14,931,204

As the Target Group's core business is property development, its inventories comprise of properties under development held for sale and completed properties held for sale. During the three years ended 31 December 2008, 2009 and 2010 and the four months ended 30 April 2011, the Target Group provided for inventory impairment allowance of a reversal of RMB32.9 million, a reversal of RMB3.4 million, RMB26.8 million and a reversal of RMB1.8 million, respectively as the management estimated that the cost of sales of properties are higher than the probable recoverable selling price.

The Target Group's inventory balances increased from RMB11,018.8 million as at 31 December 2008 to RMB13,208.9 million as at 31 December 2009 primarily due to an increase in properties under development in relation to Shanghai Jingshi and Rose Town City Villa, which was partially offset by a decrease in properties held for sale in relation to the completion and delivery of certain properties of Urban Cradle.

The Target Group's inventory balances decreased from RMB13,208.9 million as at 31 December 2009 to RMB12,819.8 million as at 31 December 2010, primarily reflecting an increase in properties under development in relation to Shanghai Jingjie, Shanghai Jing City, Ivy Aroma Town and Urban Cradle, which was partially offset by a decrease in properties held for sale in relation to the completion and delivery of Urban Cradle and Toscana.

The Target Group's inventory balances increased from RMB12,819.8 million as at 31 December 2010 to RMB14,931.2 million as at 30 April 2011, primarily reflecting an increase in properties under development in relation to Urban Cradle and Mei Long Nanfang Shangcheng, which was partially offset by a decrease in properties held for sale in relation to the disposal of SUD Hefei, the developer of Rose Town City Villa, and the completion and delivery of certain properties of Urban Cradle.

Trade and other receivables

The following table sets forth the total amounts of the Target Group's trade and other receivables as of the balance sheet dates indicated:

	As at 31 December			As at 30 April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	448,732	27,222	7,130	8,161
Less: Allowance for bad and doubtful debts	(667)	(667)	(667)	(667)
Net trade receivables	448,065	26,555	6,463	7,494
Other receivables	1,534,646	1,606,140	1,766,239	1,085,229
	1,982,711	1,632,695	1,772,702	1,092,723

Due to the nature of business, the Target Group generally grants no credit period to property buyers and the tenants of its investment properties. The Target Group's trade receivables mainly include management fee billed to tenants (except for the balances as at 31 December 2008 which also include receivables due from property buyers) net of allowances for doubtful debts.

The Target Group's net trade receivables balances decreased from RMB448.1 million as at 31 December 2008 to RMB26.6 million as at 31 December 2009. As at 31 December 2008, the Target Group had higher than usual trade receivable balance, as the property units in Urban Cradle were delivered just prior to the year end, while the payments from customers were received after the year end.

The Target Group's net trade receivables balances further decreased from RMB26.6 million as at 31 December 2009 to RMB6.5 million as at 31 December 2010 primarily reflecting the collection of trade receivable in relation to the sale of Lot B of Urban Cradle.

The Target Group's net trade receivables balances as at 30 April 2011 and 31 December 2010 remained relatively stable.

The following table sets forth the aging analysis of the Target Group's trade receivables, net of allowances for bad and doubtful debts, that are neither individually nor collectively considered to be impaired as of the balance sheet dates indicated:

	As at 31 December			As at 30 April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	445,532	23,900	1,170	6,134
Within 31 – 180 days	1,192	961	4,659	–
Within 181 – 365 days	1,341	–	–	–
Over 365 days	–	1,694	634	1,360
	448,065	26,555	6,463	7,494

As at 31 December 2008, 2009 and 2010 and 30 April 2011, the Target Group's trade receivable balances were RMB448.1 million, RMB26.6 million, RMB6.5 million and RMB7.5 million, respectively, which were past due as at the respective reporting dates. Majority of these trade receivables had no default payment history. The management evaluated the credit of specific debtors to which the trade receivable balances as at each balance sheet date relate and did not expect them to be uncollectible. Therefore, the management are of the view that no provision for impairment is necessary with respect to these balances. The Target Group does not hold any collateral over these balances.

The Target Group's other receivables mainly consisted of amount due from entities controlled by Xuhui SAAC, advances to Well Development Investment Limited, an amount representing guarantee deposits paid for land auction in the PRC and a loan advanced to the Company through entrusted loan agreements administrated by banks.

As at 31 December 2008, 2009 and 2010 and 30 April 2011, the aggregate amount due from entities controlled by Xuhui SAAC was RMB170.6 million, RMB99.6 million, RMB97.1 million and RMB102.3 million, respectively. Such amounts were unsecured, non-interest bearing and repayable on demand. As at 30 April 2011, the aggregate amounts due from entities controlled by Xuhui SAAC consisted of (a) RMB89.7 million, in relation to a loan advanced to an entity controlled by Xuhui SAAC, which was renewed in September 2010 upon a full repayment of a prior loan between the same parties and for the same amount, (b) RMB2.8 million being the interest income generated from the loan mentioned above, (c) RMB6.4 million being the consideration payable by Xuhui SAAC for shares in three private companies. Although the transfer of such shares is still on-going, such shares were not recognised as assets in the accounts of the Target Group at 31 December 2008, 2009 and 2010 and at 30 April 2011, and (d) RMB3.5 million being expenses spent on the primary development of a piece of land now owned by an entity controlled by Xuhui SAAC.

Xuhui SAAC, an entity directly under the district government, is authorised by Shanghai Xuhui District People's Government to exercise its state-owned shareholders' duties and obligation and to supervise and manage state-owned assets in the possession of Xuhui District. It holds interest in and participates in the management of various large-scale state-owned enterprises, including, but not limited to, 上海新徐匯（集團）有限公司 (Shanghai New Xuhui (Group) Co., Ltd.), 上海徐家匯商城（集團）有限公司 (Shanghai Xujiahui Commercial City (Group) Co., Ltd.), 上海白貓（集團）有限公司 (Shanghai White Cat (Group) Co., Ltd.), Shanghai Urban Development and State-owned Management Company pursuant to the powers granted under the《中華人民共和國企業國有資產法》(the Law of the People's Republic of China on the State-Owned Assets of Enterprises). The directors of Shanghai Urban Development confirm that they are not currently aware of any circumstances affecting the ability of Xuhui SAAC to meet its repayment obligations. On the above basis and in view of the borrower's proven capability in repayment, the management of Shanghai Urban Development are of the view that no provision for bad debt is necessary with respect to the loan of RMB89,701,000 or the aggregate amounts due from entities controlled by Xuhui SAAC.

As at 31 December 2008, 2009 and 2010, the amount advanced to Well Development Investment Limited was RMB1,061.8 million, RMB1,146.0 million and RMB370.0 million, respectively. The advances were secured by the equity interests of Well Development Investment Limited held in the investment and interest-bearing at a fixed rate of 16%, 16% and 8% per annum for the years ended 31 December 2008, 2009 and 2010, respectively. The amount had been fully settled in February 2011.

As at 31 December 2008, 2009 and 2010 and 30 April 2011, the guarantee deposits paid for land auction in the PRC amounted to nil, nil, RMB675.1 million and RMB189.0 million. This amount was subsequently fully refunded in May 2011.

As at 31 December 2010 and 31 August 2011, the amount advanced to the Group through entrusted loan agreements administrated by banks was RMB250 million and RMB1,000 million, respectively.

The following table sets forth certain details of such loans:

Entrusted bank	**Balance as at 31 August 2011**	**Interest rate per annum**	**Term expiring on**
	RMB'million	%	
Shanghai Pudong Development Bank	250	6.972	28 December 2011
Industrial Bank Co., Ltd.	250	120% of the then prevailing PBOC's benchmark lending rate	28 January 2012
Shanghai Pudong Development Bank	250	7.572	21 June 2012
Shanghai Pudong Development Bank	250	7.572	4 July 2012

The loan was provided for property project development of the Group. No such loan was outstanding as at 31 December 2008 and 2009.

Trade and other payables

As of 31 December 2008, 2009 and 2010 and 30 April 2011, the Target Group had trade and other payables of RMB1,887.7 million, RMB1,760.1 million, RMB1,307.4 million and RMB888.6 million, respectively. The following table shows the breakdown of the Target Group's trade and other payables as of the balance sheet dates indicated:

	As at 31 December			As at 30 April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	711,135	896,926	341,575	210,353
Other payables	1,176,528	863,204	965,894	678,278
	1,887,663	1,760,130	1,307,469	888,631

Trade payables of the Target Group primarily represented the construction costs payable to construction contractors. The terms with the contractors of the Target Group vary on a case by case basis and typically include stage payment upon achievement of certain milestones.

The Target Group's trade payables increased from RMB711.1 million as at 31 December 2008 to RMB896.9 million as at 31 December 2009, primarily due to an increase in trade payables in relation to the construction costs incurred for Urban Cradle and Rose Town City Villa.

The Target Group's trade payables decreased from RMB896.9 million as at 31 December 2009 to RMB341.6 million as at 31 December 2010, primarily due to the settlement of trade payables in relation to the construction costs incurred for Urban Cradle and Rose Town City Villa in 2010.

The Target Group's trade payables decreased from RMB341.6 million as at 31 December 2010 to RMB210.4 million as at 30 April 2011, primarily due to the settlement of trade payables in relation to the construction costs incurred for Urban Cradle and Rose Town City Villa.

Other payables of the Target Group primarily represented the amount due to Xuhui SAAC and entities controlled by Xuhui SAAC in relation to the disposal of certain shares in listed companies which the Target Group held as nominee for Xuhui SAAC or entities controlled by Xuhui SAAC. As at 31 December 2008, 2009 and 2010 and 30 April 2011, the amount due to Xuhui SAAC and entities controlled by Xuhui SAAC was RMB741.5 million, RMB550.4 million, RMB554.9 million and RMB270.3 million, respectively. Such amounts are unsecured, non-interest bearing and repayable on demand. As at 30 April 2011, the aggregate amount due to entities controlled by Xuhui SAAC mainly consisted of (i) land development costs of RMB167.3 million, to be repaid to a minority shareholder of a subsidiary of the Target Group, (ii) an amount of RMB37.4 million being the proceeds from the disposal of certain shares held by Shanghai Urban Development in trust for Xuhui SAAC, and (iii) an amount of RMB53.9 million being the unsettled consideration for transfer of certain property from Xuhui SAAC due to non-satisfaction of certain conditions for the transfer.

The following table sets forth an aging analysis of the Target Group's trade payables as of the balance sheet dates indicated:

	As at 31 December			As at 30 April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	470,469	538,399	145,610	24,692
Within 31 – 180 days	151,146	158,593	2,920	47,902
Within 181 – 365 days	56,305	61,520	–	2,664
Over 365 days	33,215	138,414	193,045	135,095
	711,135	896,926	341,575	210,353

Customer deposit from sale of properties

Customer deposits from sales of properties represent proceeds received on property sales that have not been recognised as revenue in accordance with the Target Group's revenue recognition policy. Such amounts are expected to be recognised as revenue typically after more than one year upon receipt.

As at 31 December 2008, 2009 and 2010 and 30 April 2011, the amount of customer deposits from sale of properties received and held by the Target Group was RMB263.4 million, RMB2,904.7 million, RMB1,198.9 million and RMB1,014.4 million, respectively.

Restricted bank deposits

As of 31 December 2008, 2009 and 2010 and 30 April 2011, the Target Group had restricted bank deposits of RMB64.4 million, RMB64.6 million, RMB64.8 million and RMB64.9 million, respectively. The restricted bank deposits represented amounts held on trust for the benefits of 上海安格投資管理有限公司 (Shanghai Angus Investment Management Co., Ltd.), a former shareholder of Shanghai Wan Yuan prior to the transfer of its 68% interest in Shanghai Wan Yuan in 2002, and 上海珠蜂企業發展有限公司 (Shanghai Zhufeng Enterprise Development Co., Ltd.), the minority shareholder of Shanghai Wan Yuan. Such amounts are subject to a court's freezing notice issued by 上海市第一中級人民法院 (The First Intermediate People's Court of Shanghai) in 2002 in relation to a litigation involving Shanghai Angus Investment Management Co., Ltd. and its controlling shareholder (and not related to the Target Group). For details of this case, please refer to the section headed "Business of the Target Group — Legal proceedings — Restricted bank deposits". As such amounts are held on trust for the benefits of third parties, the Target Group has credited a corresponding amount in its other payables. The restricted bank deposits carry fixed interest at a rate of 0.72%, 0.36%, 0.36% and 0.5% per annum as at 31 December 2008, 2009 and 2010 and 30 April 2011, respectively.

NET CURRENT ASSETS

	As at 31 December 2010 *RMB'000*	As at 30 April 2011 *RMB'000*	As at 31 August 2011 *RMB'000* (unaudited)
Current assets			
Inventories	12,819,788	14,931,204	15,581,031
Trade and other receivables	1,772,702	1,092,723	817,784
Prepaid lease payments – current portion	135	135	135
Financial assets at fair value through profit or loss	10,717	10,629	11,091
Prepaid taxation/taxation recoverable	101,156	31,306	117,986
Pledged bank deposits	26,863	13,515	16,308
Bank balances and cash	3,858,482	3,168,740	1,972,870
	18,589,843	19,248,252	18,517,205
Current liabilities			
Trade and other payables	1,307,469	888,631	678,638
Customer deposits from sales of properties	1,198,890	1,014,420	1,300,820
Dividend payable	–	670,000	670,000
Taxation payable	767,234	865,162	786,898
Bank and other borrowings	3,240,890	3,140,406	3,039,636
	6,514,483	6,578,619	6,475,992
Net current assets	12,075,360	12,669,633	12,041,213

WORKING CAPITAL

The Group and the Target Group have historically financed, and expect the Enlarged Group to continue to finance, working capital and capital expenditures primarily through proceeds from the pre-sale and sale of properties, rental income, borrowings from financial institutions and capital contributions and advances from shareholders. Taking into account cash from operating activities, the Group's and the Target Group's current financing arrangements in place which will provide funding to the Group and the Target Group of up to HK$1,203.9 million and RMB14,935.0 million, respectively as at 31 August 2011, bank borrowings and shareholder loans that are currently available and expected to become available to the Enlarged Group in the future, the Directors are of the opinion that the Enlarged Group will have sufficient funds to meet its working capital requirements and finance its capital expenditure for at least the next 12 months from the date of this circular.

INDEBTEDNESS

Bank and other borrowings and payables due to entities controlled by Xuhui SAAC

As at 31 August 2011, being the latest practicable date for determining indebtedness, the Target Group's total bank and other loans and payables due to entities controlled by Xuhui SAAC were RMB7,335.2 million. The Target Group's total bank and other loans and payables due to entities controlled by Xuhui SAAC as at 31 December 2008, 2009 and 2010, 30 April 2011 and as at 31 August 2011 are set out below:

	As at 31 December			As at 30 April	As at 31 August
	2008	**2009**	**2010**	**2011**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Bank loans	2,646,180	3,233,450	3,628,910	4,014,200	4,590,580
Other loans	561,383	1,007,006	2,759,656	3,165,556	2,465,556
Non-trade payables due to entities controlled by Xuhui SAAC	732,540	541,426	545,910	261,372	270,060
Loans payable to entities controlled by Xuhui SAAC	8,970	8,970	8,970	8,970	8,970
	3,949,073	4,790,852	6,943,446	7,450,098	7,335,166

At 31 August 2011, being the latest practicable date for determining indebtedness, the Target Group has contingent liabilities in respect of guarantees given to banks on mortgage loans of properties purchasers of approximately RMB186.6 million and contingent liabilities in respect of cross guarantees give to banks for bank facilities of Xuhui SAAC of approximately RMB216.0 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 August 2011, the Target Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Directors have confirmed that there has been no material change in the indebtedness or any contingent liabilities of the Target Group since 31 August 2011.

The bank loans obtained by the Target Group outstanding as at 31 August 2011 were used for payment of project development and investment. The Target Group's bank loans are secured by pledged bank deposits, and are at floating rates. The effective interest rates (which are also equal to contracted interest rates) on the Target Group's bank borrowings were floating rates from 4.86% to 9.55% per annum for the eight months ended 31 August 2011.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Target Group's borrowings are as follows:

	For the year ended 31 December			For the eight months ended 31 August
	2008	**2009**	**2010**	**2011**
Variable-rate borrowings	6.40% – 8.22%	4.86% – 8.02%	4.86% – 10.00%	4.86%– 9.55%

As at 31 August 2011, being the latest practicable date for determining indebtedness, the Target Group has financing arrangements in place which will provide funding to the Target Group of up to RMB14,935.0 million.

Gearing ratio

As at 31 December 2008, 2009 and 2010 and 30 April 2011, the gearing ratio of the Target Group was 20.3%, 21.2%, 30.9% and 32.4%. The gearing ratio represents the ratio of the Target Group's total borrowings to total assets as at 31 December 2008, 2009 and 2010 and 30 April 2011, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 April 2011, the Target Group did not have any off-balance sheet arrangements.

CAPITAL EXPENDITURES

The following table sets forth the capital expenditures of the Target Group for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	(9,804)	(7,342)	(4,401)	(1,265)

The Target Group has historically funded its capital expenditures through cash generated from its operations, bank borrowings and equity and advances from shareholders. The capital expenditures represented purchases of property, plant and equipment, furniture, fixture and equipment for office use, and leasehold improvements for offices.

CONTRACTUAL OBLIGATIONS

The following table presents the maturities of the Target Group's contractual obligations and other commitments for which cash flows are fixed or determinable as of 30 April 2011:

As of 30 April 2011	Less than one year	One to five years	Over five years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other borrowings	3,140,406	3,412,350	627,000	7,179,756
Non-cancellable operating lease obligations	15,717	8,193	–	23,910
Capital expenditure contracted for but not provided for in the combined statement of financial position of the Target Group in respect of investment in an associate	199,500	–	–	199,500
Total	3,355,623	3,420,543	627,000	7,403,166

In addition to the above, as at 30 April 2011, the Target Group had RMB3,081.3 million expenditure contracted for but not provided for in the combined statement of financial position, which were primarily related to construction costs under various contracts entered into with the Target Group's contractors.

CONTINGENT LIABILITIES

Guarantees for mortgage facilities

The Target Group has arranged bank financing for certain purchasers of its property units and provided guarantees to secure the obligations of such purchasers for repayment of their mortgage loans. Typically, the mortgage agreement provides for the discharge of such guarantee upon the issuance of the property ownership certificate or the pledge of such certificate with the bank after delivery of possession of the relevant property to the purchasers. Guarantee period starts from the dates of grant of the mortgages. In line with the industry practice, the Target Group does not conduct independent credit checks on its purchasers but rely on the credit checks conducted by the mortgagee banks. See "Risk Factors – Risks relating to the Enlarged Group – The Group and Target Group guarantee the mortgages provided to their purchasers and consequently are liable to the mortgagee banks if the purchasers default on their mortgage payments". As of 31 December 2008, 2009 and 2010, 30 April 2011 and 31 August 2011, the Target Group had financial guarantees of RMB35.7 million, RMB772.1 million, RMB547.1 million, RMB223.9 million and RMB186.6 million, respectively, in respect of mortgage facilities for certain purchasers of its properties.

Cross guarantees with Xuhui SAAC

Shanghai Urban Development and State-owned Management Company entered into the Cross Guarantee Agreement on 26 December 2002, supplemented by an amendment agreement dated 15 December 2009, whereby Shanghai Urban Development and State-owned Management Company agreed to guarantee each other's obligations in respect of the loans/facilities which they may respectively obtain from financial institutions from time to time to the extent of not more than RMB1,200 million. The Cross Guarantee Agreement as amended is for a term of three years from 1 January 2010 to 31 December 2012 (inclusive of both dates). As at 31 August 2011, being the latest practicable date for the purpose of indebtedness statement, (i) the total amount of loans/facilities obtained by Shanghai Urban Development in respect of which guarantees were provided by State-owned Management Company amounted to RMB594 million; and (ii) the total amount of loans/facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development amounted to RMB216 million.

MARKET RISKS

The Target Group is exposed to various types of market risks, including changes in interest rate risks, equity price risk, credit risk and liquidity risk in the normal course of business.

Interest rate risk

The Target Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. The Target Group's pledged bank deposits have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Target Group's bank balances also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Target Group currently does not have a hedging policy. However, the management monitors interest rate exposure on ongoing basis and will consider hedging significant interest rate risk exposure should the need arise.

The management performed a sensitivity analysis based on the exposure to interest rates for the Target Group's variable-rate bank balances and variable-rate borrowings at the end of the reporting period. For variable-rate borrowings and bank balances, the analysis is prepared assuming that the amount of liability/asset outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point and 10 basis point, respectively, increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis point and 10 basis point higher/lower and all other variables were held constant, the Target Group's profit after taxation (assuming no additional capitalisation of finance costs) for the year ended 31 December 2008, 2009, 2010 and for the four months ended 30 April 2011 would (i) decrease by RMB11.9 million, RMB6.3 million, RMB12.7 million and RMB6.7 million if interest rate is higher or (ii) increase by RMB2.4 million, RMB1.3 million, RMB2.5 million and RMB1.3 million if interest rate is lower. This is mainly attributable to the Target Group's exposure to interest rates on its variable-rate bank balances and borrowings.

Equity price risk

The Target Group is exposed to equity price risk through its listed investment in equity securities classified as financial assets at fair value through profit or loss ("FVTPL"). For available-for-sale investment stated at cost, the other price risk is not measurable as the range of reasonable fair value estimates is significant, accordingly, sensitivity analysis is not presented. The management manages this exposure by maintaining a portfolio of investments with different risks. The Target Group's equity price risk is mainly concentrated on equity instruments quoted in the Shanghai Stock Exchange. In addition, the management has appointed a team of specialists to monitor the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risk on quoted equity investments held by the Target Group at the reporting date.

If the prices of the respective quoted equity instruments had been 5% higher or lower, the Target Group's profit after taxation for the year ended 31 December 2008, 2009 and 2010 and for the four months ended 30 April 2011 would increase or decrease by RMB245,000, RMB421,000, RMB402,000 and RMB399,000 as a result of the changes in fair value of financial assets at FVTPL.

Credit risk

As at 30 April 2011, the Target Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statement of financial position; and

- the amount of contingent liabilities in relation to the financial guarantee issued by the Target Group.

The Target Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the combined statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Target Group's treasury operations, management has established internal procedures to monitor the Target Group's bank balances and cash, securities investments to be placed and entered into with financial institutions of good reputation. These internal procedures also impose limitation on the amount outstanding and to manage the credit ratings on equity investments to be held, so as to minimise the Target Group's credit risk exposure.

The Target Group's concentration of credit risk by geographical locations of customers are mainly on the PRC, which represented all of the trade receivables at 31 December 2008, 2009 and 2010 and 30 April 2011.

The Target Group's credit risk on bank balances and bank deposits is limited because the counterparties are banks with good reputation.

Except for an advance to Well Development Investment Limited for the advance made by the Target Group for the acquisition of equity interests in certain project companies, amounts due from entities controlled by Xuhui SAAC, loans advanced to the Group and guarantee deposits paid for land auction in the PRC as set out below, which accounted for 80%, 78%, 79% and 72% of the Target Group's other receivables as at 31 December 2008, 2009, 2010 and 30 April 2011, respectively, the Target Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The Target Group's credit risk position is monitored closely by the management:

	As at 31 December			As at 30 April
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance to the vendor of an investment project in the PRC	1,061,830	1,146,000	370,000	–
Amounts due from entities controlled by Xuhui SAAC	170,590	99,560	97,140	102,343
Loans advanced to the Company	–	–	250,000	500,000
Guarantee deposits paid for land auction in the PRC	–	–	675,067	189,000
	1,232,420	1,245,560	1,392,207	791,343

Liquidity risk

The Target Group's liquidity position is monitored closely by management. The following table sets out the contractual maturity for the Target Group's non-derivative financial liabilities as at 30 April 2011. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group may be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at end of the reporting period.

	Weighted average interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total un-discounted cash flows	Carrying amount
	%	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*	*RMB '000*
As at 30 April 2011								
Trade and other payables	–	839,338	–	–	–	–	839,338	839,338
Bank and other borrowings	5.84	–	208,200	2,902,206	3,533,579	892,232	7,536,217	7,179,756
		839,338	208,200	2,902,206	3,533,579	892,232	8,375,555	8,019,094
Financial guarantee contracts	–	639,907	–	–	–	–	639,907	–

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma net tangible assets of the Enlarged Group attributable to the equity holders of the Company and the unaudited pro forma net tangible assets per share of the Enlarged Group attributable to the equity holders of the Company as at 30 June 2011 would be approximately HK$13,113.1 million and HK$2.73 respectively, which is calculated as follow as extracted from the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as if the Transactions were completed on 30 June 2011:

	HK$'000
Total assets of the Enlarged Group	51,652,251
Less: total liabilities	(31,717,616)
Net assets of the Enlarged Group	19,934,635
Less: non-controlling interests	(6,786,043)
Net assets attributable to the equity holders of the Company	13,148,592
Less: intangible assets	(60,155)
Add: intangible assets attributable to non-controlling interests (41% of HK$60,155,000)	24,664
Net tangible assets attributable to the equity holders of the Company	13,113,101
Divided by:	
Shares of the Company deemed to be issued as of the Transactions were completed on 30 June 2011	4,811,523,189
Net tangible assets attributable to the equity holders of the Company per share (HK$)	2.73

PROPERTY VALUATION

Particulars of the Target Group's property interests are set out in Appendix IVA to this circular. DTZ has valued the property interests of the Target Group as at 31 July 2011. A summary of values and valuation certificates issued by DTZ in respect of the Target Group are included in Appendix IVA to this circular. The table below sets out (i) the reconciliation of the Target Group's properties interests from the audited combined financial statements as at 30 April 2011 to the unaudited net book value of the Target Group's property interests as at 31 July 2011; and (ii) the reconciliation of the unaudited net book value of the Target Group's property interests and the valuation of such property interests as at 31 July 2011:

	RMB'000
Net book value of property interests of the Target Group as at 30 April 2011	
Investment properties	1,880,000
Prepaid lease payments inventories	3,924
Inventories	14,931,204
	16,815,128
Movements for the three months ended 31 July 2011	
Add: Net addition during the period	441,107
Less: Depreciation and amortisation during the period	(34)
Net book value as at 31 July 2011	17,256,201
Net valuation surplus	3,851,563
Valuation as at 31 July 2011[(1)]	21,107,764

Note:

(1) The property interests of the Target Group as indicated are comprised of the properties valued by DTZ which are described in Appendix IVA to this circular.

DIVIDEND POLICY

The Directors may recommend a payment of dividend in future after taking into account various relevant factors including the financial condition, capital requirements and earnings of the Enlarged Group, and subject to the Bye-laws. There is no guarantee that dividends will be paid in the future. After Completion, the Directors' priority will be to retain earnings in order to finance project development and service debts.

Any cash dividend will be paid in Hong Kong dollars and other distributions (if any) will be paid to the Shareholders by any means as the Directors deem legal, fair and practical.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Target Company had nil distributable reserves available for distribution to its shareholders.

NO MATERIAL CHANGES

The Directors and directors of Shanghai Urban Development confirm that there has been no material change in the business development, financial or trading positions or outlook of the Target Group since 30 April 2011 (being the date to which the last audited financial statements of the Target Group were prepared as set out in Appendix I to this circular) up to and including the Latest Practicable Date, save for the Transactions.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

As at the Latest Practicable Date, there are no circumstances which would give rise to disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules in respect of the Target Group.

SHARE CAPITAL

As at the Latest Practicable Date, the Company had only one class of shares in issue, namely ordinary shares of HK$0.04 each. The authorised share capital of the Company is HK$400,000,000 divided into 10,000,000,000 ordinary shares of HK$0.04 each. The Company's issued share capital upon issue and allotment of the Consideration Shares (a) before conversion or exercise of any outstanding Warrants and share options of the Company and (b) assuming full conversion or exercise of all outstanding Warrants and share options of the Company will be as follows:

(a) Before conversion or exercise of any outstanding Warrants and share options of the Company

Number of Shares		*HK$*	Approximate percentage of issued share capital immediately following the allotment and issue of the Consideration Shares
2,629,332,189	Shares in issue as at the Latest Practicable Date	105,173,287.56	54.6%
2,182,191,000	Consideration Shares to be issued pursuant to the Agreement and the Deed	87,287,640.00	45.4%
4,811,523,189	Total	192,460,927.56	100.0%

(b) Assuming full conversion and exercise of all outstanding Warrants and share options of the Company

Number of Shares		*HK$*	Approximate percentage of issued share capital immediately following the allotment and issue of the Consideration Shares
2,629,332,189	Shares in issue as at the Latest Practicable Date	105,173,287.56	52.9%
2,182,191,000	Consideration Shares to be issued pursuant to the Agreement and the Deed	87,287,640.00	43.9%
157,000,000	Shares to be issued upon full conversion or exercise of all outstanding Warrants and share options	6,280,000.00	3.2%
4,968,523,189	Total	198,740,927.56	100.0%

The Consideration Shares will be issued pursuant to a special mandate to be sought at the SGM.

The holders of the Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All Shares rank equally with regard to the Company's residual assets. During the period from 31 December 2010 to the date of this circular, the Company has not issued any Shares.

WARRANTS

On 23 July 2007, the Company issued 264,000,000 Warrants. The Warrants are exercisable at any time to subscribe for shares of the Company from the date of issue to 23 July 2012 at an original exercise price of HK$1.68 per share subject to anti-dilutive adjustments. Pursuant to the terms and conditions of Warrants, on 29 October 2007, the subscription price of Warrants was adjusted following the consolidation on a four to one basis of the shares of the Company. Warrants holders are entitled to subscribe in cash for fully paid Shares at the adjusted subscription price of HK$6.72 per share. The number of Shares to be issued upon full exercise of the Warrants was reduced to one-fourth of the outstanding number of shares issuable under Warrants as at 29 October 2007. As at the Latest Practicable Date, 66,000,000 Warrants were outstanding. Exercise in full of the outstanding Warrants would result in the issue of 66,000,000 additional Shares.

SHARE OPTION SCHEME

Pursuant to a resolution passed by the Shareholders on 12 December 2002, the Company adopted the Share Option Scheme. Particulars of the Share Option Scheme are set out in note 37 to the consolidated financial statements of the Group for the year ended 31 December 2010 as set out in Appendix II to this circular.

As at the Latest Practicable Date, there were 91,000,000 options outstanding under the Share Option Scheme. Upon exercise in full of all options outstanding under the Share Option Scheme as at the Latest Practicable Date, an additional 91,000,000 Share will be issued.

Save for the Warrants and share options granted under the Share Option Scheme, the Company did not have other outstanding warrants, derivatives or securities convertible into Shares as at the Latest Practicable Date.

RANKING

The Consideration Shares are ordinary shares in the share capital of the Company and will rank equally in all respects with all Shares in issue or to be issued as at the date of allotment, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of their issuance.

PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) the Listing Rules, upon Completion and at all times thereafter, the Company must maintain the "minimum prescribed percentage" of 25% of the issued share capital of the Company in the hands of the public (within the meaning as defined under Rule 8.24 of the Listing Rules).

GENERAL MANDATES

General mandate to issue Shares

At the annual general meeting of the Company held on 16 May 2011, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

1. 20% of the aggregate nominal value of Shares in issue as at the date of passing the relevant resolution on 16 May 2011; and

2. the aggregate nominal value of Shares repurchased by the Company under the authority referred to in the paragraph headed "General mandate to repurchase Shares" below.

This issue mandate will expire:

- at the conclusion of the Company's next annual general meeting;

- at the expiration of the period within which the Company's next annual general meeting is required by the Bye-laws or any other applicable laws to be held; or

- when varied or revoked by an ordinary resolution of the Shareholders at a general meeting,

whichever is the earliest.

General mandate to repurchase Shares

At the annual general meeting of the Company held on 16 May 2011, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with nominal value of up to 10% of the aggregate nominal value of the Shares in issue as at the date of passing the relevant resolution on 16 May 2011.

This repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules.

This repurchase mandate will expire:

- at the conclusion of the Company's next annual general meeting;

- at the expiration of the period within which the Company's next annual general meeting is required by the Bye-laws or any other applicable laws to be held; or

- when varied or revoked by an ordinary resolution of the Shareholders at a general meeting,

whichever is the earliest.

UNDERTAKINGS BY THE COMPANY

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) will be issued or form the subject of any agreement to such an issue, within six months from the Completion Date (whether or not such issue of Shares or securities will be completed within six months from the Completion Date), except for the issue of the Consideration Shares or as otherwise may be permitted under Rule 10.08 of the Listing Rules.

UNDERTAKINGS BY SIIC, SIH AND NOVEL GOOD LIMITED

Pursuant to Rule 10.07 of the Listing Rules, SIIC, SIH and Novel Good Limited, each being a controlling shareholder of the Company, has undertaken to the Stock Exchange and to the Company as follows:

(1) in the period commencing on the Latest Practicable Date and ending on the date ("the End Date") which is six months from the Completion Date, it will not and will procure that the relevant registered holders of the Shares will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities in the Company in respect of which it is or they are shown by the Circular to be the beneficial owner;

(2) in the period of six months commencing from the End Date, it will not and will procure that the relevant registered holders of the Shares will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (1) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company; and

(3) within the period commencing on the Latest Practicable Date and ending on the date which is 12 months from the Completion Date, it will:

    (i) when it pledges or charges any Shares or other securities of the Company beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and

    (ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or other securities of the Company will be disposed of, immediately inform the Company of such indications.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

31 October 2011

The Directors
Shanghai Industrial Urban Development Group Limited

Dear Sirs,

We set out below our report on the financial information ("Financial Information") regarding Silvery Champ Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31st December 2010 and four months ended 30th April 2011 (the "Relevant Periods") for inclusion in the circular issued by Shanghai Industrial Urban Development Group Limited dated 31 October 2011 (the "Circular") in connection with the very substantial transaction relating to the acquisition of 59% equity interest in 上海城開(集團)有限公司 (Shanghai Urban Development (Holdings) Company Limited) ("Shanghai Urban Development") through the acquisition of the Company.

The Company was incorporated with limited liability in the British Virgin Islands (the "BVI") on 19th January 2011 as a wholly owned subsidiary of Shanghai Industrial Holdings Limited ("SIHL"). In August 2011, SIHL transferred its 59% equity interest in Shanghai Urban Development to the Company for a total consideration of RMB4,108,827,700. As of the date of issuance of this report, the Company owned indirectly 59% equity interest in Shanghai Urban Development.

Shanghai Urban Development was established as a state-owned enterprise in the People's Republic of China (the "PRC") on 30th April 1996 and converted to a sino-foreign equity joint venture company in July 2007. SIHL and 上海市徐匯區國有資產監督管理委員會 Xuhui District State-owned Assets Administrative Committee ("Xuhui SAAC") own 59% and 41% equity interests in Shanghai Urban Development, respectively. Xuhui SAAC is a government authority authorised by and established directly under Shanghai Xuhui District People's Government for supervising and managing state-owned assets in the Xuhui District, the PRC, and to exercise shareholders' right over Shanghai Urban Development.

At the date of this report, the details of the subsidiaries comprising the Group are set out in note 38 of section A below. In addition, the details of the associates of the Group are set out in note 19 of section A below.

During the Relevant Periods, the audited statutory financial statements of the following entities of the Group were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises established in the PRC ("PRC Audited Accounts") and were audited by the following certified public accountants registered in the PRC:

Name of entity	Financial period	Name of auditor
Shanghai Urban Development	Each of the three years ended 31st December 2010	上海天城會計師事務所 (Shanghai Tian Cheng Certified Public Accountants) ("Shanghai Tian Cheng")
上海石龍工業區聯合發展有限公司 (Shanghai Shilong Industrial Zone Joint Development Co., Ltd.) ("Shanghai Shilong")	Each of the three years ended 31st December 2010	Shanghai Tian Cheng
上海城開商用物業發展有限公司 (Shanghai Urban Development Commercial Properties Development Co., Ltd.) ("Shanghai Commercial Properties")	Each of the three years ended 31st December 2010	Shanghai Tian Cheng
新上海國際商城發展有限公司 (Shanghai International Commercial City Development Co., Ltd.) ("Shanghai International Commercial City")	Each of the three years ended 31st December 2010	Shanghai Tian Cheng
上海城開住宅安置有限公司 (Shanghai Urban Development Residential Settlement Co., Ltd.) ("Shanghai Residential Settlement")	Each of the three years ended 31st December 2010	Shanghai Tian Cheng
上海申大物業有限公司 (Shanghai Shen Da Properties Co., Ltd.) ("Shanghai Shen Da Properties")	Each of the three years ended 31st December 2010	Shanghai Tian Cheng

Name of entity	Financial period	Name of auditor
上海萬源房地產開發有限公司 (Shanghai Wan Yuan Real Estate Development Co., Ltd.) ("Shanghai Wan Yuan")	Each of the three years ended 31st December 2010	Shanghai Tian Cheng
湖南城開德普置業有限公司 (Hunan Urban Development Depu Property Development Co., Ltd.) ("Hunan Depu")	Each of the two years ended 31st December 2009	湖南鵬程有限責任會計師事務所 (Hunan Peng Cheng Certified Public Accountants Co., Ltd.) ("Hunan Peng Cheng")
長沙城普置業有限公司 (Changsha Chengpu Property Development Co., Ltd.) ("Changsha Chengpu")	Each of the three years ended 31st December 2010	Hunan Peng Cheng
上海森鑫投資有限公司 (Shanghai Sen Xin Investment Co., Ltd.) ("Shanghai Sen Xin")	Each of the three years ended 31st December 2010	Shanghai Tian Cheng
上海城開材料技術發展有限公司 (Shanghai Urban Development Materials Technology Development Co., Ltd.) ("Shanghai Materials Technology")	Each of the three years ended 31st December 2010	Shanghai Tian Cheng
昆山城開房地產開發有限公司 (Kunshan Urban Development Real Estate Development Co., Ltd.) ("Kunshan Urban Development")	Each of the three years ended 31st December 2010	Shanghai Tian Cheng
上海寰宇城市投資發展有限公司 (Shanghai Huanyu Urban Investment Development Co., Ltd.) ("Shanghai Huanyu")	Each of the three years ended 31st December 2010	Shanghai Tian Cheng
上海城開集團合肥置業有限公司 (Shanghai Urban Development Group Hefei Real Estate Co., Ltd.) ("Shanghai Hefei")	Each of the three years ended 31st December 2010	Shanghai Tian Cheng

Name of entity	Financial period	Name of auditor
上海紙盒十六廠 (Shanghai Carton 16th Factory)	Each of the three years ended 31st December 2010	Shanghai Tian Cheng
上海城大水處理科技有限公司 (Shanghai Cheng Da Water Treatment Technology Co., Ltd.) ("Shanghai Cheng Da")	For the year ended 31st December 2008	Shanghai Tian Cheng
上海城開集團重慶德普置業有限公司 (Shanghai Urban Development Group Chongqing Depu Property Co., Ltd.) ("Chongqing Depu")	For the period from date of establishment to 31st December 2008 and each of the two years ended 31st December 2010	Shanghai Tian Cheng
上海城開集團無錫置業有限公司 (Shanghai Urban Development Group Wuxi Real Estate Co., Ltd.) ("Shanghai Wuxi")	For the period from date of establishment to 31st December 2008 and each of the two years ended 31st December 2010	Shanghai Tian Cheng
昆山城開錦亭置業有限公司 (Kunshan Urban Development Group Jinting Real Estate Co., Ltd.) ("Kunshan Jinting")	For the period from date of establishment to 31st December 2008 and each of the two years ended 31st December 2010	Shanghai Tian Cheng
上海城開集團晶實置業有限公司 (Shanghai Urban Development Group Jingshi Real Estate Co., Ltd.) ("Shanghai Jingshi")	For the period from date of establishment to 31st December 2009 and year ended 31st December 2010	Shanghai Tian Cheng
上海城開集團晶杰置業有限公司 (Shanghai Urban Development Group Jingjie Real Estate Co., Ltd.) ("Shanghai Jingjie")	For the period from date of establishment to 31st December 2010	Shanghai Tian Cheng
上海城開集團龍城置業有限公司 (Shanghai Urban Development Group Longcheng Real Estate Co., Ltd.) ("Shanghai Longcheng")	For the period from date of establishment to 31st December 2010	Shanghai Tian Cheng

Other than above, no audited statutory financial statements have been prepared for the remaining entities of the Group in the PRC as there was no statutory requirement to do so.

No statutory financial statements have been prepared for the Company since its date of incorporation as there is no statutory requirement in the BVI. No statutory financial statements have been prepared for the Company's wholly owned subsidiary, Joy Century Investments Limited ("Joy Century"), since its date of incorporation as it has not reached it first financial reporting year end. We have, however, reviewed all relevant transactions of the Company and Joy Century since their respective dates of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information of these companies in this report.

For the purpose of this report, the directors of Shanghai Urban Development have prepared the consolidated financial statements of Shanghai Urban Development and its subsidiaries (the "SUD Group") for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "SUD Financial Statements"). We have undertaken an independent audit on the SUD Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the SUD Financial Statements and the management accounts of the Company and Joy Century (together referred to as the "Underlying Financial Statements") in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information has been prepared from the Underlying Financial Statements, on the basis of presentation set out in note 1 of Section A, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of those companies who approve their issue. The directors of Shanghai Industrial Urban Development Group Limited are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31st December 2008, 2009, 2010, the Group and the Company as at 30th April 2011 and of the combined results and cash flows of the Group for each of the three years ended 31st December 2010 and four months ended 30th April 2011, where appropriate.

The comparative combined statement of comprehensive income, combined statement of cash flows and combined statement of changes in equity of the Group for the four months ended 30th April 2010 together with the notes thereon have been prepared based on the unaudited financial information of the SUD Group for the same period (the "30th April 2010 Financial Information") which was prepared by the directors of Shanghai Urban Development solely for the purpose of this report. We conducted our review in accordance with the 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 review of the 30th April 2010 Financial Information 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 became aware of all significant matters that might be identified in audit. Accordingly we do not express an audit opinion on the 30th April 2010 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30th April 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

COMBINED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31st December			Four months ended 30th April	
		2008	2009	2010	2010	2011
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	7	2,360,652	1,848,046	3,726,196	2,269,971	776,847
Cost of sales		(1,775,992)	(993,801)	(2,562,323)	(1,350,268)	(339,352)
Gross profit		584,660	854,245	1,163,873	919,703	437,495
Net investment income	8	106,136	173,066	65,920	7,351	11,021
Other income	11	40,823	217,824	35,759	9,925	44,509
Increase in fair value of properties under development upon transfer to investment properties		460,000	–	–	–	–
Distribution and selling costs		(81,476)	(117,775)	(135,806)	(79,896)	(26,921)
Administrative expenses		(193,396)	(178,007)	(226,811)	(54,778)	(66,770)
Finance costs	9	(46,831)	(67,773)	(121,855)	(32,779)	(82,494)
Share of results of associates		9,563	2,123	2,883	103	119
Gain (loss) on disposal of interest in a subsidiary		–	–	16	16	(32,366)
Gain on disposal of interests in associates		–	–	171	36	1,555
Profit before taxation		879,479	883,703	784,150	769,681	286,148
Income tax expense	10	(174,313)	(428,989)	(385,155)	(371,015)	(121,034)
Profit and total comprehensive income for the year/period	11	705,166	454,714	398,995	398,666	165,114
Profit and total comprehensive income for the year/period attributable to						
– Owners of the Company		406,563	248,383	202,108	205,315	82,910
– Non-controlling interests		298,603	206,331	196,887	193,351	82,204
		705,166	454,714	398,995	398,666	165,114

COMBINED STATEMENT OF FINANCIAL POSITION

		As at 31st December			As at 30th April
		2008	2009	2010	2011
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Investment properties	15	1,700,000	1,880,000	1,880,000	1,880,000
Property, plant and equipment	16	41,843	38,593	33,518	25,675
Prepaid lease payments – non-current portion	17	4,103	3,968	3,833	3,789
Intangible assets	18	51,000	51,000	51,000	51,000
Interests in associates	19	31,034	28,047	23,116	818,200
Available-for-sale investments	20	5,082	4,631	29,631	29,631
Restricted bank deposits	21	64,365	64,600	64,836	64,897
Deferred tax assets	22	8,114	9,507	8,025	28,618
		1,905,541	2,080,346	2,093,959	2,901,810
CURRENT ASSETS					
Inventories	23	11,018,825	13,208,865	12,819,788	14,931,204
Trade and other receivables	24	1,982,711	1,632,695	1,772,702	1,092,723
Prepaid lease payments – current portion	17	135	135	135	135
Financial assets at fair value through profit or loss	25	6,530	11,223	10,717	10,629
Prepaid taxation/tax recoverable		2,303	6,289	101,156	31,306
Pledged bank deposits	21	43,127	96,868	26,863	13,515
Bank balances and cash	21	822,196	2,981,789	3,858,482	3,168,740
		13,875,827	17,937,864	18,589,843	19,248,252
CURRENT LIABILITIES					
Trade and other payables	26	1,887,663	1,760,130	1,307,469	888,631
Customer deposits from sales of properties	26	263,363	2,904,703	1,198,890	1,014,420
Dividends payable	14	–	–	–	670,000
Taxation payable		425,734	568,881	767,234	865,162
Bank and other borrowings	27	1,712,933	2,446,406	3,240,890	3,140,406
		4,289,693	7,680,120	6,514,483	6,578,619
NET CURRENT ASSETS		9,586,134	10,257,744	12,075,360	12,669,633
TOTAL ASSETS LESS CURRENT LIABILITIES		11,491,675	12,338,090	14,169,319	15,571,443

		As at 31st December			As at 30th April
		2008	2009	2010	2011
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Bank and other borrowings	27	1,494,630	1,794,050	3,147,676	4,039,350
Deferred tax liabilities	22	1,183,358	1,062,901	1,032,758	976,094
		2,677,988	2,856,951	4,180,434	5,015,444
		8,813,687	9,481,139	9,988,885	10,555,999
CAPITAL AND RESERVES					
Paid-in capital/share capital	28	177,785	177,785	177,785	1,888,000
Reserves		3,815,656	4,196,782	4,398,890	2,785,744
Equity attributable to owners of the Company		3,993,441	4,374,567	4,576,675	4,673,744
Non-controlling interests		4,820,246	5,106,572	5,412,210	5,882,255
Total equity		8,813,687	9,481,139	9,988,885	10,555,999

STATEMENT OF FINANCIAL POSITION

	Notes	As at 30th April 2011 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	30	–
Amount due from a subsidiary	30	6
		6
CURRENT LIABILITY		
Amount due to immediate holding company	30	11
NET LIABILITIES		(5)
CAPITAL AND RESERVE		
Share capital	28	–
Accumulated loss	29	(5)
NET DEFICIT		(5)

COMBINED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Paid-in capital/share capital	Capital reserve	Other revaluation reserve	Statutory reserves	Retained profits	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2008	177,785	754,170	2,083,540	120,492	450,891	3,586,878	4,461,776	8,048,654
Profit and total comprehensive income for the year	–	–	–	–	406,563	406,563	298,603	705,166
Transfers	–	–	–	86,506	(86,506)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(45,133)	(45,133)
Capital contribution by non-controlling interests	–	–	–	–	–	–	105,000	105,000
At 31st December 2008	177,785	754,170	2,083,540	206,998	770,948	3,993,441	4,820,246	8,813,687
Profit and total comprehensive income for the year	–	–	–	–	248,383	248,383	206,331	454,714
Capital contribution from Xuhui SAAC	–	132,743	–	–	–	132,743	92,245	224,988
Transfers	–	–	–	16,123	(16,123)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(12,250)	(12,250)
At 31st December 2009	177,785	886,913	2,083,540	223,121	1,003,208	4,374,567	5,106,572	9,481,139
Profit and total comprehensive income for the year	–	–	–	–	202,108	202,108	196,887	398,995
Transfers	–	–	–	8,478	(8,478)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(61,503)	(61,503)
Disposal of a subsidiary *(note 31)*	–	–	–	–	–	–	(305)	(305)
Capital contribution by non-controlling interests	–	–	–	–	–	–	170,559	170,559
At 31st December 2010	177,785	886,913	2,083,540	231,599	1,196,838	4,576,675	5,412,210	9,988,885
Profit and total comprehensive income for the period	–	–	–	–	82,910	82,910	82,204	165,114
Capitalisation and injection of capital *(note 28)*	1,710,215	(1,300,756)	–	–	–	409,459	284,541	694,000
Transfers	–	–	–	975	(975)	–	–	–
Dividends recognised as distribution *(note 14)*	–	–	–	–	(395,300)	(395,300)	(274,700)	(670,000)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	(147,000)	(147,000)
Capital contribution by non-controlling interests	–	–	–	–	–	–	525,000	525,000
At 30th April 2011	1,888,000	(413,843)	2,083,540	232,574	883,473	4,673,744	5,882,255	10,555,999
UNAUDITED								
At 1st January 2010	177,785	886,913	2,083,540	223,121	1,003,208	4,374,567	5,106,572	9,481,139
Profit and total comprehensive income for the period	–	–	–	–	205,315	205,315	193,351	398,666
Dividends paid to non-controlling interests	–	–	–	–	–	–	(61,503)	(61,503)
Disposal of a subsidiary *(note 31)*	–	–	–	–	–	–	(305)	(305)
At 30th April 2010	177,785	886,913	2,083,540	223,121	1,208,523	4,579,882	5,238,115	9,817,997

As stipulated by the relevant laws and regulations in the PRC, the subsidiaries established in the PRC are required to maintain certain statutory funds which are non-distributable. Appropriations to these reserve funds are made out of net profit after taxation of the respective PRC companies with reference to the financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC. The amount and allocation basis are decided annually by the board of directors of the respective PRC companies.

The capital reserve represents capital contributions from, and distributions to Xuhui SAAC, which are attributable to owners of the Company.

COMBINED STATEMENT OF CASH FLOWS

	Year ended 31st December			Four months ended 30th April	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit before taxation	879,479	883,703	784,150	769,681	286,148
Adjustments for:					
Depreciation of property, plant and equipment	14,113	10,461	8,008	2,745	2,488
Finance costs	46,831	67,773	121,855	32,779	82,494
Change in fair value of investment held-for-trading	6,904	(4,715)	433	5,944	295
(Gain) loss on disposal of property, plant and equipment	(2,146)	20	63	49	(122)
Increase in fair value of properties under development upon transfer to investment properties	(460,000)	–	–	–	–
Increase in fair value of investment properties	(2,450)	(200,266)	–	–	–
Interest income	(113,040)	(162,166)	(66,353)	(13,295)	(11,316)
Net loss on disposal of interests in a subsidiary and associates	–	–	(187)	(52)	(30,811)
Release of prepaid lease payments	135	135	135	44	44
Impairment losses (reversal of) on inventories	(32,890)	(3,422)	26,762	25,605	(1,831)
Share of results of associates	(9,563)	(2,123)	(2,883)	(103)	(119)
Operating cash flows before movements in working capital	327,373	589,400	871,983	823,397	327,270
Decrease (increase) in inventories	300,004	(2,036,513)	508,499	681,440	(2,695,900)
(Increase) decrease in trade and other receivables	(250,334)	363,156	(668,906)	(76,160)	396,808
(Increase) decrease in financial assets at fair value through profit or loss	(1,678)	22	73	(5,270)	(207)
(Decrease) increase in trade and other payables	(55,048)	63,581	(456,752)	(388,299)	258,784
(Decrease) increase in customer deposits	(1,138,058)	2,641,340	(1,705,813)	(1,409,784)	(184,470)
Cash (used in) generated from operations	(817,741)	1,620,986	(1,450,916)	(374,676)	(1,897,715)
PRC Enterprise Income Tax paid	(2,970)	(411,678)	(310,330)	(70,857)	(30,515)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(820,711)	1,209,308	(1,761,246)	(445,533)	(1,928,230)

	Note	Year ended 31st December 2008 RMB'000	2009 RMB'000	2010 RMB'000	Four months ended 30th April 2010 RMB'000 (unaudited)	2011 RMB'000
INVESTING ACTIVITIES						
Proceeds from disposal of interests in associates		322,732	–	450	260	4,590
Proceeds from disposal of property, plant and equipment		3,675	111	478	45	160
Proceeds from disposal of investment Properties		–	20,266	–	–	–
Proceeds from disposal of available-for-sale investments		–	451	–	–	–
Disposal of a subsidiary (net of cash and cash equivalents disposed of)	31	–	–	490	490	236,545
Interest received		51,210	77,996	212,353	13,295	11,316
Dividends received from associates		89	5,110	7,785	–	–
(Increase) decrease in restricted/pledged bank deposits		(43,590)	(53,976)	69,769	45,515	13,287
Purchase of property, plant and equipment		(9,804)	(7,342)	(4,401)	(1,161)	(1,265)
Purchase of available-for-sale investments		(2,826)	–	(25,000)	–	–
(Advance to) repayment from the vendor of a PRC investment project		(1,000,000)	–	630,000	50,000	370,000
Loans advanced to SIUD (as defined in note 6)		–	–	(250,000)	–	(250,000)
Acquisition of an associate		–	–	–	–	(798,000)
Repayment from (advance to) Xuhui SAAC		192,063	71,030	2,420	382	(5,203)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(486,451)	113,646	644,344	108,826	(418,570)
FINANCING ACTIVITIES						
Borrowings raised		3,203,383	3,619,346	4,922,008	450,009	1,431,800
Capital contributions from non-controlling interests		105,000	–	170,559	–	525,000
Repayment of borrowings		(1,076,590)	(2,586,453)	(2,773,898)	(633,850)	(580,610)
Interest paid		(181,225)	(217,878)	(268,055)	(70,713)	(137,677)
(Repayment to) advance from Xuhui SAAC		(316,206)	(191,114)	4,484	5,829	(275,455)
Dividends paid to non-controlling interests		(45,133)	(12,250)	(61,503)	(61,503)	–
Capital contribution from Xuhui SAAC		–	224,988	–	–	–
Capital injection from SIHL and Xuhui SAAC		–	–	–	–	694,000

		Year ended 31st December			Four months ended 30th April	
		2008	2009	2010	2010	2011
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
NET CASH FROM (USED IN) FINANCING ACTIVITIES		1,689,229	836,639	1,993,595	(310,228)	1,657,058
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		382,067	2,159,593	876,693	(646,935)	(689,742)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		440,129	822,196	2,981,789	2,981,789	3,858,482
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash		822,196	2,981,789	3,858,482	2,334,854	3,168,740

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL AND BASIS OF PRESENTATION

The Company was newly incorporated with limited liability in the BVI on 19th January 2011. Its immediate holding company is SIHL, a company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is Shanghai Industrial Investment (Holdings) Company Limited, a private limited company also incorporated in Hong Kong.

The address of the registered office of the Company is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, the BVI.

The Company is an investment holding company. The principal activities of its subsidiaries are property development business.

On 22nd February 2011, Joy Century was incorporated in Hong Kong as a company with limited liability and a wholly owned subsidiary of the Company. On 30th March 2011, SIHL entered into an equity transfer agreement (the "Equity Transfer") with Joy Century whereby SIHL agreed to transfer its 59% equity interest in Shanghai Urban Development to Joy Century for a total consideration of RMB4,108,827,700 (financed by a shareholder's loan of the same amount advanced from SIHL). The Equity Transfer was completed on 8th August 2011.

The Equity Transfer involved the incorporation of investment holding entities, including the Company and Joy Century, between SIHL and Shanghai Urban Development. Accordingly, the combined financial statements are prepared as a continuation of the SUD Group. The combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective date of incorporation of the relevant entities to 30th April 2011, where this is a shorter period. The combined statement of financial position as at 31st December 2008, 31st December 2009, 31st December 2010 and 30th April 2011 presents the assets and liabilities of the companies now comprising the Group which were in existence at those dates.

The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted the Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs"), amendments and interpretations ("HK(IFRIC) – INT") issued by the HKICPA, which are effective for the accounting period beginning on 1st January 2011 throughout the Relevant Periods.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1st July 2011.
[2] Effective for annual periods beginning on or after 1st January 2013.
[3] Effective for annual periods beginning on or after 1st January 2012.
[4] Effective for annual periods beginning on or after 1st July 2012.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The directors anticipate that HKFRS 9, which will be adopted in the Group's consolidated financial statements for financial year ending 31st December 2013. Based on an analysis of the Group's financial assets and financial liabilities as at 30th April 2011, the application of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investments but not on the Group's other financial assets and financial liabilities.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 may increase deferred tax recognised for investment properties that are measured using the fair value model.

The directors of the Company anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the combined financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Financial Information has been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on fair value of the consideration given in exchange for goods.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period are included in the combined statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investment in a subsidiary

Investment in a subsidiary is included in the statement of financial position of the Company at cost less any identified impairment loss. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the combined statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's combined financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the combined statement of financial position under current liabilities.

Rental income, including rental invoiced in advance from letting of properties under operating leases, is recognised on a straight-line basis over the period of the relevant leases.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the asset is derecognised.

Property, plant and equipment

Property, plant and equipment, including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expenses on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the combined statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments made to state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the combined statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss.

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from a subsidiary, restricted bank deposits, trade and other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense in recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities, including amount due to immediate holding company, trade and other payables and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Properties held for sale and properties under development held for sale are stated at the lower of cost and net realisable value on an individual basis. Cost comprises the acquisition cost and other direct costs attributable to such properties.

The Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months:

Allowance for properties under development and properties held for sale

Management regularly reviews the recoverability of the Group's properties under development and properties held for sale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Appropriate allowance for properties under development and properties held for sale is made if the estimated recoverable amount is lower than its carrying amount. As at 31st December 2008, 2009, 2010 and 30th April 2011, the aggregate carrying amounts of properties under development and properties held for sale for the Group were approximately RMB11,019 million, RMB13,209 million, RMB12,820 million and RMB14,931 million, respectively.

PRC Land Appreciation Tax ("LAT")

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all property development expenditures.

The Group is subject to LAT in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain of its property development projects. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. As at 31st December 2008, 2009, 2010 and 30th April 2011, the carrying amounts of LAT provision (included in taxation payable) for the Group were approximately RMB92 million, RMB307 million, RMB589 million and RMB693 million, respectively.

Estimated impairment of trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the aging of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December 2008, 2009, 2010 and 30th April 2011, the aggregate carrying amounts of the Group's trade and other receivables were approximately RMB1,983 million, RMB1,633 million, RMB1,773 million and RMB1,093 million, respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of net debts, which includes bank and other borrowings disclosed in note 27, net of cash and cash equivalents and equity attributable to owners of the Company, comprising paid-in capital/share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the repayment of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP				THE COMPANY
	As at 31st December			As at 30th April	As at 30th April
	2008	2009	2010	2011	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets					
Fair value through profit or loss					
Held-for-trading	6,530	11,223	10,717	10,629	–
Loans and receivables (including cash and cash equivalents)	2,741,998	4,524,117	5,377,950	4,242,874	4
Available-for-sale investments	5,082	4,631	29,631	29,631	–
Financial liabilities					
Amortised cost	5,056,729	5,980,680	7,616,718	8,019,094	9

(b) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade and other receivables, restricted bank deposits, pledged bank deposits, bank balances, trade and other payables, dividends payable and bank and other borrowings. The Company's major financial instruments include amount due from a subsidiary and amount due to immediate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures, dividends payable are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group's cash flow interest rate risks mainly relate to variable-rate borrowings due to the fluctuation of the prevailing lending rate quoted by People's Bank of China. The Group's advance to vendor of an investment project in the PRC and the Group's pledged bank deposits have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group's bank balances also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

The Group currently does not have a hedging policy. However, the management monitors interest rate exposure on ongoing basis and will consider hedging significant interest rate risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and variable-rate borrowings at the end of the reporting period.

For variable-rate borrowings and bank balances, the analysis is prepared assuming that the amount of liability/asset outstanding at the end of the reporting period was outstanding for the whole year/period. A 50 basis point and 10 basis point respectively, increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate during the Relevant Periods.

If interest rates had been 50 basis point and 10 basis point higher/lower and all other variables were held constant, the Group's profit after taxation (assuming no additional capitalisation of finance costs) for the year ended 31st December 2008, 2009, 2010 and four months ended 30th April 2011 would decrease by RMB11,927,000, RMB6,293,000, RMB12,650,000 and RMB6,685,000 if interest rate is higher/increase by RMB2,385,000, RMB1,259,000, RMB2,530,000 and RMB1,337,000 if interest rate is lower, respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings.

(ii) *Equity price risk*

The Group is exposed to equity price risk through their listed investments in equity securities classified as financial assets at FVTPL. For available-for-sale investment stated at cost, the other price risk is not measurable as the range of reasonable fair value estimates is significant and accordingly, sensitivity analysis is not presented. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Shanghai Stock Exchange. In addition, the management has appointed a team of specialists to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk on quoted equity investments held by the Group at the reporting date.

If the prices of the respective quoted equity instruments had been 5% higher/lower, the Group's profit after taxation for the year ended 31st December 2008, 2009, 2010 and four months ended 30th April 2011 would increase/decrease by RMB245,000, RMB421,000, RMB402,000 and RMB399,000, respectively, as a result of the changes in fair value of financial assets at FVTPL.

Credit risk

As at 30th April 2011, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and

- the amount of contingent liabilities in relation to the financial guarantee issued by the Group as disclosed in note 35.

The Group's credit risk is primarily attributable to its trade and other receivables. The Company's credit risk is primarily attributable to its amount due from a subsidiary. The amounts presented in the combined statement of financial position and the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, securities investments to be placed and entered into with financial institutions of good reputation. These internal procedures also impose limitation on the amount outstanding and to manage the credit ratings on equity investments to be held, so as to minimise the Group's credit risk exposure.

The Group's concentration of credit risk by geographical locations of customers are mainly on the PRC, which represented all of the trade receivables at 31st December 2008, 2009, 2010 and 30th April 2011.

The Group's credit risk on bank balances and bank deposits is limited because the counterparties are banks with good reputation.

Except for an advance to the vendor of an investment project in the PRC, amounts due from entities controlled by Xuhui SAAC, loans advanced to Shanghai Industrial Urban Development Group Limited ("SIUD") and guarantee deposits paid for land auction in the PRC as set out below, which accounted for 80%, 78%, 79% and 72% of the Group's other receivables as at 31st December 2008, 2009, 2010 and 30th April 2011, respectively, the Group has no other significant concentration of credit risk, with exposure spread over a number of counterparties and customers. The Group's credit risk position is monitored closely by the management.

	As at 31st December			**As at 30th April**
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance to the vendor of an investment project in the PRC	1,061,830	1,146,000	370,000	–
Amounts due from entities controlled by Xuhui SAAC	170,590	99,560	97,140	102,343
Loans advanced to SIUD	–	–	250,000	500,000
Guarantee deposits paid for land auction in the PRC	–	–	675,067	189,000
	1,232,420	1,245,560	1,392,207	791,343

As at 30th April 2011, the Company has concentration of credit risk in relation to amount due from a subsidiary. The Company's credit risk position is monitored closely by management of the Company.

Liquidity risk

The Group's and the Company's liquidity position are monitored closely by management. The Company's amount due to immediate holding company is repayable on demand and non-interest bearing. No further analysis is therefore presented. The following tables detail the contractual maturity for the Group's non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

THE GROUP

	Weighted average interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31st December 2008								
Trade and other payables	–	1,849,166	–	–	–	–	1,849,166	1,849,166
Bank and other borrowings	7.47	–	365,291	1,347,642	1,324,756	551,142	3,588,831	3,207,563
		1,849,166	365,291	1,347,642	1,324,756	551,142	5,437,997	5,056,729
Financial guarantee contracts	–	796,732	–	–	–	–	796,732	–
As at 31st December 2009								
Trade and other payables	–	1,740,224	–	–	–	–	1,740,224	1,740,224
Bank and other borrowings	6.77	–	390,040	2,056,367	1,796,622	398,523	4,641,552	4,240,456
		1,740,224	390,040	2,056,367	1,796,622	398,523	6,381,776	5,980,680
Financial guarantee contracts	–	1,408,115	–	–	–	–	1,408,115	–
As at 31st December 2010								
Trade and other payables	–	1,228,152	–	–	–	–	1,228,152	1,228,152
Bank and other borrowings	5.84	–	39,190	3,201,700	2,823,075	892,232	6,956,197	6,388,566
		1,228,152	39,190	3,201,700	2,823,075	892,232	8,184,349	7,616,718
Financial guarantee contracts	–	1,013,109	–	–	–	–	1,013,109	–
As at 30th April 2011								
Trade and other payables	–	839,338	–	–	–	–	839,338	839,338
Bank and other borrowings	5.84	–	208,200	2,902,206	3,533,579	892,232	7,536,217	7,179,756
		839,338	208,200	2,902,206	3,533,579	892,232	8,375,555	8,019,094
Financial guarantee contracts	–	639,907	–	–	–	–	639,907	–

(c) **Fair value**

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold by the Group in the normal course of business to outside customers, net of sales related taxes for the year/period.

The Group is engaged in the property development and property investment activities. Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses only on revenue analysis. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Entity-wide disclosures

Revenue from major business services

The following is an analysis of the Group's revenue from its major business services:

	Year ended 31st December			Four months ended 30th April	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Sales of property	2,181,710	1,676,116	3,555,018	2,217,012	720,507
Rental income *(note)*	178,942	171,930	171,178	52,959	56,340
	2,360,652	1,848,046	3,726,196	2,269,971	776,847

Note: The direct operating expenses from investment properties that generated rental income during the year/period amounting to RMB13,908,000, RMB12,093,000, RMB12,931,000, RMB1,313,000 and RMB1,298,000 respectively for the year ended 31st December 2008, 2009, 2010 and four months ended 30th April 2010 and 2011.

Geographical information

The Group's operations are located in the PRC. All revenue and non-current assets excluding financial instruments of the Group are generated from and located in the PRC.

Except for one customer which contributed approximately 13% of the revenue for the four months ended 30th April 2011, no revenue from a single customer or a group of customers under common control contributed 10% or more of the Group's revenue for the three years ended 31st December 2010 and four months ended 30th April 2010 and 2011.

8. NET INVESTMENT INCOME

	Year ended 31st December			Four months ended 30th April	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank deposits	10,403	8,474	17,237	7,426	7,333
Other interest income	102,637	153,692	49,116	5,869	3,983
Total interest income	113,040	162,166	66,353	13,295	11,316
Dividend income from investments	–	6,185	–	–	–
Change in fair value of financial assets classified as held-for-trading	(6,904)	4,715	(433)	(5,944)	(295)
	106,136	173,066	65,920	7,351	11,021

9. FINANCE COSTS

	Year ended 31st December			Four months ended 30th April	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank and other borrowings:					
– wholly repayable within five years	153,091	171,253	212,833	64,290	125,262
– wholly repayable over five years	28,134	46,625	55,222	6,423	12,415
	181,225	217,878	268,055	70,713	137,677
Less: amounts capitalised in properties under development held for sale	(134,394)	(150,105)	(146,200)	(37,934)	(55,183)
	46,831	67,773	121,855	32,779	82,494

10. INCOME TAX EXPENSE

	Year ended 31st December			Four months ended 30th April	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Tax charge represents:					
Current tax					
– PRC Enterprise Income Tax ("EIT")	106,909	283,801	95,906	82,307	91,113
– PRC LAT	65,290	267,019	317,505	277,584	116,387
	172,199	550,820	413,411	359,891	207,500
Under(over)provision in prior years	83	19	405	17	(9,209)
Deferred taxation *(note 22)*	2,031	(121,850)	(28,661)	11,107	(77,257)
	174,313	428,989	385,155	371,015	121,034

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January 2008 onwards.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs and property development expenditures.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries have no assessable profit for the Relevant Periods.

Income tax expense for the Relevant Periods can be reconciled to the profit before taxation per the combined statement of comprehensive income as follows:

	Year ended 31st December			Four months ended 30th April	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before taxation	879,479	883,703	784,150	769,681	286,148
Tax at the income tax rate of 25%	219,870	220,926	196,038	192,420	71,537
Tax effect of share of results of associates	(2,391)	(531)	(721)	(26)	(30)
Tax effect of income not taxable for tax purpose	(30,454)	(2,951)	(8,819)	(894)	(44,099)
Tax effect of expenses not deductible for tax purpose	3,806	5,646	3,747	2,604	31,538
Under(over)provision in prior years	83	19	405	17	(9,209)
Tax effect of tax losses not recognised	5,931	18,832	–	3,408	6,231
Utilisation of tax losses previously not recognised	(5,183)	(42)	(8,797)	(2,043)	(6,657)
PRC LAT	(23,132)	237,183	271,070	234,039	107,901
Tax effect of LAT for PRC EIT	5,783	(59,296)	(67,768)	(58,510)	(26,975)
Others	–	9,203	–	–	(9,203)
Income tax expense	174,313	428,989	385,155	371,015	121,034

Details of deferred taxation are set out in note 22.

11. PROFIT FOR THE YEAR/PERIOD

	Year ended 31st December			Four months ended 30th April	
	2008	2009	2010	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period has been arrived at after charging (crediting):					
Employee benefits expense, including emoluments of directors of Shanghai Urban Development:					
Salaries, bonus and allowance	66,048	72,009	80,868	18,205	34,768
Retirement benefits scheme contributions	4,665	5,859	6,467	1,949	2,115
Less: Amount capitalised in properties under development held for sale	(10,099)	(9,518)	(13,759)	(5,889)	(9,446)
	60,614	68,350	73,576	14,265	27,437
Auditor's remuneration	597	1,323	1,114	607	775
Depreciation of property, plant and equipment	14,113	10,461	8,008	2,745	2,488
Release of prepaid lease payments	135	135	135	44	44
(Gain) loss on disposal of property, plant and equipment	(2,146)	20	63	49	(122)
Share of tax of associates (included in share of results of associates)	3,063	1,686	1,105	109	41
Cost of inventories recognised as an expense	1,775,992	993,801	2,562,323	1,350,268	339,352
(Reversal of) impairment loss on inventories	(32,890)	(3,422)	26,762	25,605	(1,831)
Operating lease rentals in respect of land and buildings to others	24,241	29,648	27,864	8,365	5,447
The following items are included in other income:					
Increase in fair value of investment properties	(2,450)	(200,266)	–	–	–
Rental income from property, plant and equipment	(15,955)	(12,702)	(16,532)	(3,475)	(3,779)
Land levelling income	–	–	–	–	(36,813)
Guarantee fee income	(7,144)	–	–	–	–

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each directors of Shanghai Urban Development were as follows:

	Cai Yu Tian RMB'000	Yang Biao RMB'000	Ni Jian Da RMB'000	Chen An Min RMB'000	Qian Shi Zheng RMB'000	Zhou Jun RMB'000	Zhong Tao RMB'000 (note i)	Wang Zheng Gang RMB'000 (note ii)	Total RMB'000
For the year ended 31st December 2008									
Fees	–	–	–	–	–	–	–	–	–
Other emoluments									
Salaries and other benefits	–	–	1,379	1,224	–	–	–	–	2,603
Retirement benefits scheme contributions	–	–	7	7	–	–	–	–	14
Performance related incentive payments *(note iii)*	–	–	1,149	1,066	–	–	–	–	2,215
Total emoluments	–	–	2,535	2,297	–	–	–	–	4,832
For the year ended 31st December 2009									
Fees	–	–	–	–	–	–	–	–	–
Other emoluments									
Salaries and other benefits	–	–	1,194	1,046	–	–	–	–	2,240
Retirement benefits scheme contributions	–	–	8	8	–	–	–	–	16
Performance related incentive payments *(note iii)*	–	–	1,426	1,336	–	–	–	–	2,762
Total emoluments	–	–	2,628	2,390	–	–	–	–	5,018
For the year ended 31st December 2010									
Fees	–	–	–	–	–	–	–	–	–
Other emoluments									
Salaries and other benefits	–	574	1,228	1,088	–	–	–	–	2,890
Retirement benefits scheme contributions	–	5	9	9	–	–	–	–	23
Performance related incentive payments *(note iii)*	–	652	1,645	1,540	–	–	–	–	3,837
Total emoluments	–	1,231	2,882	2,637	–	–	–	–	6,750
For the four months ended 30th April 2011									
Fees	–	–	–	–	–	–	–	–	–
Other emoluments									
Salaries and other benefits	–	383	383	331	–	–	300	–	1,397
Retirement benefits scheme contributions	–	3	3	3	–	–	3	–	12
Performance related incentive payments *(note iii)*	–	–	–	–	–	–	–	–	–
Total emoluments	–	386	386	334	–	–	303	–	1,409
For the four months ended 30th April 2010 (Unaudited)									
Fees	–	–	–	–	–	–	–	–	–
Other emoluments									
Salaries and other benefits	–	–	383	331	–	–	–	–	714
Retirement benefits scheme contributions	–	–	3	3	–	–	–	–	6
Performance related incentive payments *(note iii)*	–	–	–	–	–	–	–	–	–
Total emoluments	–	–	386	334	–	–	–	–	720

Notes:

(i) Mr. Zhong Tao was appointed as a director of Shanghai Urban Development on 15th November 2010.

(ii) Mr. Wang Zheng Gang resigned as a director of Shanghai Urban Development on 15th November 2010.

(iii) Performance related incentive payments were determined with reference to the SUD Group's operating results, individual performance and comparable market statistics.

During the Relevant Periods, no emoluments were paid by the SUD Group to the directors of Shanghai Urban Development as an inducement to join or upon joining the SUD Group or as compensation for loss of office. None of the directors of Shanghai Urban Development has waived any emoluments during the Relevant Periods.

Since the date of incorporation to 30th April 2011, the Company did not pay any emoluments to its directors or employees.

13. EMPLOYEES' EMOLUMENTS

Of the five highest paid individuals in the SUD Group during each of the three years ended 31st December 2010 and four months ended 30th April 2010, two were directors of Shanghai Urban Development. During the four months ended 30th April 2011, four out of the five highest paid individuals were directors of Shanghai Urban Development. The emoluments of these directors are included in the disclosures in note 12 above. The emoluments of the remaining individuals were as follows:

	Year ended 31st December			Four months ended 30th April	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	2,703	2,801	2,887	900	300
Retirement benefits scheme contributions	17	23	26	9	3
Performance related incentive payments	2,225	3,448	4,307	–	–
	4,945	6,272	7,220	909	303

Their emoluments were within the following bands:

	No. of employees				
	Year ended 31st December			Four months ended 30th April	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB871,000 to RMB1,307,000)	1	–	–	3	1
HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB1,743,000 to RMB2,178,000)	2	3	–	–	–
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,178,000 to RMB2,614,000)	–	–	3	–	–

14. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

No dividend was paid or proposed by Shanghai Urban Development during each of the three years ended 31st December 2008, 2009, 2010 and four months ended 30th April 2010.

During the four months ended 30th April 2011, pursuant to the approval of the board of directors of Shanghai Urban Development on 9th March 2011, it was resolved that a dividend of RMB670 million in total was declared to be paid out from the retained profits of Shanghai Urban Development to SIHL and Xuhui SAAC in accordance with their respective percentage of equity interests in Shanghai Urban Development.

15. INVESTMENT PROPERTIES

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
FAIR VALUE				
At beginning of the year/period	437,550	1,700,000	1,880,000	1,880,000
Transfer from properties under development held for sale	1,260,000	–	–	–
Disposals	–	(20,266)	–	–
Net increase in fair value recognised in profit or loss	2,450	200,266	–	–
At end of the year/period	1,700,000	1,880,000	1,880,000	1,880,000

The fair value of the Group's investment properties at the end of the reporting period was arrived at on the basis of a valuation carried out on that date by Messrs. Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group. Messrs. Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to comparable sales transactions as available in the relevant markets.

All of the above property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties are situated in the PRC and are held under medium-term land use rights.

The property rental income earned by the Group from its investment properties, all of which are leased out under operating leases.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1st January 2008	54,295	8,893	13,862	28,234	18,574	97	123,955
Additions	–	–	4,749	3,465	1,430	160	9,804
Transfers/reclassifications	(43,722)	–	194	–	–	(194)	(43,722)
Disposals	(1,858)	–	(791)	(1,466)	–	–	(4,115)
At 31st December 2008	8,715	8,893	18,014	30,233	20,004	63	85,922
Additions	–	14	3,163	3,048	1,117	–	7,342
Transfers	–	–	52	–	–	(52)	–
Disposals	–	(94)	(250)	(1,152)	–	–	(1,496)
At 31st December 2009	8,715	8,813	20,979	32,129	21,121	11	91,768
Additions	–	–	2,290	2,088	23	–	4,401
Attributable to disposal of a subsidiary	–	–	(1,575)	(99)	–	(11)	(1,685)
Disposals	(470)	–	(1,528)	(1,130)	–	–	(3,128)
At 31st December 2010	8,245	8,813	20,166	32,988	21,144	–	91,356
Additions	–	–	916	349	–	–	1,265
Attributable to disposal of a subsidiary	–	–	(698)	(1,314)	(1,498)	–	(3,510)
Reclassification	(8,245)	–	–	–	–	–	(8,245)
Disposals	–	–	–	(767)	(3,495)	–	(4,262)
At 30th April 2011	–	8,813	20,384	31,256	16,151	–	76,604
DEPRECIATION							
At 1st January 2008	25,957	3,911	8,487	11,164	5,990	–	55,509
Provided for the year	89	228	1,706	3,313	8,777	–	14,113
Reclassifications	(22,957)	–	–	–	–	–	(22,957)
Eliminated on disposals	(777)	–	(728)	(1,081)	–	–	(2,586)
At 31st December 2008	2,312	4,139	9,465	13,396	14,767	–	44,079
Provided for the year	8	238	2,419	3,378	4,418	–	10,461
Eliminated on disposals	–	(90)	(233)	(1,042)	–	–	(1,365)
At 31st December 2009	2,320	4,287	11,651	15,732	19,185	–	53,175
Provided for the year	37	230	2,840	3,225	1,676	–	8,008
Attributable to disposal of a subsidiary	–	–	(758)	–	–	–	(758)
Eliminated on disposals	(152)	–	(1,351)	(1,084)	–	–	(2,587)
At 31st December 2010	2,205	4,517	12,382	17,873	20,861	–	57,838
Provided for the period	–	78	947	1,180	283	–	2,488
Attributable to disposal of a subsidiary	–	–	(425)	(1,045)	(1,498)	–	(2,968)
Reclassification	(2,205)	–	–	–	–	–	(2,205)
Eliminated on disposals	–	–	–	(729)	(3,495)	–	(4,224)
At 30th April 2011	–	4,595	12,904	17,279	16,151	–	50,929
CARRYING VALUES							
At 31st December 2008	6,403	4,754	8,549	16,837	5,237	63	41,843
At 31st December 2009	6,395	4,526	9,328	16,397	1,936	11	38,593
At 31st December 2010	6,040	4,296	7,784	15,115	283	–	33,518
At 30th April 2011	–	4,218	7,480	13,977	–	–	25,675

The above items of property, plant and equipment are depreciated on a straight-line basis, at the following rates per annum:

Buildings	Over the shorter of 5%, or over the period of the lease term
Plant and machinery	5% – 20%
Furniture, fixtures and equipment	10% – 20%
Motor vehicles	10% – 20%
Leasehold improvements	20%

All the Group's buildings are erected on land held under medium-term land use rights in the PRC.

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise medium-term land use rights in the PRC and are analysed for reporting purpose as follows:

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset	4,103	3,968	3,833	3,789
Current asset	135	135	135	135
	4,238	4,103	3,968	3,924

18. INTANGIBLE ASSETS

Intangible assets of the Group represent a trademark acquired by the Group in prior years, which has a legal life of 10 years from September 2001 to September 2011 but is renewable upon expiry. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, trademark with definite useful lives set out above has been allocated to the individual cash generating unit ("CGU"), comprising Shanghai Urban Development and its subsidiaries. During the Relevant Periods, management of the Group determines that there is no impairment of the CGU containing trademark by reference to the recoverable amount of the CGU, which has been determined based on a value in use calculation.

19. INTERESTS IN ASSOCIATES

	As at 31st December			As at 30th April
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost	19,990	19,990	19,540	812,950
Share of post-acquisition profits and other comprehensive income, net of dividends received	11,044	8,057	3,576	5,250
	31,034	28,047	23,116	818,200

As at 31st December 2008, 2009, 2010 and 30th April 2011, the Group had interests in the following associates:

Name of associate	Registered capital	Issued and fully paid capital	Proportion of interest held by the Group: As at 31st December 2008	2009	2010	As at 30th April 2011	Principal activity
	RMB	*RMB*					
上海城開派特貴金屬有限公司 (Shanghai Urban Development Pai Te Precious Metals Co., Ltd.) ("Shanghai Pai Te Precious Metals")	10,000,000	10,000,000	45.9%	45.9%	45.9%	–	Trading of precious metals
上海城開房地產經紀有限公司 (Shanghai Urban Development Real Estate Agency Co., Ltd.)	20,000,000	20,000,000	49%	49%	49%	49%	Provision of property agency services
上海深城環保設備工程有限公司 (Shanghai Shen Cheng Environmental Protection Equipment Engineering Co., Ltd.)	2,000,000	2,000,000	35%	35%	–	–	Trading of fixtures and furniture
Shanghai Cheng Da *(note 31)*	1,000,000	1,000,000	–	–	25%	25%	Provision of water sewage
上海莘天置業有限公司 (Shanghai Sin Tian Property Development Co., Ltd.)	2,850,000,000	2,289,828,461	–	–	–	35%	Property development and sales

A summary of the combined financial information in respect of the Group's associates is set out below:

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	117,308	77,530	62,123	2,333,425
Total liabilities	(32,305)	(19,612)	(14,019)	(1,871)
Net assets	85,003	57,918	48,104	2,331,554
Group's share of net assets of associates	31,034	28,047	23,116	818,200
Revenue	51,417	358,014	13,119	3,116
Profit for the year/period	20,280	4,047	4,933	233
Group's share of results of associates for the year/period	9,563	2,123	2,883	119

20. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity securities	5,082	4,631	29,631	29,631

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

21. RESTRICTED BANK DEPOSITS/PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The restricted bank deposits represent deposits under restriction for use by the Group as a result of a commercial court case of a non-controlling shareholder of a subsidiary and the bank deposits were frozen accordingly. The restricted bank deposits carry fixed interest at a rate of 0.72%, 0.36%, 0.36% and 0.5% per annum as at 31st December 2008, 2009, 2010 and 30th April 2011, respectively.

Pledged bank deposits with maturity of less than six months represent deposits pledged to banks to secure general banking facilities granted to the Group. Deposits amounting to RMB43,127,000, RMB96,868,000, RMB26,863,000 and RMB13,515,000 have been pledged to secure general banking facilities as at 31st December 2008, 2009, 2010 and 30th April 2011, respectively, and are therefore classified as current assets. The pledged bank deposits carry interest at fixed interest rates ranging from 1.71%, 2.25%, 2.25% to 2.75% and 2.85% to 3.25% per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Bank balances with maturity of less than three months carry interest at market rates at a rate of 0.72%, 0.36%, 0.36% and 0.5% per annum as at 31st December 2008, 2009, 2010 and 30th April 2011, respectively.

22. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) of the Group recognised and movements thereon during the Relevant Periods:

	Revaluation of investment properties	Fair value adjustment on revaluation of properties	Land appreciation tax	Accrued expenses	Tax losses	Other deferred tax assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2008	80,588	783,079	353,227	(267)	(17,581)	(25,833)	1,173,213
Charge (credit) to profit or loss	207,957	(145,463)	(88,422)	259	17,581	10,119	2,031
At 31st December 2008	288,545	637,616	264,805	(8)	–	(15,714)	1,175,244
Charge (credit) to profit or loss	48,600	(30,943)	(29,836)	(122,891)	–	13,220	(121,850)
At 31st December 2009	337,145	606,673	234,969	(122,899)	–	(2,494)	1,053,394
(Credit) charge to profit or loss	–	(79,178)	(46,435)	114,967	(15,408)	(2,607)	(28,661)
At 31st December 2010	337,145	527,495	188,534	(7,932)	(15,408)	(5,101)	1,024,733
(Credit) charge to profit or loss	–	(63,595)	(8,486)	(21,215)	14,818	1,221	(77,257)
At 30th April 2011	337,145	463,900	180,048	(29,147)	(590)	(3,880)	947,476

For the purpose of presentation in the combined statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31st December			As at 30th April
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	(8,114)	(9,507)	(8,025)	(28,618)
Deferred tax liabilities	1,183,358	1,062,901	1,032,758	976,094
	1,175,244	1,053,394	1,024,733	947,476

At 31st December 2008, 2009, 2010 and 30th April 2011, the Group had unused tax losses of RMB55,941,000, RMB131,101,000, RMB157,545,000 and RMB96,572,000, respectively, available for offset against future assessable profits. A deferred tax asset has been recognised in respect of RMB61,632,000 and RMB2,360,000 of such losses as at 31st December 2010 and 30th April 2011. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB55,941,000, RMB131,101,000, RMB95,913,000 and RMB94,212,000, respectively, due to the unpredictability of future profit streams. The tax losses will expire in various dates in the next five years.

23. INVENTORIES

	As at 31st December			As at 30th April
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties under development held for sale	9,366,847	10,144,986	10,627,185	13,386,778
Properties held for sale	1,651,978	3,063,879	2,192,603	1,544,426
	11,018,825	13,208,865	12,819,788	14,931,204

Included in the Group's inventories is an amount of RMB9,366,847,000, RMB10,144,986,000, RMB10,627,185,000 and RMB13,386,778,000, respectively, as at 31st December 2008, 2009, 2010 and 30th April 2011, properties under development held for sale which are not expected to be realised within one year.

24. TRADE AND OTHER RECEIVABLES

	As at 31st December			As at 30th April
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	448,732	27,222	7,130	8,161
Less: allowance for doubtful debts	(667)	(667)	(667)	(667)
	448,065	26,555	6,463	7,494
Amounts due from entities controlled by Xuhui SAAC *(note i)*	170,590	99,560	97,140	102,343
Advance to the vendor of an investment project in the PRC *(note ii)*	1,061,830	1,146,000	370,000	–
Guarantee deposits paid for land auction in the PRC *(note iii)*	–	–	675,067	189,000
Loans advanced to SIUD *(note iv)*	–	–	250,000	500,000
Other receivables	302,226	360,580	374,032	293,886
	1,982,711	1,632,695	1,772,702	1,092,723

Notes:

(i) The amounts due from entities controlled by Xuhui SAAC are unsecured. Except for an amount of RMB89,701,000 as at 31st December 2008, 2009, 2010 and 30th April 2011 represents loan advanced to an entity controlled by Xuhui SAAC through an entrusted loan agreement administrated by a bank, which carry interest ranging from 7.47%, 5.84% to 7.47%, 5.84% and 5.84% per annum, and are repayable within one year. The remaining balances are non-interest bearing and repayable on demand.

(ii) The amount was advanced to the vendor of an investment project in the PRC, which was secured by the equity interests of the vendor held in the investment and interest-bearing at a fixed rate of 16%, 16% and 8% per annum respectively for the year ended 31st December 2008, 2009 and 2010. The amount was fully settled in February 2011.

(iii) The amounts represent guarantee deposits paid for land auction in the PRC. An amount of RMB486,067,000 has been fully refunded during the four months ended 30th April 2011, the remaining balance of RMB189,000,000 was fully refunded in May 2011.

(iv) The amounts represent unsecured loans advanced to entities controlled by SIUD, a company controlled by SIHL, through entrusted loan agreements administrated by banks. Such loan balances were bearing interest at 6.972% per annum and repayable by 28th December 2011 and 31st January 2012. The loans were provided for property project development of SIUD.

Due to the nature of business, the Group generally grants no credit period to property buyers and tenants. The following is an aged analysis of trade receivables, mainly include management fee billed to tenants (except for the balances as at 31st December 2008 which also includes receivables due from property buyers), of the Group net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period.

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	445,532	23,900	1,170	6,134
Within 31 – 180 days	1,192	961	4,659	–
Within 181 – 365 days	1,341	–	–	–
Over 365 days	–	1,694	634	1,360
	448,065	26,555	6,463	7,494

Majority of the trade receivables that are neither past-due nor impair has no default payment history.

As at 31st December 2008, 2009, 2010 and 30th April 2011, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB448,065,000, RMB26,555,000, RMB6,463,000 and RMB7,494,000 which are past due as at the end of reporting period respectively for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	445,532	23,900	1,170	6,134
Within 31 – 180 days	1,192	961	4,659	–
Within 181 – 365 days	1,341	–	–	–
Over 365 days	–	1,694	634	1,360
	448,065	26,555	6,463	7,494

For amounts which were past due at the end of the reporting period, the Group does not provide for these receivables as there has not been any significant change in credit quality and the amounts are still considered recoverable.

At 31st December 2008, 2009, 2010 and 30th April 2011, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB667,000 which have been outstanding for more than 365 days.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments held-for-trading				
Equity securities listed outside Hong Kong	6,530	11,223	10,717	10,629

The fair value measurement of the investments held-for-trading are derived from quoted prices (unadjusted) in active market for identical assets.

26. TRADE AND OTHER PAYABLES/CUSTOMER DEPOSITS FROM SALES OF PROPERTIES

Trade and other payables

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	711,135	896,926	341,575	210,353
Other payables *(note)*	1,176,528	863,204	965,894	678,278
Total trade and other payables	1,887,663	1,760,130	1,307,469	888,631

Note: At 31st December 2008, 2009, 2010 and 30th April 2011, included in the Group's other payables is an amount of RMB741,510,000, RMB550,396,000, RMB554,880,000 and RMB270,342,000 due to Xuhui SAAC and entities controlled by Xuhui SAAC, respectively. The amounts are unsecured. Except for an amount of RMB8,970,000 included in the Group's balances as at 31st December 2008, 2009, 2010 and 30th April 2011 represents loan advanced from an entity controlled by Xuhui SAAC through an entrusted loan agreement administrated by a bank, which carry interest ranging from 7.47%, 5.84% to 7.47%, 5.84% and 5.84% per annum, respectively, and are repayable within one year. The remaining balances are non-interest bearing and repayable on demand.

The following is an aged analysis of the Group's trade payables presented based on the invoice date at the end of the reporting period.

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	470,469	538,399	145,610	24,692
Within 31 – 180 days	151,146	158,593	2,920	47,902
Within 181 – 365 days	56,305	61,520	–	2,664
Over 365 days	33,215	138,414	193,045	135,095
	711,135	896,926	341,575	210,353

Customer deposits from sales of properties

Customer deposits from sales of properties, which represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of RMB131,418,000, RMB123,203,000, RMB225,321,000 and RMB158,550,000 as at 31st December 2008, 2009, 2010 and 30th April 2011 is expected to be recognised as revenue after more than one year.

27. BANK AND OTHER BORROWINGS

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	2,646,180	3,233,450	3,628,910	4,014,200
Other loans *(note i)*	561,383	1,007,006	2,759,656	3,165,556
	3,207,563	4,240,456	6,388,566	7,179,756
Analysed as:				
Secured	2,036,180	1,503,450	2,484,910	2,775,200
Unsecured	1,171,383	2,737,006	3,903,656	4,404,556
	3,207,563	4,240,456	6,388,566	7,179,756
Carrying amount repayable:				
Within one year	1,712,933	2,446,406	3,240,890	3,140,406
More than one year, but not exceeding two years	381,580	979,400	1,184,776	1,759,100
More than two years, but not exceeding five years	756,200	528,200	1,335,900	1,653,250
Over five years	356,850	286,450	627,000	627,000
	3,207,563	4,240,456	6,388,566	7,179,756
Less: Amount due within one year shown under current liabilities	(1,712,933)	(2,446,406)	(3,240,890)	(3,140,406)
Amount due after one year *(note ii)*	1,494,630	1,794,050	3,147,676	4,039,350

Notes:

(i) As at 31st December 2010 and 30th April 2011, included in the Group's balance is an unsecured loan of RMB1,000 million advanced from Shanghai Industrial Investment (Holdings) Company Limited, the ultimate holding company, through an entrusted loan agreement administrated by bank. Such loan balance bore interest ranging from 5.31% to 5.80% per annum and was due within one year.

As at 30th April 2011, the Group's balance also included unsecured loans of RMB400.9 million advanced from investors of SUDG JV (as defined in note 38), other than the Group, which bore interest at an annual effective rate of 9.55% per annum and are repayable in 2013 (see note 38).

(ii) As at 31st December 2010 and 30th April 2011, included in the Group's balance is other loan of RMB59,656,000 and RMB1,453,550,000 due after one year.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Year ended 31st December			Four months ended 30th April
	2008	2009	2010	2011
Variable-rate borrowings	6.40% – 8.22%	4.86% – 8.019%	4.86% – 10.00%	4.86% – 9.55%

28. PAID-IN CAPITAL/SHARE CAPITAL

		Attributable to owners of the Company
	RMB'000	*RMB'000*
Registered and paid-in capital of Shanghai Urban Development		
At 1st January 2008, 31st December 2008, 2009, 2010	301,330	177,785
Injection of capital *(note i)*	2,898,670	1,710,215
At 30th April 2011	3,200,000	1,888,000

	RMB'000
Share capital of the Company	
At date of incorporation	–
Issue of share *(note ii)*	–
At 30th April 2011	–

Notes:

(i) In April 2011, SIHL and Xuhui SAAC injected approximately RMB409.5 million and RMB284.5 million, respectively (based on their respective percentage of equity interests) as paid-in capital of Shanghai Urban Development, in total of RMB694 million. On the same date, an amount of approximately RMB1,300.7 million was transferred from capital reserve of Shanghai Urban Development attributable to owners of the Company as paid-in capital of the Group.

(ii) The Company was incorporated in the BVI on 19th January 2011 and authorised to issue a maximum of 50,000 ordinary shares with a par value of US$1.00 each. On 9th March 2011, one ordinary share was allotted and issued to SIHL at par for cash.

For the purpose of the preparation of the combined statement of financial position, the balance as at 30th April 2011 represents the aggregate amount of paid-in capital of Shanghai Urban Development attributable to owners of the Company and share capital of the Company.

No disclosure for the earnings per share and the related basis of computation in respect of the Relevant Periods have been made in these combined financial statements. Given the fact that the Company is merely a shell company with only one ordinary share allotted and issued set up for the Equity Transfer, such information is considered as not meaningful having regard to the purpose of the Accountants' Report.

29. ACCUMULATED LOSS OF THE COMPANY

	RMB'000
At date of incorporation	–
Loss and total comprehensive expenses for the period	(5)
At 30th April 2011	(5)

30. INVESTMENT IN A SUBSIDIARY/AMOUNT DUE FROM/TO A SUBSIDIARY/IMMEDIATE HOLDING COMPANY

Investment in a subsidiary

	As at 30th April 2011 *RMB'000*
Unlisted share, at cost	–

Details of the Company's subsidiaries are set out in note 38.

Amount due from a subsidiary

At 30th April 2011, the amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand. As the directors of the Company do not expect the amount due from a subsidiary to be repaid within one year from the end of the reporting period, the balance is classified as non-current at 30th April 2011.

Amount due to immediate holding company

At 30th April 2011, the amount due to immediate holding company is unsecured, non-interest bearing and repayable on demand.

31. DISPOSAL OF SUBSIDIARIES

Year ended 31st December 2010

In January 2010, the Group disposed of its 50% equity interest in, Shanghai Cheng Da, a subsidiary owned by the Group as to 75% immediately before the transaction, to an independent third party at a consideration of RMB508,680.

	RMB'000
Consideration:	
Cash received	509
Interest in an associate	250
Total consideration	759
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	927
Inventories	16
Trade and other receivables	479
Bank balances and cash	19
Trade and other payables	(393)
Net assets disposed of	1,048
Gain on disposal:	
Consideration and fair value of retained interest	759
Net assets disposed of	(1,048)
Non-controlling interests	305
Gain on disposal	16
Net cash inflow arising on disposal:	
Cash consideration received	509
Less: bank balances and cash disposed of	(19)
	490

The subsidiary disposed of during the year ended 31st December 2010 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

Four months ended 30th April 2011

In March 2011, the Company disposed of its 100% equity interest in, Shanghai Hefei, a wholly-owned subsidiary of the Company, to an independent third party at an aggregate consideration of RMB261 million.

	RMB'000
Consideration:	
Cash received	261,000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	542
Inventories	709,173
Trade and other receivables	21,374
Bank balances and cash	24,455
Trade and other payables	(402,178)
Bank and other borrowings	(60,000)
Net assets disposed of	293,366
Loss on disposal:	
Consideration	261,000
Net assets disposed of	(293,366)
Loss on disposal	(32,366)
Net cash inflow arising on disposal:	
Cash consideration received	261,000
Less: bank balances and cash disposed of	(24,455)
	236,545

The subsidiary disposed of during the four months ended 30th April 2011 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

32. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	25,507	23,251	18,306	15,717
In the second to fifth year inclusive	12,719	4,795	11,315	8,193
After five years	129	–	–	–
	38,355	28,046	29,621	23,910

Operating lease payments represent rentals payable by the Group for certain office properties. Leases are negotiated for lease term of one to six years and rental are fixed over the lease terms.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	121,617	127,796	127,109	128,914
In the second to fifth year inclusive	380,322	283,332	279,505	230,216
After five years	50,088	38,474	41,586	20,511
	552,027	449,602	448,200	379,641

All of the properties held have committed tenants for the next one to five years and rentals are fixed over the lease terms.

The Company did not enter into any operating leases arrangements.

33. CAPITAL COMMITMENTS

	THE GROUP			
	As at 31st December			As at 30th April
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure authorised but not contracted for in respect of investment in an associate	–	735,000	–	–
Capital expenditure contracted for but not provided in the Financial Information in respect of				
– additions in properties under development	1,308,230	1,620,477	4,953,144	3,081,251
– investment in an associate	–	–	997,500	199,500

At 30th April 2011, the Company had no capital commitments.

34. PLEDGE OF ASSETS

The following assets were pledged by the Group to banks in order to secure bank loans and general banking facilities granted by these banks to the Group:

	As at 31st December			As at 30th April
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank deposits	43,127	96,868	26,863	13,515
Investment properties	1,671,700	1,862,000	1,862,000	1,862,000
Properties under development held for sale	1,665,947	1,418,940	2,117,239	1,991,326
Properties held for sale	670,970	32,671	32,671	20,015
	4,051,744	3,410,479	4,038,773	3,886,856

At 30th April 2011, the Company did not pledge any of its assets.

35. CONTINGENT LIABILITIES

	THE GROUP			
	As at 31st December			As at 30th April
	2008	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in respect of banking facilities utilised by:				
– property buyers	35,732	772,115	547,109	223,907
– an entity controlled by Xuhui SAAC	561,000	636,000	466,000	416,000
– outsider	200,000	–	–	–
	796,732	1,408,115	1,013,109	639,907

At 30th April 2011, the Company did not have any material contingent liabilities.

36. RETIREMENT BENEFIT SCHEMES

The employees of the Group are members of state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

37. RELATED PARTY DISCLOSURES

(a) Related party transactions

During the Relevant Periods, the Group had the following significant transactions with related parties:

		Year ended 31st December			Four months ended 30th April	
Related party	**Nature of transaction**	**2008**	**2009**	**2010**	**2010**	**2011**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
An associate	Agency fee paid	22,289	41,526	71,878	62,169	7,651
Entity controlled by Xuhui SAAC	Interest income	6,701	6,488	4,630	1,746	1,746
Entity controlled by Xuhui SAAC	Interest expenses	670	641	385	175	109

In addition, the Group also granted financial guarantees to an entity controlled by Xuhui SAAC. Details of which are set out in note 35.

(b) Related party balances

At the end of the reporting period, the Group had the following balances with related parties:

	As at 31st December			As at 30th April
	2008	**2009**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Entities controlled by Xuhui SAAC				
– non-trade receivables	80,889	9,859	7,439	12,642
– non-trade payables	732,540	541,426	545,910	261,372
– loan receivable	89,701	89,701	89,701	89,701
– loan payable	8,970	8,970	8,970	8,970
Entities controlled by a fellow subsidiary – SIUD				
– loans receivable	–	–	250,000	500,000
Ultimate holding company				
– loan payable	–	–	1,000,000	1,000,000

Details of the related party balances of the Company are set out in note 30.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management for the Relevant Periods were as follows:

	Year ended 31st December			Four months ended 30th April	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Short-term benefits	9,746	11,988	15,959	1,615	2,297
Post-employment benefits	31	39	54	14	21
	9,777	12,027	16,013	1,629	2,318

(d) Government-related entities

The Group itself is part of a larger group of companies under Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") (SIIC and its subsidiaries are referred to as the "SIIC Group") which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions with the SIIC Group and Xuhui SAAC which have been disclosed above and in other notes to the financial information, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. The Group's deposits placements, borrowings and other general banking facilities are entered into with certain banks which are PRC-government related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosures would not be meaningful.

In addition, the Group has entered into various transactions, including sales, purchases and other operating expenses with other PRC government-related entities. In the opinion of the directors, these transactions are considered as individually and collectively insignificant to the operation of the Group during the Relevant Periods.

38. SUBSIDIARIES

As at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of establishment/ operation	Issued and fully paid/share capital registered capital	Percentage of equity interest attributable to the Company At 31st December 2008		2009		2010		As at 30th April 2011		Principal activities
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
Joy Century	Hong Kong 22nd February 2011	HK$1	N/A	N/A	N/A	N/A	N/A	N/A	100%	–	Investment holding
Shanghai Urban Development	The PRC 30th April 1996	RMB3,200,000,000	–	59%	–	59%	–	59%	–	59%	Investment holding and property development
Shanghai Residential Settlement	The PRC 18th March 1997	RMB10,000,000	–	30%	–	30%	–	30%	–	30%	Residential settlement
Shanghai Cheng Da (i)	The PRC 5th August 2002	RMB10,000,000	–	44%	–	44%	–	–	–	–	Provision of water sewage
Shanghai Commercial Properties	The PRC 30th August 1997	RMB5,000,000	–	59%	–	59%	–	59%	–	59%	Property management
Shanghai Shen Da Properties	The PRC 10th December 1992	RMB5,000,000	–	59%	–	59%	–	59%	–	59%	Property management
Shanghai International Commercial City	The PRC 18th September 1992	RMB5,000,000	–	35%	–	35%	–	35%	–	35%	Property development and sales
Shanghai Wan Yuan	The PRC 17th May 1999	RMB300,000,000	–	53%	–	53%	–	53%	–	53%	Property development and sales
Shanghai Shilong	The PRC 2nd August 1993	RMB20,000,000	–	59%	–	59%	–	59%	–	59%	Property development and sales
Hunan Depu (ii)	The PRC 9th March 2004	RMB114,110,000	–	32%	–	32%	–	–	–	–	Property development and sales
Shanghai Jingjie	The PRC 12th March 2010	RMB150,000,000	–	–	–	–	–	59%	–	59%	Property development and sales
Chongqing Depu	The PRC 28th February 2008	RMB230,000,000	–	32%	–	32%	–	32%	–	32%	Property development and sales
Shanghai Wuxi	The PRC 28th February 2008	RMB500,000,000	–	59%	–	59%	–	59%	–	59%	Property development and sales
Kunshan Jinting	The PRC 13th June 2008	RMB50,000,000	–	31%	–	31%	–	31%	–	31%	Property development and sales
Shanghai Jingshi	The PRC 23rd September 2009	RMB300,000,000	–	–	–	59%	–	59%	–	59%	Property development and sales
Shanghai Longcheng	The PRC 30th November 2010	RMB2,100,000,000	–	–	–	–	–	44%	–	44%	Property development and sales
Changsha Chengpu	The PRC 19th August 2004	RMB102,110,000	–	32%	–	32%	–	32%	–	32%	Property development and sales
Shanghai Sen Xin	The PRC 14th April 2004	RMB30,000,000	–	32%	–	32%	–	32%	–	32%	Property development and sales

Name of subsidiary	Place and date of establishment/ operation	Issued and fully paid/share capital registered capital	Percentage of equity interest attributable to the Company At 31st December 2008 Direct	2008 Indirect	2009 Direct	2009 Indirect	2010 Direct	2010 Indirect	As at 30th April 2011 Direct	2011 Indirect	Principal activities
Shanghai Assets and Equity Agency (iii)	The PRC 16th May 2001	RMB1,000,000	–	47%	–	–	–	–	–	–	Assets and equity agency
Shangai Foreign Trade (iii)	The PRC 3rd January 2001	RMB5,000,000	–	59%	–	–	–	–	–	–	Foreign trade
Kunshan Urban Development	The PRC 5th July 2004	RMB167,000,000	–	53%	–	53%	–	53%	–	53%	Property development and sales
Shanghai Hefei (i)	The PRC 1st March 2006	RMB200,000,000	–	59%	–	59%	–	59%	–	–	Property development and sales
合肥申大物業服務有限公司 (Hefei Shen Da Properties Services Co., Ltd.)	The PRC 21st April 2008	RMB2,000,000	–	59%	–	59%	–	59%	–	59%	Property management
Shanghai Carton 16th Factory	The PRC 20th July 1981	RMB825,686	–	59%	–	59%	–	59%	–	59%	Manufacturing of paper products
Shanghai Materials Technology	The PRC 31st July 2002	RMB12,300,000	–	30%	–	30%	–	30%	–	30%	Property development and sales
Shanghai Huanyu	The PRC 17th May 1996	RMB830,528,640	–	35%	–	35%	–	35%	–	35%	Property development and sales
城開綠碳(天津)股權投資基金合夥企業 (Urban Development Green Carbon (Tianjin) Equity Investment Fund Joint Venture) ("SUDG JV") (iv)	The PRC 12th August 2010	RMB1,135,900,000	–	–	–	–	–	–	–	59%	Investment holding

Notes:

(i) Shanghai Cheng Da and Shanghai Heifei were disposed of in 2010 and 2011 respectively (see note 31).

(ii) Hunan Depu was deregistered in 2010.

(iii) The Companies were deregistered in 2008.

(iv) As at 30th April 2011, 64.71% of the paid-in capital of SUDG JV was contributed by the Group. Investor of SUDG JV, other than the Group, which contributed the remaining 35.29% of the paid-in capital of SUDG JV, are entitled to annual return of 9.55% per annum on their paid-in capital. One of the other investors which contributed 34.94% of the paid-in capital of SUDG JV has an option to dispose its equity interests in SUDG JV to the Group after 22 months from February 2011 (the "Option"). The Group has an obligation to acquire such equity interests in SUDG JV from that investor at the end of the second year from February 2011 (if the Option has not been exercised) at an annual effective interest rate of 9.55% per annum net of any result previously distributed. This arrangement is accounted for as a financing activity (see note 27) and SUDG JV is thus accounted for as a wholly-owned subsidiary of the Group.

B. SUBSEQUENT EVENTS

Save as disclosed in other notes to the Financial Information, there is no significant subsequent event occurred after 30th April 2011.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 30th April 2011.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

SUMMARY FINANCIAL INFORMATION OF THE GROUP

A summary of the published results and of the assets and liabilities of the Group as extracted from the relevant annual reports of the Company is set out below:

Consolidated statement of comprehensive income

	12 months ended 30 April 2008	12 months ended 30 April 2009	Eight months ended 31 December 2009	12 months ended 31 December 2010	Six month ended 30 June 2010	Six months ended 30 June 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	(unaudited)
Revenue	5,029,260	2,534,580	513,086	4,110,291	2,417,334	882,472
Cost of sales	(4,060,574)	(2,044,087)	(448,138)	(3,476,750)	(2,029,032)	(718,698)
Gross profit	968,686	490,493	64,948	633,541	388,302	163,774
Other income, gains and losses	489,983	336,557	(3,493)	165,338	(7,853)	(18,102)
Fair value changes on investment properties	111,281	409,047	(158,337)	7,130	11,953	337,324
Fair value gain on transfer of completed properties held for sale to investment properties	972,403	–	–	–	–	152,212
Impairment loss in respect of inventories	–	–	(124,398)	(178,326)	(138,825)	(39,084)
Distribution and selling expenses	(299,321)	(121,029)	(252,359)	(401,945)	(216,136)	(107,034)
General and administrative expenses	(342,642)	(363,655)	(394,571)	(566,800)	(216,450)	(194,482)
Finance costs	(268,363)	(210,224)	(132,342)	(359,661)	(343,595)	(89,631)
(Loss) gain on redemption of convertible loan notes	–	–	426,074	(3,163)	–	–
Share of losses of associates	(3,853)	(477)	(1,789)	(3,244)	(2,679)	(1,447)
Gain on disposal of subsidiaries	47,660	–	336,866	–	–	–
Gain on disposal of partial interests in subsidiaries	699,680	–	–	–	–	–
Loss on disposal of an associate	–	(1,014)	(5,100)	–	–	–
Impairment loss on assets classified as held for sale	–	(201,000)	(1,790,000)	–	–	–
Profit (loss) before tax	2,375,514	338,698	(2,034,501)	(707,130)	(525,283)	203,530
Income tax	(808,990)	(249,142)	(149,798)	(128,778)	(159,326)	(196,885)
Profit (loss) for the year/period	1,566,524	89,556	(2,184,299)	(835,908)	(684,609)	6,645

	12 months ended 30 April 2008	12 months ended 30 April 2009	Eight months ended 31 December 2009	12 months ended 31 December 2010	Six month ended 30 June 2010	Six months ended 30 June 2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	(unaudited)
Profit (loss) for the year/period attributable to:						
Owners of the Company	1,550,486	126,567	(2,106,392)	(749,649)	(645,597)	56,700
Non-controlling interests	16,038	(37,011)	(77,907)	(86,259)	(39,012)	(50,055)
	1,566,524	89,556	(2,184,299)	(835,908)	(684,609)	6,645
Earning (loss) per share						
Basic (HK cents)	84.23	6.51	(108.26)	(32.55)	(32.74)	2.16
Diluted (HK cents)	68.19	5.56	(127.84)	(32.55)	(32.74)	2.16
Dividend	291,846	–	–	–	–	–
Dividend per share	0.15	–	–	–	–	–

Consolidated statement of financial position

	As at 30 April		As at 31 December		As at 30 June
	2008	2009	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Non-current assets					
Investment properties	3,395,620	3,313,447	2,949,328	3,003,575	3,645,847
Property, plant and equipment	780,553	641,308	740,362	857,660	939,561
Prepaid lease payments	–	–	85,238	85,856	84,943
Interest in an associate	1,445,771	–	328,380	330,401	959,021
Amount due from an associate	–	–	–	80,292	81,955
Restricted bank deposits	104,495	173,399	55,023	54,191	51,892
Derivative financial instrument – Redemption Right of the Company	46,000	–	600	–	–
Deferred tax assets	25,186	24,832	24,142	–	–
	5,797,625	4,152,986	4,183,073	4,411,975	5,763,219
Current assets					
Inventories	15,811,195	20,908,384	14,462,055	18,042,959	18,718,153
Loan receivables	–	–	412,626	–	–
Investments in securities held for trading	1,486	1,513	–	–	–
Trade and other receivables	1,451,112	701,124	783,926	702,770	681,799
Prepaid lease payments	–	–	2,300	2,339	3,122
Amount due from an associate	7,845	6,856	77,602	–	–
Consideration receivables for disposal of assets	–	–	1,370,386	21,381	21,466
Prepaid income tax and land appreciation tax	119,224	231,172	339,673	362,895	318,522
Restricted bank deposits	11,100	19,030	–	–	5,015
Bank balances and cash	4,363,937	2,618,105	1,627,196	2,381,542	1,223,944
	21,765,899	24,486,184	19,075,764	21,513,886	20,972,021
Assets classified as held for sale	–	656,578	2,732,943	–	–
	21,765,899	25,142,762	21,808,707	21,513,886	20,972,021

	As at 30 April		As at 31 December		As at 30 June
	2008	2009	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current liabilities					
Trade and other payables	2,954,525	2,657,729	1,918,894	2,358,019	2,417,828
Amounts due to a non-controlling shareholder	45,765	48,055	48,055	52,347	41,183
Amounts due to related companies	84,018	2,881	2,466	2,466	–
Consideration payables for acquisition of subsidiaries	688,527	578,271	443,592	350,262	378,157
Pre-sale proceeds received on sale of properties	2,727,406	5,415,588	8,763,402	8,417,661	8,295,190
Bank borrowings	541,491	971,656	702,240	120,901	135,444
Loan payables	2,549,746	2,737,281	1,402,200	1,471,810	1,902,962
Derivative financial instrument – Warrants	158,000	32,100	29,600	16,600	7,854
Income tax and land appreciation tax payables	963,455	1,093,457	1,238,927	998,891	1,029,298
Dividend payable	4,360	6,473	6,473	6,423	6,423
Convertible loan notes	–	–	–	2,607	–
	10,717,293	13,543,491	14,555,849	13,797,987	14,214,339
Liabilities associated with assets classified as held for sale	–	–	835	–	–
	10,717,293	13,543,491	14,556,684	13,797,987	14,214,339
Net current assets	11,048,606	11,599,271	7,252,023	7,715,899	6,757,682
Total assets less current liabilities	16,846,231	15,752,257	11,435,096	12,127,874	12,520,901
Non-current liabilities					
Bank borrowings	2,772,558	1,554,048	768,064	514,408	619,763
Convertible loan notes	939,480	1,028,195	62,136	–	–
Senior notes	2,897,838	2,923,895	2,942,803	2,974,260	2,991,228
Derivative financial instrument – Redemption Right of the Holder	34,000	–	–	–	–
Deferred tax liabilities	1,123,032	1,173,976	1,002,111	996,924	1,121,518
	7,766,908	6,680,114	4,775,114	4,485,592	4,732,509
	9,079,323	9,072,143	6,659,982	7,642,282	7,788,392

	As at 30 April		As at 31 December		As at 30 June
	2008	2009	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Capital and reserves					
Share capital	77,826	77,826	77,826	105,173	105,173
Reserves	8,296,226	8,238,558	5,995,603	7,017,806	7,216,058
Equity attributable to owners of the Company	8,374,052	8,316,384	6,073,429	7,122,979	7,321,231
Non-controlling interests	705,271	755,759	586,553	519,303	467,161
	9,079,323	9,072,143	6,659,982	7,642,282	7,788,392

Notes:

1. There are no extraordinary or exceptional items either of size, nature or incidence for the two years ended 30 April 2008 and 2009, for the eight months ended 31 December 2009, for the year ended 31 December 2010 and for the six months ended 30 June 2011.

2. The Company declared an interim dividend of HK$0.01 per Share and a final dividend of HK$0.14 per Share in the total amount of HK$291,846,000 for the year ended 30 April 2008. There is no interim or final dividend declared for the year ended 30 April 2009, for the eight months ended 31 December 2009, for the year ended 31 December 2010 and for the six months ended 30 June 2011.

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2011

Set out below is the auditor's report extracted from the interim report of the Company for the six months ended 30 June 2011.

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
上海實業城市開發集團有限公司
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 25 to 40, which comprises the condensed consolidated statement of financial position of Shanghai Industrial Urban Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu Certified Public Accountants
Hong Kong
29 August 2011"

The following is an extract of the financial statements of the Group from the latest interim report of the Company for the six months ended 30 June 2011:

"CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	**2010**
	NOTES	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Revenue		882,472	2,417,334
Cost of sales		(718,698)	(2,029,032)
Gross profit		163,774	388,302
Fair value changes on investment properties	*8*	337,324	11,953
Fair value gain on transfer of inventories to investment properties	*8*	152,212	–
Other income, gains and losses		(18,102)	(7,853)
Distribution and selling expenses		(107,034)	(216,136)
General and administrative expenses		(194,482)	(216,450)
Impairment loss in respect of inventories	*11*	(39,084)	(138,825)
Finance costs	*4*	(89,631)	(343,595)
Share of losses of associates		(1,447)	(2,679)
Profit (loss) before taxation		203,530	(525,283)
Income tax expense	*5*	(196,885)	(159,326)
Profit (loss) for the period	*6*	6,645	(684,609)
Other comprehensive income (expense) for the period			
Exchange differences arising on translation into presentation currency		118,425	(18,929)
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sales of completed properties held for sale		(188)	(10)
Other comprehensive income (expense) for the period		118,237	(18,939)
Total comprehensive income (expense) for the period		124,882	(703,548)

		Six months ended 30 June	
		2011	**2010**
	NOTES	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Profit (loss) for the period attributable to:			
– Owners of the Company		56,700	(645,597)
– Non-controlling interests		(50,055)	(39,012)
		6,645	(684,609)
Total comprehensive income (expense) attributable to:			
– Owners of the Company		164,812	(662,465)
– Non-controlling interests		(39,930)	(41,083)
		124,882	(703,548)
Earnings (loss) per share	*7*		
– Basic		HK2.16 cents	HK(32.74) cents
– Diluted		HK2.16 cents	HK(32.74) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Non-current Assets			
Investment properties	8	3,645,847	3,003,575
Property, plant and equipment	9	939,561	857,660
Prepaid lease payments		84,943	85,856
Interests in associates	10	959,021	330,401
Amount due from an associate		81,955	80,292
Restricted bank deposits		51,892	54,191
		5,763,219	4,411,975
Current Assets			
Inventories	11	18,718,153	18,042,959
Trade and other receivables	12	681,799	702,770
Prepaid lease payments		3,122	2,339
Consideration receivables for disposal of assets		21,466	21,381
Prepaid income tax and land appreciation tax		318,522	362,895
Restricted bank deposits		5,015	–
Bank balances and cash		1,223,944	2,381,542
		20,972,021	21,513,886
Current Liabilities			
Trade and other payables	13	2,417,828	2,358,019
Amounts due to non-controlling shareholders		41,183	52,347
Amounts due to related companies		–	2,466
Consideration payables for acquisition of subsidiaries		378,157	350,262
Pre-sale proceeds received on sales of properties		8,295,190	8,417,661
Bank borrowings	14	135,444	120,901
Loan payables	15	1,902,962	1,471,810
Derivative financial instrument – warrants	16	7,854	16,600
Income tax and land appreciation tax payables		1,029,298	998,891
Dividend payable		6,423	6,423
Convertible loan notes	17	–	2,607
		14,214,339	13,797,987
Net current assets		6,757,682	7,715,899
Total assets less current liabilities		12,520,901	12,127,874

	NOTES	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Non-current Liabilities			
Bank borrowings	*14*	619,763	514,408
Senior notes	*18*	2,991,228	2,974,260
Deferred tax liabilities		1,121,518	996,924
		4,732,509	4,485,592
		7,788,392	7,642,282
Capital and Reserves			
Share capital	*19*	105,173	105,173
Reserves		7,216,058	7,017,806
Equity attributable to owners of the Company		7,321,231	7,122,979
Non-controlling interests		467,161	519,303
		7,788,392	7,642,282

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company										
	Share capital	Share premium	Convertible notes equity reserve	Share option reserve	Other revaluation reserve	Other reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (note i)	HK$'000 (note ii)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010 (audited)	77,826	5,515,551	2,580	221,460	45,959	–	627,625	(417,572)	6,073,429	586,553	6,659,982
Loss for the period	–	–	–	–	–	–	–	(645,597)	(645,597)	(39,012)	(684,609)
Other comprehensive expense for the period	–	–	–	–	(10)	–	(16,858)	–	(16,868)	(2,071)	(18,939)
Total comprehensive expense for the period	–	–	–	–	(10)	–	(16,858)	(645,597)	(662,465)	(41,083)	(703,548)
Issue of shares	27,347	1,558,818	–	–	–	–	–	–	1,586,165	–	1,586,165
Recognition of equity-settled share-based payments	–	–	–	5,620	–	–	–	–	5,620	–	5,620
At 30 June 2010 (unaudited)	105,173	7,074,369	2,580	227,080	45,949	–	610,767	(1,063,169)	7,002,749	545,470	7,548,219
At 1 January 2011 (audited)	105,173	7,073,988	20	63,743	45,942	–	769,570	(935,457)	7,122,979	519,303	7,642,282
Profit for the period	–	–	–	–	–	–	–	56,700	56,700	(50,055)	6,645
Other comprehensive (expense) income for the period	–	–	–	–	(188)	–	108,300	–	108,112	10,125	118,237
Total comprehensive (expense) income for the period	–	–	–	–	(188)	–	108,300	56,700	164,812	(39,930)	124,882
Transfer to accumulated losses upon redemption of convertible loan notes	–	–	(20)	–	–	–	–	20	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	8,071	798	–	8,869	(12,212)	(3,343)
Recognition of equity-settled share-based payments	–	–	–	24,571	–	–	–	–	24,571	–	24,571
Transfer to accumulated losses upon lapse of share options	–	–	–	(11,719)	–	–	–	11,719	–	–	–
At 30 June 2011 (unaudited)	105,173	7,073,988	–	76,595	45,754	8,071	878,668	(867,018)	7,321,231	467,161	7,788,392

Notes:

(i) The other revaluation reserve comprises the difference between the fair value, net of deferred tax, and the carrying amount of additional interest in associates being acquired and become subsidiaries of the Company. This reserve will be recognised in the profit or loss upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

(ii) Other reserve arising during the six months period ended 30 June 2011 and as at 30 June 2011 represented the difference between the amount of consideration paid to non-controlling interests for the acquisition of additional equity interest in a subsidiary, and the corresponding proportionate carrying amount of the net assets of the subsidiary.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	**2010**
	NOTES	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Net cash used in operating activities		(751,093)	(857,434)
Net cash (used in) from investing activities:			
Proceeds from disposal of investment properties	*8*	49,634	78,010
Interest received		1,747	8,601
Proceeds from disposal of property, plant and equipment	*9*	59	113
Investment in an associate	*10*	(623,240)	–
Additions of property, plant and equipment		(96,736)	(122,953)
Payment for consideration payable for acquisition of subsidiaries		(24,079)	(49,508)
Net increase in restricted bank deposits		(1,578)	(42,192)
Proceeds from disposal of interest in an associate		–	513,000
Repayment from loan receivables		–	411,896
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)		–	286,129
Repayment from associates		–	283
		(694,193)	1,083,379

		Six months ended 30 June	
		2011	**2010**
	NOTES	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Net cash from financing activities:			
Entrusted loans advance from related parties	*15*	595,868	–
Proceeds from new bank borrowings	*14*	159,693	113,792
Interest paid		(227,378)	(381,020)
Repayment of loan payables to third parties	*15*	(183,563)	(419)
Repayment of bank borrowings	*14*	(54,045)	(517,797)
(Repayment of) advance from non-controlling shareholders		(13,632)	2,798
Acquisition of additional interest in a subsidiary		(3,343)	–
Redemption of convertible notes	*17*	(2,714)	–
Proceeds from issue of shares		–	1,586,165
Loan advance from a third party		–	74,833
Advance from related companies		–	2,351
Dividend paid		–	(50)
		270,886	880,653
Net (decrease) increase in cash and cash equivalents		(1,174,400)	1,106,598
Cash and cash equivalents at 1 January		2,381,542	1,662,692
Effect of foreign exchange rate changes		16,802	(4,350)
Cash and cash equivalents at 30 June, represented by Bank balances and cash		1,223,944	2,764,940

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

Transfer of inventories to investment properties carried at fair value

The Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

In the current interim period, the Group has also applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Right Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The Group has applied HKAS 24 "Related Party Disclosures" (as revised in 2009) in full for the first time in the current period. The application of HKAS 24 (as revised in 2009) has resulted in changes in related party disclosures on the following two aspects:

(a) The Group is a government-related entity as defined in HKAS 24 (as revised in 2009). HKAS 24 (as revised in 2009) provides a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government-related entities. Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitments) with (a) the government that has control, joint control and significant influence over the Group and (b) other entities that are controlled, jointly controlled or significantly influenced by the same government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

(b) In addition, HKAS 24 (as revised in 2009) has revised the definition of a related party.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no effect on the amounts recognised or recorded in the condensed consolidated financial statements for the current and prior periods. Related party disclosures are set out in note 23 to the condensed consolidated financial statements.

The application of the other new and revised HKFRSs above in current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Financial Statements [2]
HKAS 19 (Revised in 2011)	Employee Benefits[2]
HKAS 27 (Revised in 2011)	Separate Financial Statements[1]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2013

[2] Effective for annual periods beginning on or after 1 July 2012

The five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios including cases where an investor may control an investee with less than majority of voting rights. Overall, the application of HKFRS 10 requires extensive use of judgement. The Group is in the process of accessing the application of HKFRS 10 to the result and financial position to the Group.

Other than disclosed above, the directors of the Company anticipate that the application of these new or revised standards will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

Specifically, the Group's operating segments under HKFRS 8 are as follows:

Property development –	developing and selling commercial and residential properties in the People's Republic of China (the "PRC")

Property leasing –	leasing office, commercial and residential properties in the PRC to generate rental income and to gain from the appreciation in the properties' values in the long run
Hotel operations –	engaging in rental of hotel room accommodation, leasing of commercial shopping arcades and the provision of food and beverage at restaurant outlets and other services and facilities such as telephone, guest transportation and laundry within hotel premises in the PRC

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

Six months ended 30 June 2011 (unaudited)

	Property development	**Property leasing**	**Hotel operations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
SEGMENT REVENUE				
External sales	798,222	32,871	51,379	882,472
Inter-segment sales	–	–	–	–
	798,222	32,871	51,379	882,472
Segment profit (loss)	23,371	323,381	(21,043)	325,709
Unallocated other income, gains and losses				49,770
Unallocated corporate expenses				(91,064)
Unallocated finance costs				(89,631)
Gain on fair value changes on derivative financial instruments				8,746
Profit before taxation				203,530

Six months ended 30 June 2010 (unaudited)

	Property development *HK$'000*	Property leasing *HK$'000*	Hotel operations *HK$'000*	Total *HK$'000*
SEGMENT REVENUE				
External sales	2,387,884	9,469	19,981	2,417,334
Inter-segment sales	163	–	5,326	5,489
	2,388,047	9,469	25,307	2,422,823
Segment loss	(325,094)	(45,040)	(22,158)	(392,292)
Unallocated other income, gains and losses				6,504
Unallocated corporate expenses				(74,255)
Unallocated finance costs				(62,040)
Loss on fair value changes on derivative financial instruments				(3,200)
Loss before taxation				(525,283)

Segment profit (loss) represents the profit (loss) from each segment without allocation of unallocated other income, gains and losses, unallocated finance cost, net unallocated corporate expenses and gain (loss) on fair value changes on derivative financial instruments. This is the measure reported to the Board of Directors of the Company for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment:

	30 June 2011 *HK$'000* (unaudited)	31 December 2010 *HK$'000* (audited)
Property development	21,186,075	20,052,311
Property leasing	3,694,645	3,095,927
Hotel operations	1,000,708	811,077
Total segment assets	25,881,428	23,959,315

Assets are allocated to operating segments other than deferred tax assets, prepaid income tax and land appreciation tax, consideration receivables for disposal of assets, derivative financial instruments, unallocated bank and cash balances and unallocated corporate assets.

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	21,155	42,823
Loan payables	55,373	210,233
Convertible loan notes	107	2,843
Senior notes	167,818	166,005
Total borrowing costs	244,453	421,904
Less: amount capitalised under properties under development	(154,822)	(78,309)
	89,631	343,595

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
– PRC Land Appreciation Tax ("PRC LAT")	33,737	37,759
– PRC Enterprise Income Tax	60,240	151,558
	93,977	189,317
Deferred tax	102,908	(29,991)
	196,885	159,326

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. For companies that were qualified under old law or regulations for incentive tax rate of 15%, the tax rate will progressively increase to 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012, respectively. For companies that were still entitled to certain exemption and reliefs ("Tax Benefit") for PRC income tax, the EIT Law allowed the companies to continue to enjoy the Tax Benefit and afterwards change the tax rate to 25%.

Under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and properties development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of the six months ended 30 June 2011 and 2010.

6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2011	**2010**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	30,995	22,580
Loss on disposal of property, plant and equipment	–	47
Interest income (included in other income, gains and losses)	(1,747)	(8,601)
(Gain) loss on fair value changes of derivative financial instruments	(8,746)	3,200
Net foreign exchange (gain) loss (included in other income, gains and losses)	(88,854)	11,638
Equity-settled share-based payment expenses	24,571	5,620
Compensation to customers in respect of late delivery of properties	102,412	2,218

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2011	**2010**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings (loss):		
Earnings (loss) for the purposes of basic and diluted earnings per share (profit (loss) for the period attributable to owners of the Company)	56,700	(645,597)

	Six months ended 30 June	
	2011	**2010**
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	2,629,332,189	1,972,081,316

The computation of diluted earnings (loss) per share does not assume:

(i) the exercise of the Company's share options/warrants because the exercise price of those share option/warrants was higher than the average market price of the Company's shares for the six months ended 30 June 2011 and 2010; and

(ii) the conversion of the Company's convertible notes since their exercise would result in a decrease in loss per share for the six months ended 30 June 2010.

8. MOVEMENTS IN INVESTMENT PROPERTIES

	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
At 1 January	3,003,575	2,949,328
Fair value gain on investment properties	337,324	11,953
Transfer from inventories	352,402	–
Disposals	(113,637)	(78,010)
Exchange realignment	66,183	(10,646)
At 30 June	3,645,847	2,872,625

During the period, inventories with carrying amount of approximately HK$200,190,000 were transferred to investment properties as the management had changed the intention of use of the properties upon entering into various operating leases with tenants. The properties were fair-valued by external valuers, DTZ Debenham Tie Leung Limited ("DTZ"), at the date of transfer by reference to net rental income allowing for reversionary income potential. The resulting increase in fair value of approximately HK$152,212,000 has been recognised directly in profit or loss.

The investment properties of the Group were fair valued by DTZ, an independent firm of qualified professional valuers not connected with the Group, at 30 June 2011. DTZ is a member of the Institute of Valuer and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to comparable sales transactions available in the relevant market or by reference to net rental income allowing for reversionary income potential. The resulting increase in fair value of investment properties of approximately HK$337,324,000 has been recognised directly in profit or loss for the six months ended 30 June 2011 (2010: increase in fair value of HK$11,953,000).

During the period, the Group disposed of certain investment properties, for cash proceeds of HK$113,637,000 (2010: HK$78,010,000).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$96,736,000 (2010: HK$122,953,000) on additions to property, plant and equipment.

In addition, during the period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK$59,000 (2010: HK$160,000) for cash proceeds of HK$59,000 (2010: HK$113,000), resulting in no gain or loss on disposal of property, plant and equipment (2010: loss on disposal of HK$47,000).

10. INTERESTS IN ASSOCIATES

During the six months ended 30 June 2011, the Group contributed RMB525,000,000 (equivalent to approximately HK$623,240,000) into 上海城開集團龍城置業有限公司 ("Shanghai Longcheng") for 25% interest in Shanghai Longcheng. Shanghai Longcheng was newly set up for the purpose of developing properties in the PRC.

11. INVENTORIES

Inventories as at 30 June 2011 and 2010 mainly represented properties under development and properties held for sale which are all located in PRC.

During six months ended 30 June 2011, the Group recognised impairment loss in respect of inventories of HK$39,084,000 (2010: HK$138,825,000), which is the net realisable value of the properties held for sales.

12. TRADE AND OTHER RECEIVABLES

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	12,773	6,769
Other receivables	48,855	33,068
Advance payments to contractors	70,630	65,006
Prepaid other taxes	433,740	418,528
Deposits and prepayments	115,801	179,399
	681,799	702,770

The Group allows an average credit period of 90 days to its corporate hotel customers. Payments on pre-sales properties are determined in accordance with the contract payment terms. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of billing at the end of the reporting period.

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	10,902	661
91 – 180 days	–	–
> 180 days	1,871	6,108
Total trade receivables	12,773	6,769

13. TRADE AND OTHER PAYABLES

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Accrued expenditure on properties under development	1,835,597	1,765,031
Amounts due to former shareholders of the Company's former subsidiaries *(note (a))*	143,499	141,032
Retentions payable to contractors	21,815	1,766
Receipts from customers for payment of expenses on their behalf	101,976	99,799
Interest payable	132,515	143,148
Accrued charges and other payables	166,007	196,765
Other taxes payables *(note (b))*	16,419	10,478
	2,417,828	2,358,019

Notes:

(a) The amounts are non-trade in nature, interest free and repayable on demand.

(b) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable and business tax payable.

14. BANK BORROWINGS

During the current period, the Group obtained new borrowings amounting to RMB134,000,000 (equivalent to approximately HK$159,693,000) (2010: HK$113,792,000). The loans carry interest from 4.86% to 7.02% per annum (2010: 4.86% to 6.05% per annum) and repayable from one to nine years. The loans were used to finance property development projects of the Group.

The Group also repaid bank borrowings of RMB45,340,000 (equivalent to HK$54,045,000) (2010: HK$517,797,000) during the period.

At as 30 June 2011, corporate guarantees of HK$388,177,000 (31 December 2010: HK$319,048,000) were given by 北京新松投資集團有限公司, which was controlled by Mr. Li Song Xiao, a former major shareholder of the Company.

15. LOAN PAYABLES

During the current period, the Group obtained new loan payables amounting to RMB500,000,000 (equivalent to approximately HK$595,868,000) from 上海城開(集團)有限公司 ("SUD"), a company controlled by Shanghai Industrial Holding Limited ("SIH"), the immediate holding company of the Company, through an entrusted loan agreement administrated by commercial banks. Such loan payables bear interest from 7.572% to 7.872% per annum and are repayable in one year. These loan payables are provided for property project development of the Group.

The Group also repaid loan payables of RMB150,000,000 (equivalent to approximately HK$183,563,000) during the period.

16. WARRANTS

As at 30 June 2011, 66,000,000 (31 December 2010: 66,000,000) of warrants were outstanding. Exercise in full of the outstanding warrants would result in the issue of 66,000,000 (31 December 2010: 66,000,000) additional shares with an aggregate subscription value of HK$443,520,000 (31 December 2010: HK$443,520,000). The fair value of warrants is calculated using option pricing models.

17. CONVERTIBLE NOTES

The Group repaid all the remaining convertible notes of total principal amount of HK$2,000,000 for a total payment of HK$2,714,000, which included principal and accrued interest on 12 June 2011, the maturity date.

18. SENIOR NOTES

	2011	**2010**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
At 1 January	2,974,260	2,942,803
Effective interest for the period	167,818	166,006
Interest paid	(150,850)	(150,849)
At 30 June	2,991,228	2,957,960

19. SHARE CAPITAL

Ordinary shares of HK$0.04 each.

Issued and fully paid

	Number of shares	Share capital
	'000	*HK$'000*
As at 1 January 2010	1,945,640	77,826
Issue of shares under private replacement	683,692	27,347
As at 30 June 2010, 1 January 2011 and 30 June 2011	2,629,332	105,173

20. SHARE-BASED PAYMENT

At 30 June 2011, the number of shares of the Company in respect of which options had been granted and remained outstanding under the share option scheme of the Company was 91,000,000 (31 December 2010: 111,500,000), representing 3.46% (31 December 2010: 4.2%) of the shares of the Company in issue at that date. No share option was granted or exercised during the six months period ended 30 June 2011.

21. COMMITMENTS

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Expenditure in respect of the acquisition of properties under development contracted for but not provided	2,741,366	3,316,257
Capital expenditure in respect of the capital contribution to an associate authorised but not contracted for	608,000	1,216,000

22. CONTINGENT LIABILITIES

(a) Corporate guarantees

Guarantees in respect of mortgage facilities for certain purchasers

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage instalments by these buyers, the Group is responsible to pay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was approximately HK$2,912,132,000 as at 30 June 2011 (31 December 2010: HK$2,618,654,000).

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition, and the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the condensed consolidated financial statements for these guarantees.

(b) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties with terms ranging from one to two years against certain specified defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

(c) Legal proceedings

From time to time, the Group may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Group's business. The directors of the Company are currently not aware of any such legal proceedings or claims that they believe will have, individually or in the aggregate, a material adverse effect on the Group's business, financial condition or operating results of the Group.

23. MATERIAL RELATED PARTY TRANSACTIONS

(i) Related party transactions

During the period, the Group had the following significant transactions with related parties:

Related party	Nature of transactions	Six months ended 30 June 2011	2010
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Company controlled by the former major shareholder	Building management fee	–	2,404
Company controlled by SIH	Interest expenses	45,833	–
	Building management fee	–	49

(ii) Related party balances

At the end of the reporting period, the Group had the following balances with related parties:

Related party	Nature of transactions	30 June 2011	31 December 2010
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Fellow subsidiaries	Loan payables	(1,000,000)	(1,000,000)
Fellow subsidiaries	Entrusted loans payables	(902,962)	(294,881)
Company controlled by the former major shareholder	Amount due to related company	–	(2,466)

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2011	**2010**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	6,669	7,799
Post-employment benefit	–	6
Equity compensation benefit	15,121	1,430
	21,790	9,235

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(iv) Government-related entities

The Group itself is part of a larger group of companies under Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") (SIIC and its subsidiaries are referred to as the "SIIC Group") which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions with the SIH Group which have been disclosed above, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. The Group's deposits placements, borrowings and other general banking facilities are entered into with certain banks which are PRC government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosures would not be meaningful.

In addition, the Group has entered into various transactions, including sales, purchases and various operating expenses with other PRC government-related entities. In the opinion of the directors, these transactions are considered as individually insignificant to the operation of the Group during the six months ended 30 June 2011.

24. EVENTS AFTER THE END OF THE INTERIM PERIOD

The following significant events took place after the end of the interim period:

On 14 April 2011, SIH (as the seller) and the Company (as the buyer) entered into a sales and purchase agreement pursuant to which the Company has conditionally agreed to acquire, and SIH has conditionally agreed to sell, the entire issued share capital of Silvery Champ Limited and the shareholder's loan outstanding and owing at the date of completion of the transaction by Silvery Champ Limited to SIH. The aggregate consideration for the sale and purchase of the equity in Silvery Champ Limited and the shareholder's loan is HK$5,640,545,824, which will be satisfied by the allotment and issue an aggregate of 2,014,480,651 ordinary shares of the Company. Silvery Champ Limited is an investment holding company. Pursuant to the completion of restructuring between SIH, SUD and a subsidiary of Silvery Champ Limited, Silvery Champ Limited will effectively own 59% interest in SUD. SUD is engaged in property development in the PRC.

On the same day, SIH (as the assignor) and the Company (as the assignee) entered into the a deed of assignment pursuant to which SIH has conditionally assigned to the Company all its right, title, benefits and advantage of and interest in the dividend declared but unpaid as at the date of the deed of assignment SUD to SIH, which amounts to RMB395,300,000 (equivalent to approximately HK$469,588,976) for a consideration of RMB395,300,000 (equivalent to approximately HK$469,588,976), which will be satisfied by the allotment and issue of 167,710,349 ordinary shares of the Company.

The transactions have not been completed up to the date of this report."

AUDITOR'S REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENT OF THE GROUP FOR THE 12 MONTHS ENDED 31 DECEMBER 2010

Set out below is the auditor's report extracted from the annual report of the Company for the 12 months ended 31 December 2010.

"Deloitte.
德勤

To the members of
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
上海實業城市開發集團有限公司
(Formerly known as Neo-China Land Group (Holdings) Limited
中新地產集團(控股)有限公司)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shanghai Industrial Urban Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 123, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 Group as at 31 December 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Group for the period from 1 May 2009 to 31 December 2009 were audited by another auditor who expressed an unmodified opinion on those statements on 9 April 2010.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

18 March 2011"

The following is an extract of the financial statements of the Group from the latest annual report of the Company for the 12 months ended 31 December 2010:

"CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTES	**1.1.2010 to 31.12.2010** *HK$'000*	**1.5.2009 to 31.12.2009** *HK$'000*
Revenue	*6*	4,110,291	513,086
Cost of sales		(3,476,750)	(448,138)
Gross profit		633,541	64,948
Other income	*7(a)*	30,841	20,450
Other gains and losses	*7(b)*	134,497	(23,943)
Fair value changes on investment properties		7,130	(158,337)
Impairment loss in respect of inventories		(178,326)	(124,398)
Distribution and selling expenses		(401,945)	(252,359)
General and administrative expenses		(566,800)	(394,571)
Finance costs	*8*	(359,661)	(132,342)
(Loss) gain on redemption of convertible loan notes		(3,163)	426,074
Share of losses of associates		(3,244)	(1,789)
Gain on disposal of subsidiaries		–	336,866
Loss on disposal of an associate		–	(5,100)
Impairment loss on assets classified as held for sale		–	(1,790,000)
Loss before tax		(707,130)	(2,034,501)
Income tax	*10*	(128,778)	(149,798)
Loss for the year/period	*9*	(835,908)	(2,184,299)

	NOTES	1.1.2010 to 31.12.2010 HK$'000	1.5.2009 to 31.12.2009 HK$'000
Other comprehensive income (expense) for the year/period			
Exchange differences on translation into presentation currency		160,954	(1,235)
Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interest in subsidiaries		–	(145,234)
Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interest in an associate		–	(22,681)
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sale of completed properties held for sale		(17)	(270)
Other comprehensive income (expense) for the year/period		160,937	(169,420)
Total comprehensive expense for the year/period		(674,971)	(2,353,719)
Loss for the year/period attributable to:			
Owners of the Company		(749,649)	(2,106,392)
Non-controlling interests		(86,259)	(77,907)
		(835,908)	(2,184,299)
Total comprehensive expense attributable to:			
Owners of the Company		(607,721)	(2,275,812)
Non-controlling interests		(67,250)	(77,907)
		(674,971)	(2,353,719)
Loss per share			
Basic (HK cents)	14	(32.55)	(108.26)
Diluted (HK cents)	14	(32.55)	(127.84)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current Assets			
Investment properties	15	3,003,575	2,949,328
Property, plant and equipment	16	857,660	740,362
Prepaid lease payments	17	85,856	85,238
Interest in an associate	18	330,401	328,380
Amount due from an associate	19	80,292	–
Restricted bank deposits	20	54,191	55,023
Derivative financial instrument – Redemption Right of the Issuer	33	–	600
Deferred tax assets	30	–	24,142
		4,411,975	4,183,073
Current Assets			
Inventories	21	18,042,959	14,462,055
Loan receivables	22	–	412,626
Trade and other receivables	23	702,770	783,926
Prepaid lease payments	17	2,339	2,300
Amount due from an associate	19	–	77,602
Consideration receivables for disposal of assets	24	21,381	1,370,386
Prepaid income tax and land appreciation tax		362,895	339,673
Bank balances and cash	25	2,381,542	1,627,196
		21,513,886	19,075,764
Assets classified as held for sale	35	–	2,732,943
		21,513,886	21,808,707

	NOTES	2010 HK$'000	2009 HK$'000
Current Liabilities			
Trade and other payables	26	2,358,019	1,918,894
Amounts due to a non-controlling shareholder	27	52,347	48,055
Amounts due to related companies	27	2,466	2,466
Consideration payables for acquisition of subsidiaries	28	350,262	443,592
Pre-sale proceeds received on sales of properties	29	8,417,661	8,763,402
Bank borrowings	31	120,901	702,240
Loan payables	32	1,471,810	1,402,200
Derivative financial instrument – Warrants	34	16,600	29,600
Income tax and land appreciation tax payables		998,891	1,238,927
Dividend payable		6,423	6,473
Convertible loan notes	33	2,607	–
		13,797,987	14,555,849
Liabilities associated with assets classified as held for sale	35	–	835
		13,797,987	14,556,684
Net Current Assets		7,715,899	7,252,023
Total Assets less Current Liabilities		12,127,874	11,435,096

	NOTES	2010 HK$'000	2009 HK$'000
Non-current Liabilities			
Bank borrowings	*31*	514,408	768,064
Convertible loan notes	*33*	–	62,136
Senior notes	*34*	2,974,260	2,942,803
Deferred tax liabilities	*30*	996,924	1,002,111
		4,485,592	4,775,114
		7,642,282	6,659,982
Capital and Reserves			
Share capital	*36*	105,173	77,826
Reserves		7,017,806	5,995,603
Equity attributable to owners of the Company		7,122,979	6,073,429
Non-controlling interests		519,303	586,553
		7,642,282	6,659,982

The consolidated financial statements on pages 51 to 123 were approved and authorised for issue by the Board of Directors on 18 March 2011 and are signed on its behalf by:

NI Jian Da	**QIAN Shi Zheng**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company									
	Share capital	Share premium	Convertible notes equity reserve	Share options reserve	Other revaluation reserve	Exchange reserve	Accumulated (losses) profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note (a))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2009	77,826	5,515,551	44,365	208,384	46,229	796,775	1,627,254	8,316,384	755,759	9,072,143
Loss for the period	–	–	–	–	–	–	(2,106,392)	(2,106,392)	(77,907)	(2,184,299)
Other comprehensive expense for the period:										
Exchange differences on translation into presentation currency	–	–	–	–	–	(1,235)	–	(1,235)	–	(1,235)
Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interest in subsidiaries	–	–	–	–	–	(145,234)	–	(145,234)	–	(145,234)
Reclassification adjustment for realisation of exchange differences transferred to profit or loss upon disposal of interest in an associate	–	–	–	–	–	(22,681)	–	(22,681)	–	(22,681)
Reclassification adjustment for realisation of fair value gains transferred to profit or loss upon sales of completed properties held for sale	–	–	–	–	(270)	–	–	(270)	–	(270)
Total comprehensive expense for the period	–	–	–	–	(270)	(169,150)	(2,106,392)	(2,275,812)	(77,907)	(2,353,719)
Transfer to accumulated (losses) profits upon redemption of convertible loan notes	–	–	(41,785)	–	–	–	61,566	19,781	–	19,781
Decrease in non-controlling interests										
– upon disposal of subsidiaries	–	–	–	–	–	–	–	–	(79,914)	(79,914)
– upon acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(11,385)	(11,385)
Recognition of equity settled share-based payments	–	–	–	13,076	–	–	–	13,076	–	13,076
At 31 December 2009 and 1 January 2010	77,826	5,515,551	2,580	221,460	45,959	627,625	(417,572)	6,073,429	586,553	6,659,982

	Attributable to owners of the Company									
	Share capital	Share premium	Convertible notes equity reserve	Share options reserve	Other revaluation reserve	Exchange reserve	Accumulated (losses) profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note (a))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year	–	–	–	–	–	–	(749,649)	(749,649)	(86,259)	(835,908)
Other comprehensive income for the year:										
Exchange differences on translation into presentation currency	–	–	–	–	–	141,945	–	141,945	19,009	160,954
Reclassification adjustment for realisation of fair value gains transferred to profit or loss upon sales of completed properties held for sale	–	–	–	–	(17)	–	–	(17)	–	(17)
Total comprehensive expense for the year	–	–	–	–	(17)	141,945	(749,649)	(607,721)	(67,250)	(674,971)
Issue of shares	27,347	1,558,437	–	–	–	–	–	1,585,784	–	1,585,784
Transfer to accumulated losses upon redemption of convertible loan notes	–	–	(2,560)	–	–	–	4,681	2,121	–	2,121
Recognition of equity-settled share-based payments	–	–	–	69,366	–	–	–	69,366	–	69,366
Transfer to accumulated losses upon cancellation of share options	–	–	–	(227,083)	–	–	227,083	–	–	–
At 31 December 2010	105,173	7,073,988	20	63,743	45,942	769,570	(935,457)	7,122,979	519,303	7,642,282

Note:

(a) The other revaluation reserve comprises the difference between the fair value, net of deferred tax, and the carrying amount of additional interest in associates being acquired and become subsidiaries of the Company. This reserve will be recognised in the profit and loss upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	NOTE	1.1.2010 to 31.12.2010 HK$'000	1.5.2009 to 31.12.2009 HK$'000
OPERATING ACTIVITIES			
Loss before tax		(707,130)	(2,034,501)
Adjustments for:			
Fair value changes on investment properties		(7,130)	158,337
Depreciation of property, plant and equipment		42,530	28,868
Amortisation of prepaid lease payments		2,399	1,533
Impairment loss on assets classified as held for sale		–	1,790,000
Finance costs		359,661	132,342
Interest income		(13,884)	(13,231)
Loss on disposal of investment properties		–	23,639
Loss on disposal of property, plant and equipment		–	51
Gain on fair values of derivative financial instruments		(12,400)	(3,100)
Loss (gain) on redemption of convertible loan notes		3,163	(426,074)
Impairment loss in respect of inventories		178,326	124,398
Gain on disposal of subsidiaries		–	(336,866)
Loss on disposal of an associate		–	5,100
Share of losses of associates		3,244	1,789
Impairment loss on trade receivables		–	6,840
Transfer from equity on sales of completed properties held for sale		(17)	(270)
Equity-settled share-based payment expenses		69,366	13,076
Foreign exchange gain		(104,521)	(1,235)

	NOTE	1.1.2010 to 31.12.2010 HK$'000	1.5.2009 to 31.12.2009 HK$'000
Operating cash flows before movements in working capital		(186,393)	(529,304)
Increase in inventories		(184,726)	(2,615,522)
Decrease in investments in securities held for trading		–	1,513
Decrease (increase) in trade and other receivables		107,360	(94,973)
Increase in trade and other payables		204,009	467,656
(Decrease) increase in pre-sale proceeds received on sales of properties		(643,791)	3,347,814
Cash (used in) from operations		(703,541)	577,184
The People's Republic of China (the "PRC") income tax and land appreciation tax paid		(433,855)	(191,552)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(1,137,396)	385,632
INVESTING ACTIVITIES			
Proceeds from disposal of subsidiaries	*40(b)*	836,154	1,767,782
Proceeds from disposal of interest in an associate		518,966	120,897
Repayment from (advance of) loan receivables		422,176	(412,626)
Proceeds from disposal of investment properties		54,334	160,911
Interest received		13,884	13,231
Decrease in restricted bank deposits		2,726	137,406
Proceeds from disposal of property, plant and equipment		485	54
Payments for purchases of property, plant and equipment		(133,559)	(222,815)
Advance to an associate		–	(74,857)
NET CASH FROM INVESTING ACTIVITIES		1,715,166	1,489,983

	NOTE	1.1.2010 to 31.12.2010 HK$'000	1.5.2009 to 31.12.2009 HK$'000
FINANCING ACTIVITIES			
Proceeds from issue of shares		1,586,165	–
Loan advances from related companies		1,289,956	–
Loan advance from a third party		173,974	–
Proceeds from new bank borrowings		129,231	302,100
Advance from a non-controlling shareholder		2,554	–
Repayment of loan payables to third parties		(1,426,583)	(604,200)
Repayments of bank borrowings		(1,000,386)	(1,357,500)
Interest paid		(479,103)	(603,357)
Payments for consideration payable for acquisition of subsidiaries		(107,150)	(22,800)
Payment for redemption of convertible loan notes		(65,408)	(544,856)
Expenses on issue of shares		(381)	–
Dividend paid		(50)	–
Repayments to related parties		–	(415)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		102,819	(2,831,028)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		680,589	(955,413)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		1,662,692	2,618,105
Effect of foreign exchange rate changes		38,261	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY		2,381,542	1,662,692
Bank balances and cash		2,381,542	1,627,196
Cash and cash equivalents included in assets classified as held for sale		–	35,496
		2,381,542	1,662,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited company and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Following the capital reorganisation during the year, Shanghai Industrial Holdings Limited ("SIHL") has become the parent of the Company. Its ultimate parent is Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), a private limited company also incorporated in Hong Kong. The address of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in the annual report.

The principal activities of the Group are property development, property investment and hotel operations in the PRC.

The consolidated financial statements are presented in Hong Kong dollars as the Company is listed on the Stock Exchange, where most of its investors are located in Hong Kong. The functional currency of the Company is Renminbi ("RMB").

Pursuant to the board of directors' meeting on 11 December 2009, the financial year end date of the Group and the Company had been changed from 30 April to 31 December in order to bring the annual reporting period end date of the Group in line with that of its major operating subsidiaries engaged in the business of property development. As a result, the comparative figures (which cover a period of eight months from 1 May 2009 to 31 December 2009) for the consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and related notes to the consolidated financial statements are not comparable with those of the current period which covers a twelve-month period from 1 January 2010 to 31 December 2010.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognize all assets, liabilities and non-controlling interests at their carrying amounts and to recognize the fair value of the consideration received. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

The application of the other new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

[2] Effective for annual periods beginning on or after 1 July 2010.

[3] Effective for annual periods beginning on or after 1 January 2011.

[4] Effective for annual periods beginning on or after 1 January 2013.

[5] Effective for annual periods beginning on or after 1 January 2012.

[6] Effective for annual periods beginning on or after 1 January 2011.

[7] Effective for annual periods beginning on or after 1 February 2010.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. The Group is in the process of making an assessment of the impact of the amendments to HKAS 12.

The directors of the Company anticipate that the application of the other new or revised Standards, Amendments or Interpretations will have no material impact on the financial performance and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on historical cost basis except for certain financial instruments and investment properties, which are measured at fair value, and assets classified held for sale, which are measured at the lower of carrying amount and fair value less costs to sell as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non- controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interests in the associate that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

If the Group has classified non-current assets (or disposal group) as held for sale, but the criteria described above are no longer met, the Group ceases to classify the asset (or disposal group) as held for sale.

The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

(a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale, and

(b) its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in profit or loss in the period in which the criteria described in above are no longer met.

Investment properties

Investment properties are held to earn rentals properties and/or for capital appreciation.

Investment properties are initial measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including land and building held for use in the production or supply of goods or services, or for administrative purposes (other than building under development as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of items of property, plant and equipment, other than construction in progress, less their estimated useful lives and after taking into account of their estimated residual value, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Building under development for future owner occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables, amount due from an associate, consideration receivables for disposal of assets, restricted bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of loans and receivables

Loan and receivables are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loan and receivables, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to non-controlling shareholders, related companies, consideration payables for acquisition of subsidiaries, bank borrowings, loan payables and senior notes are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the accumulated profits/losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Properties under development for sale, property held for sale and inventories for hotel operations are stated at the lower of cost and net realisable value.

Cost of property in the course of development comprises of land use rights, development costs and borrowing costs capitalised during the development period.

Cost of inventories of hotel operations is calculated using the weighted average cost method and comprises all costs of purchase.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, the Mandatory Provident Fund Scheme and stated- managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits (losses).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Revenue from hotel operations which includes room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non- monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Company (i.e. Hong Kong dollars ("HKD")) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (exchange reserve).

4. KEY SOURCES OF ESTIMATES

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of trade and other receivables, loan receivables, consideration receivables for disposal of assets and amount due from an associate

The Group estimates impairment losses for trade and other receivables, loan receivables, consideration receivables for disposal of assets and amount due from an associate resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the aging of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the aggregate carrying amount of trade and other receivables, loan receivables, consideration receivables for disposal of assets and amount due from an associate is HK$804,443,000 (2009: HK$2,644,540,000).

Current taxation and deferred taxation

The Group is subject to Enterprise Income Tax ("EIT") in the PRC. Estimations are required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations 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 that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred taxation relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation in the periods in which such estimate is changed.

As at 31 December 2010, the carrying amount of deferred tax assets is nil (2009: HK$24,142,000) and enterprise income tax payable is HK$539,333,000 (2009: HK$645,568,000).

People's Republic of China ("PRC") Land Appreciation Tax

PRC Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including borrowing costs and all property development expenditure.

The Group is subject to LAT in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain of its property development projects. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. As at 31 December 2010, the carrying amount of LAT provision is HK$459,558,000 (2009: HK$573,359,000), which included in income tax and LAT payables.

Write-down of properties under development and properties held for sale

The Group's properties under development and properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in write-down of properties under development and/or completed properties held for sale. Such write-down requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying amount and write-down of properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the write-down of properties would affect profit or loss in future years. For the year ended 31 December 2010, impairment loss of HK$178,326,000 (1.5.2009 to 31.12.2009: HK$124,398,000) in respect of inventories is recognised in profit or loss. As at 31 December 2010, the carrying amount of properties under development and properties held for sales are HK$16,878,217,000 (2009: HK$13,677,143,000) and HK$1,159,806,000 (2009: HK$780,952,000), respectively.

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated cost of each phase as a percentage of the total estimated cost of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

5. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

Specifically, the Group's operating segments under HKFRS 8 are as follows:

Property development – developing and selling commercial and residential properties in the PRC.

Property leasing – leasing office and residential premises in the PRC to generate rental income and to gain from the appreciation in the properties' values in the long term.

Hotel operations – engaging in renting of hotel room accommodation, leasing of commercial shopping arcades and the provision of food and beverage at restaurant outlets and other services and facilities such as telephone, guest transportation and laundry within hotel premises in the PRC. The Group commenced its hotel operations in July 2008.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment.

For the year ended 31 December 2010

	Property development *HK$'000*	Property leasing *HK$'000*	Hotel operations *HK$'000*	Total *HK$'000*
REVENUE				
External sales	4,033,379	17,278	59,634	4,110,291
Inter-segment sales	–	–	1,603	1,603
Segment revenue	4,033,379	17,278	61,237	4,111,894
Eliminations				(1,603)
Group revenue				4,110,291
Segment (loss) profit	(280,067)	501	(45,391)	(324,957)
Unallocated finance costs				(338,285)
Unallocated other gains and losses				102,026
Unallocated corporate expenses				(85,785)
Gain on fair value changes on derivative financial instruments				12,400
Loss on redemption of convertible loan notes				(3,163)
Equity-settled share-based payment expenses				(69,366)
Loss before tax				(707,130)

For the period ended from 1 May 2009 to 31 December 2009

	Property development	Property leasing	Hotel operations	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	477,796	7,345	27,945	513,086
Inter-segment sales	–	–	4,591	4,591
Segment revenue	477,796	7,345	32,536	517,677
Eliminations				(4,591)
Group's Revenue				513,086
Segment loss	(583,234)	(219,772)	(44,561)	(847,567)
Unallocated finance costs				(103,330)
Unallocated other gains and losses				8,423
Unallocated corporate expenses				(49,891)
Gain on fair value changes on derivative financial instruments				3,100
Gain on redemption of convertible loan notes				426,074
Equity-settled share-based payment expenses				(13,076)
Impairment loss on assets classified as held for sales				(1,790,000)
Gain on disposal of subsidiaries				336,866
Loss on disposal of an associate				(5,100)
Loss before tax				(2,034,501)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss) profit from each segment without allocation of finance costs, unallocated other gains and losses, unallocated corporate expenses, gain on fair value changes on derivatives financial instruments, (loss) gain on redemption of convertible loan notes, equity-settled share-based payment expenses, impairment loss on assets classified as held for sales, gain on disposal of subsidiaries and loss on disposal of an associate. This is the measure reported to the Board of Directors of the Company for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

The Group does not allocate impairment loss on assets held for sale to segment result, whereas the related assets and liabilities of the assets/liabilities held for sales are allocated to segment assets/liabilities.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

Segment assets

	2010	**2009**
	HK$'000	*HK$'000*
Assets		
Property development	20,052,311	19,386,601
Property leasing	3,095,927	3,066,882
Hotel operations	811,077	815,331
Total segment assets	23,959,315	23,268,814
Deferred tax assets	–	24,142
Prepaid income tax and land appreciation tax	362,895	339,673
Consideration receivables for disposal of assets	–	1,349,154
Derivative financial instrument	–	600
Unallocated bank and cash balances	1,436,264	733,465
Unallocated corporate assets	167,387	275,932
Consolidated assets	25,925,861	25,991,780

Segment liabilities

	2010	**2009**
	HK$'000	*HK$'000*
Liabilities		
Property development	11,209,867	13,058,678
Property leasing	550,052	435,098
Hotel operations	42,429	44,377
Total segment liabilities	11,802,348	13,538,153
Convertible loan notes	2,607	62,136
Senior notes	2,974,260	2,942,803
Derivative financial instrument	16,600	29,600
Income tax and land appreciation tax payables	998,891	1,238,927
Deferred tax liabilities	996,924	1,002,111
Dividend payable	6,423	6,473
Unallocated loan payables	1,000,000	–
Unallocated corporate liabilities	485,526	511,595
Consolidated liabilities	18,283,579	19,331,798

For the purposes of monitoring segment performances and allocating resources between segments:

– all assets are allocated to operating segments other than deferred tax assets, prepaid income tax and land appreciation tax, consideration receivables for disposal of assets, derivative financial instruments, unallocated bank and cash balances and unallocated corporate assets; and

– all liabilities are allocated to operating segments other than convertible notes, senior notes, derivative financial instruments, income tax and land appreciation tax payables, deferred tax liabilities, dividend payable, unallocated loan payables and unallocated corporate liabilities.

Other segment information

Amounts included in the measure of segment results and segment assets:

	Property development	Property leasing	Hotel operations	Segment Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2010				
Fair value changes on investment properties	–	7,130	–	7,130
Interest income on bank deposits	4,521	325	38	4,884
Interest expenses	–	(21,376)	–	(21,376)
Depreciation of property, plant and equipment	(10,777)	(424)	(30,518)	(41,719)
Impairment loss in respect of inventory	(178,326)	–	–	(178,326)
Amortisation of prepaid lease payments	–	–	(2,339)	(2,339)
Share of loss of an associate	(3,244)	–	–	(3,244)
Interest in an associate	330,401	–	–	330,401
Additions of property, plant and equipment	6,106	–	125,842	131,948
For the period from 1 May 2009 to 31 December 2009				
Fair value changes on investment properties	–	(158,337)	–	(158,337)
Interest income on bank deposits	4,308	700	27	5,035
Interest expenses	(10,283)	(18,729)	–	(29,012)
Depreciation of property, plant and equipment	(4,984)	(706)	(22,246)	(27,936)
Impairment loss in respect of inventory	(124,398)	–	–	(124,398)
Impairment loss on trade receivables	(6,840)	–	–	(6,840)
Amortisation of prepaid lease payments	–	–	(1,533)	(1,533)
Share of loss of an associate	(1,789)	–	–	(1,789)
Interest in an associate	328,380	–	–	328,380
Assets classified held for sale	2,732,943	–	–	2,732,943
Additions of property, plant and equipment	3,516	–	217,639	221,155

Revenue from major products and services

The analysis of the Group's revenue from property development, property leasing and hotel operations are set out in note 6.

Geographical information

As all segments of the Group are operating in the PRC and customers are mostly located in the PRC, no geographical information was disclosed.

Information about major customers

For the year ended 31 December 2010 and the period from 1 May 2009 to 31 December 2009, there is no customer contributing more than 10% of the total revenue.

6. **REVENUE**

Revenue represents revenue from sale of properties (net of business tax), rental income from leasing of properties (net of business tax) and revenue from hotel operations (net of business tax).

An analysis of the Group's revenue for the year/period is as follows:

	1.1.2010 to 31.12.2010	**1.5.2009 to 31.12.2009**
	HK$'000	*HK$'000*
Revenue from sale of properties	4,033,379	477,796
Rental income from leasing of properties	17,278	7,345
Revenue from hotel operations	59,634	27,945
	4,110,291	513,086

7(A) OTHER INCOME

	1.1.2010 to 31.12.2010	**1.5.2009 to 31.12.2009**
	HK$'000	*HK$'000*
Government unconditional subsidies	16,186	5,980
Interest income on bank deposits	13,884	9,469
Interest charged on delay in refund of deposits in respect of the cancellation of acquisition of a company	–	3,762
Others	771	1,239
	30,841	20,450

7(B) OTHER GAINS AND LOSSES

	1.1.2010 to 31.12.2010	**1.5.2009 to 31.12.2009**
	HK$'000	*HK$'000*
Exchange gain on senior notes	102,026	–
Gain on fair value change of derivative financial instruments	12,400	3,100
Other net exchange gain	20,071	3,487
Net loss on disposal of investment properties	–	(23,639)
Net loss on disposal of property, plant and equipment	–	(51)
Impairment loss in respect of trade and other receivables	–	(6,840)
	134,497	(23,943)

8. FINANCE COSTS

	1.1.2010 to 31.12.2010	1.5.2009 to 31.12.2009
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	47,724	66,025
Bank borrowings wholly not repayable within five years	41,556	18,728
Loan payables	246,592	227,785
Convertible loan notes	4,634	14,015
Senior notes	335,657	223,097
Total borrowing costs	676,163	549,650
Less: amount capitalized under properties under development	(316,502)	(417,308)
	359,661	132,342

Borrowing costs capitalized during the year arose on the general borrowing pool and are calculated by applying a capitalization rate of 10.8% (1.5.2009 to 31.12.2009: 12.7%) per annum to expenditure on qualifying assets.

9. LOSS FOR THE YEAR/PERIOD

	1.1.2010 to 31.12.2010 *HK$'000*	1.5.2009 to 31.12.2009 *HK$'000*
Loss for the year/period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	43,185	29,805
Less: depreciation capitalized into properties under development	(655)	(937)
	42,530	28,868
Amortization of prepaid lease payments	2,339	1,533
Auditors' remuneration	4,300	4,100
Gross rental income from investment properties *(note)*	(17,278)	(7,345)
Less: Operating expenses	4,533	2,780
	(12,745)	(4,565)
Directors' remuneration *(note 11)*	48,308	14,695
Other staff costs		
Retirement benefit scheme contributions	9,504	6,319
Equity-settled share-based payment expenses	37,349	9,219
Salaries, wages and other benefits	111,464	86,782
	158,317	102,320
Total staff costs	206,625	117,015
Less: staff costs capitalized into properties under development	(24,861)	(20,020)
	181,764	96,995
Cost of properties held for sale recognized as an expense	3,459,998	437,015
Cost of inventories for hotel operations recognised as an expense	10,592	12,127

Note: Including contingent rental income of HK$8,327,000 (2009: HK$2,052,000) from investment properties.

10. INCOME TAX

Taxation in the consolidated statement of comprehensive income represents:

	1.1.2010 to 31.12.2010	1.5.2009 to 31.12.2009
	HK$'000	*HK$'000*
Current tax:		
PRC EIT	92,412	196,940
PRC LAT	84,103	32,129
	176,515	229,069
Under (over) provision in prior periods:		
PRC EIT	41,630	–
PRC LAT *(note)*	(74,878)	–
	(33,248)	–
Deferred tax *(note 30)*	(14,489)	(79,271)
	128,778	149,798

Note: In 2010, a group entity completed the tax clearance of a property project in Beijing and resulted in an overprovision of LAT of approximately HK$74,878,000, underprovision of related EIT of approximately HK$18,720,000.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and properties development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of the year ended 31 December 2010 (1.5.2009 to 31.12.2009: Nil).

The tax charge for the year/period can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	1.1.2010 to 31.12.2010 *HK$'000*	**1.5.2009 to 31.12.2009** *HK$'000*
Loss before tax	(707,130)	(2,034,501)
Tax at PRC EIT rate of 25%	(176,783)	(508,625)
Tax effect of share of losses of associates	811	447
Tax effect of expenses not deductible for tax purposes	144,982	513,239
Tax effect of income not taxable for tax purposes	(32,422)	(1,647)
Tax effect of tax losses not recognised	120,699	122,130
Utilisation of tax losses previously not recognised	(21,289)	–
Tax effect of deductible temporary differences not recognised	24,561	–
Income tax on concessionary rate	–	(1,173)
Provision for LAT for the year/period	84,103	32,129
Overprovision of LAT in prior periods	(74,878)	–
Tax effect of LAT deductible for PRC EIT	(2,306)	(8,032)
Underprovision of EIT in prior years	41,630	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	19,309	–
Others	361	1,330
Tax charge for the year/period	128,778	149,798

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 21 (2009: 13) directors were as follows:

For the year ended 31 December 2010

		Other emoluments			
	Fees *HK$'000*	**Salaries and other benefits** *HK$'000*	**Retirement benefit scheme contributions** *HK$'000*	**Share-based payments** *HK$'000* *(note 1)*	**Total emoluments** *HK$'000*
Executive director:					
Liu Yi *(note ii)*	–	1,795	–	–	1,795
Niu Xiao Rong *(note ii)*	–	1,860	–	–	1,860
Yuan Kun *(note ii)*	–	1,980	–	–	1,980
Liu Yan *(note ii)*	–	1,556	–	–	1,556
Jia Bo Wei	–	2,835	–	4,002	6,837
Bao Jing Tao *(note ii)*	–	693	–	–	693
Lam Kwan Sing *(note ii)*	–	1,505	8	–	1,513
Cai Yu Tian *(note iii)*	–	–	–	5,145	5,145
Chen An Min *(note iii)*	–	1,031	–	4,002	5,033
Ni Jian Da *(note iii)*	–	1,237	–	4,574	5,811
Qian Shi Zheng *(note iii)*	–	–	–	4,002	4,002
Yang Biao *(note iii)*	–	1,031	–	4,002	5,033
Zhou Jun *(note iii)*	–	–	–	4,002	4,002
Non-executive director:					
Lai Leong *(note ii)*	–	–	–	–	–
Independent non-executive director:					
Doo Wai Hoi, William *(note iii)*	190	–	–	572	762
Wong Ying Ho, Kennedy *(note iii)*	190	–	–	572	762
Fan Ren Da, Anthony *(note iii)*	190	–	–	572	762
Li Kai Fai, David *(note iii)*	190	–	–	572	762
Nie Mei Sheng *(note ii)*	–	–	–	–	–
Gao Ling *(note ii)*	–	–	–	–	–
Zhang Qing Lin *(note iv)*	–	–	–	–	–
Total	760	15,523	8	32,017	48,308

For the period ended from 1 May 2009 to 31 December 2009

		Other emoluments			
	Fees	**Salaries and other benefits**	**Retirement benefit scheme contributions**	**Share-based payments**	**Total emoluments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(note 1)*	*HK$'000*
Executive director:					
Li Song Xiao *(note v)*	–	900	–	14	914
Liu Yi *(note ii)*	–	1,800	–	996	2,796
Niu Xiao Rong *(note ii)*	–	1,200	–	996	2,196
Yuan Kun *(note ii)*	–	1,420	–	652	2,072
Liu Yan *(note ii)*	–	1,200	–	615	1,815
Jia Bo Wei	–	2,000	–	531	2,531
Bao Jing Tao *(note ii)*	–	910	–	53	963
Lam Kwan Sing *(note ii)*	–	1,400	8	–	1,408
Non-executive director:					
Lai Leong *(note ii)*	–	–	–	–	–
Independent non-executive director:					
Nie Mei Sheng *(note ii)*	–	–	–	–	–
Gao Ling *(note ii)*	–	–	–	–	–
Zhang Qing Lin *(note iv)*	–	–	–	–	–
Lai Man Leung *(note vi)*	–	–	–	–	–
Total	–	10,830	8	3,857	14,695

Notes:

i. Share-based payments represent the fair 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.

Details of share options granted to directors and other employees, including the principal terms and number of options granted, are set out in note 37.

ii. The directors, except for Bao Jing Tao, resigned on 26 July 2010. Bao Jing Tao resigned on 27 July 2010 as director.

iii. The directors were appointed on 5 July 2010.

iv. The director passed away on 19 February 2010.

v. The director resigned on 22 August 2009.

vi. The director resigned on 9 May 2009.

During the year 31 December 2010 and for the period from 1 May 2009 to 31 December 2009, no emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year/period.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group in 2010 were all directors of the Company and details of their emoluments are included in note 11.

Of the five individuals with the highest emoluments in the Group, for the period from 1 May 2009 to 31 December 2009, four were directors of the Company whose emoluments are included in the disclosures in note 11. The emoluments of the remaining one individual were as follows:

	1.5.2009 to 31.12.2009
	HK$'000
Salaries and other benefits	189
Share-based payments	2,656
Contributions to retirement benefits schemes	5
	2,850

13. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employee's relevant income to the MPF Scheme subject to a cap of monthly relevant income of HK$20,000, which contribution is matched by employees.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organised by the relevant local government authorities whereby the Group is required to make contributions to the Schemes at rates ranging from 18% to 22% of the eligible employees' 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 post-retirement benefits beyond the contributions described above.

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Losses

	1.1.2010 to 31.12.2010	**1.5.2009 to 31.12.2009**
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share:		
Loss for the year/period attributable to owners of the Company	(749,649)	(2,106,392)
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	–	12,925
Gain recognised on the derivative component of convertible notes	–	(600)
Gain recognised on redemption of convertible notes	–	(436,711)
Loss for the purpose of diluted earnings per share	(749,649)	(2,530,778)

Number of shares

	Year ended 31.12.2010	**8 months ended 31.12.2009**
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	2,303,408	1,945,640
Effect of dilutive potential ordinary shares:		
Convertible loan notes	–	33,883
Weighted average number of ordinary shares for the purpose of diluted loss per share	2,303,408	1,979,523

The computation of diluted loss per share does not assume:

(i) the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share for the year ended 31 December 2010; and

(ii) the exercise of the Company's options/warrants because the exercise price of those option/warrants was higher than the average market price for the year ended 31 December 2010 and for the period from 1 May 2009 to 31 December 2009.

15. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 May 2009	3,313,447
Net decrease in fair value recognised in profit or loss	(158,337)
Disposals	(205,782)
At 31 December 2009 and 1 January 2010	2,949,328
Exchange realignment	101,451
Net increase in fair value recognised in profit or loss	7,130
Disposals	(54,334)
At 31 December 2010	3,003,575

The fair value of the Group's investment properties, which are located in the PRC, at 31 December 2010 and 2009 have been arrived at on the basis of a valuation carried out on those dates by Savills Valuation and Professional Services Limited, an independent qualified professional valuers not connected with the Group. Savills Valuation and Professional Services Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in similar locations and conditions, where appropriate.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Certain investment properties of the Group have been pledged to secure banking facilities granted to the Group, details of which are set out in note 31.

The carrying value of investment properties shown above comprises:

	2010	**2009**
	HK$'000	*HK$'000*
Land in PRC		
Medium-term lease	3,003,575	2,949,328

16. PROPERTY, PLANT AND EQUIPMENT

	Hotel buildings	Hotel furniture and equipment	Leasehold improve-ments	Other furniture and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 May 2009	214,076	256,175	2,030	26,536	47,063	65,267	611,147
Transfer upon completion	21,999	10,601	–	–	–	(32,600)	–
Additions	–	3,053	1,342	967	2,926	214,527	222,815
Disposals							
– through disposal of subsidiaries	–	–	–	(3,418)	(2,246)	–	(5,664)
– others	–	(44)	–	–	(858)	–	(902)
Transfer to assets classified as held for sale *(note 35)*	–	–	–	(730)	(637)	–	(1,367)
At 31 December 2009 and 1 January 2010	236,075	269,785	3,372	23,355	46,248	247,194	826,029
Exchange realignment	8,964	10,238	59	723	1,368	8,563	29,915
Transfer upon completion	40,360	40,995	–	–	–	(81,355)	–
Additions	5,351	10,904	980	3,165	1,985	111,174	133,559
Disposals	–	–	(677)	(592)	(112)	–	(1,381)
Transfer from assets classified as held for sale *(note 35)*	–	–	–	730	637	–	1,367
At 31 December 2010	290,750	331,922	3,734	27,381	50,126	285,576	989,489
DEPRECIATION							
At 1 May 2009	7,849	16,628	1,965	13,814	18,654	–	58,910
Provided for the period	6,106	15,941	131	2,688	4,939	–	29,805
Eliminated on disposals							
– through disposal of subsidiaries	–	–	–	(1,205)	(600)	–	(1,805)
– others	–	(12)	–	–	(785)	–	(797)
Transfer to assets classified as held for sale *(note 35)*	–	–	–	(234)	(212)	–	(446)
At 31 December 2009 and 1 January 2010	13,955	32,557	2,096	15,063	21,996	–	85,667
Exchange realignment	906	1,227	59	478	757	–	3,427
Provided for the year	24,736	5,782	383	4,455	7,829	–	43,185
Eliminated on disposals	–	–	(677)	(156)	(63)	–	(896)
Transfer from assets classified as held for sale	–	–	–	234	212	–	446
At 31 December 2010	39,597	39,566	1,861	20,074	30,731	–	131,829
CARRYING VALUES							
At 31 December 2010	251,153	292,356	1,873	7,307	19,395	285,576	857,660
At 31 December 2009	222,120	237,228	1,276	8,292	24,252	247,194	740,362

The above property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Hotel buildings	25 years
Hotel furniture and equipment	5–20 years
Leasehold improvements	5 years
Other furniture and equipment	3–5 years
Motor vehicles	5–8 years

The Group has pledged interest in leasehold land held for own use under operating leases and hotel buildings and improvements to secure general banking facilities granted to the Group, details of which are set out in note 31.

17. PREPAID LEASE PAYMENTS

	2010	**2009**
	HK$'000	*HK$'000*
Medium-term leasehold land in PRC analysed for reporting purposes as:		
Current asset	2,339	2,300
Non-current asset	85,856	85,238
	88,195	87,538

18. INTEREST IN AN ASSOCIATE

	2010	**2009**
	HK$'000	*HK$'000*
Unlisted shares, at cost less impairment loss recognised	324,249	330,170
Share of post-acquisition profits and other comprehensive income, net of dividends received	6,152	(1,790)
	330,401	328,380

The following list contains only the particulars of an associate, which is an unlisted corporate, which principally affected the results or assets of the Group:

				Proportion of ownership interest		
Name of associate	**Form of entity**	**Place of incorporation/ registration and operation**	**Issued and fully paid share capital/ registration capital**	**Group's effective interest**	**Held by subsidiary**	**Principal activity**
天津市億嘉合置業有限公司 ("億嘉合置業")	Incorporated	The PRC	RMB38,000,000	40%	40%	Property development

During the year ended 31 December 2009, the Group entered into a sale and purchase agreement and supplemental agreement with Wukuang Zhiye Company ("Wukuang"), a company established in of the PRC, whereby the Group agreed to sell and Wukuang agreed to purchase the Group's 40% equity interest in 億嘉合置業, a company established in the PRC and engaged in property development in Tianjin. After the disposal, the Group holds 40% of interests in 億嘉合置業, which became an associate of the Group. Prior to this disposal, the Group held 80% equity interest in 億嘉合置業.

Upon the completion of disposal of 40% equity interest in 億嘉合置業 (the "Disposal"), the Group agreed to pledge the Group's shareholdings in 億嘉合置業 after the Disposal to Wukuang during the period, the major shareholder of 億嘉合置業, which owned 60% of the equity interest in 億嘉合置業 upon the completion of Disposal, as security for any possible breach of the responsibilities of the Group under the supplemental agreement. The main responsibilities of the Group are as follows:

(i) The Group is responsible for undertaking the preliminary development works of the property development project in respect of the piece of land (the "Land") situated at Tianjin Beichen Qu Yi Xing Bu Jiu Chun (the "Project") including demolishment and re-settlement and obtaining planning approval and land clearance;

(ii) Wukuang is responsible for contributing a total amount of funds of RMB1,584 million (equivalent to approximately HK$1,796 million) ("Wukuang's Contribution") for the demolishment and re-settlement expenses of the land lot nos. 7 and 8 with a gross construction area of 800,000 square meters of the Land, whilst the Group is responsible for payment of any excess amount of the actual amount of the demolishment and re-settlement expenses over Wukuang's Contribution; and

(iii) In the event that there is any change in the shareholding of the Project, the affected outgoing shareholder shall provide complete and full disclosure to the new shareholder of the Project of all relevant matters and legal documents, and agreed terms of co-operation among the parties with respect to the Project.

Details of such disposal and pledge of equity shares were set out in the circular as issued by the Company on 15 July 2009.

The summarised financial information in respect of the Group's associate is set out below:

	2010	**2009**
	HK$'000	*HK$'000*
Total assets	2,026,812	1,756,267
Total liabilities	(1,663,823)	(1,391,675)
Net assets	362,989	364,592
Group's share of net assets of an associate	145,196	146,175
Add: land premium paid upon acquisition	185,205	182,205
Total Group's share of net assets of an associate	330,401	328,380

	1.1.2010 to 31.12.2010	**1.5.2009 to 31.12.2009**
	HK$'000	*HK$'000*
Revenue	–	–
Loss for the year/period	(8,110)	(4,416)
Group's share of losses of an associate for the year/period	(3,244)	(1,789)

19. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is non-trade in nature, unsecured, interest free and repayable on demand. The directors of the Company consider that the amount will not be repaid within twelve months. Accordingly, the amount due from an associate is classified as non-current assets as at 31 December 2010.

20. RESTRICTED BANK DEPOSITS

The Group has entered into agreements with certain banks with respect to mortgage loans provided to the buyers of the Group's property units. The Group made deposits as security for the settlement of the mortgage instalments by the mortgagors under these agreements. Should the mortgagors fail to pay the mortgage instalments, the banks can draw down the security deposits up to the amount of outstanding mortgage instalments and demand the Group to pay the outstanding balance to the extent that the deposit balance is insufficient. These restricted bank deposits will be released when the property title deeds are pledged to banks as security for respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. Thus, the above restricted bank deposits are not expected to be released within one year.

The pledged deposits carry fixed interest rate from 2.25% to 4.55% (2009: from 1.71% to 3.6% per annum).

21. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2010	**2009**
	HK$'000	*HK$'000*
Property development		
Properties under development	16,878,217	13,677,143
Properties held for sale	1,159,806	780,952
	18,038,023	14,458,095
Hotel operations		
Food and beverage and others	4,936	3,960
	18,042,959	14,462,055

All of the properties under development and completed properties held for sale are located in the PRC.

At 31 December 2010, properties under development of approximately HK$3,423,909,000 (2009: HK$743,969,000) and properties held for sale of approximately HK$212,000,000 (2009: HK$172,083,000) were carried at net relisable value.

Certain of the Group's properties under development and completed properties held for sale were pledged as collateral for the Group's bank borrowings, details of which are set out in note 31. At 31 December 2010, property under development of HK$10,418,721,000 (2009: HK$9,130,420,000) are expected to be recovered more than one year.

22. LOAN RECEIVABLES

Non-trade unsecured loan receivables from independent third parties comprise:

	Maturity date	Effective interest-rate	Carrying amount 2010	2009
			HK'000	*HK'000*
RMB208,000,000 fixed-rate loan receivable	28 March 2010	5%	–	235,786
RMB156,000,000 fixed-rate loan receivable	28 March 2010	5%	–	176,840
			–	412,626

The entire amounts of principal had been settled in full during the year ended 31 December 2010.

23. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	6,769	39,495
Other receivables	33,068	60,811
Advance payments to contractors	65,006	42,377
Prepaid sales commission	156,302	155,354
Prepaid other taxes	418,528	441,461
Deposits and prepayments	23,097	44,428
Total trade and other receivables	702,770	783,926

The Group allows an average credit period of 90 days to its corporate hotel customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of billing at the end of the reporting period.

	2010	2009
	HK$'000	*HK$'000*
0–90 days	661	16,442
91–180 days	–	6,284
>180 days	6,108	16,769
	6,769	39,495

Aging of trade receivables which are past due but not impaired

	2010	2009
	HK$'000	*HK$'000*
91–180 days	–	6,284
>180 days	6,108	16,769
Total	6,108	23,053

Trade receivables that were past due but not provided for impairment loss relate to a number of independent customers. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

24. CONSIDERATION RECEIVABLES FOR DISPOSAL OF ASSETS

	2010	2009
	HK$'000	*HK$'000*
Consideration receivables for disposal of:		
Investment properties	21,381	21,232
An associate	–	513,000
Subsidiaries *(note 40b)*	–	836,154
	21,381	1,370,386

25. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 0.360% (2009: 0.001% to 0.360%) per annum.

26. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Accrued expenditure on properties under development	1,765,031	1,054,251
Amounts due to former shareholders of the Company's former subsidiaries *(note (a))*	141,032	137,039
Retentions payable to contractors	1,766	1,712
Receipts from customers for payment of expenses on their behalf	99,799	98,168
Interest payable	143,148	199,085
Accrued charges and other payables	196,765	393,225
Other taxes payables *(note (b))*	10,478	35,414
	2,358,019	1,918,894

Notes:

(a) The amounts are non-trade in nature, interest free and repayable on demand.

(b) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable and business tax payable.

27. AMOUNTS DUE TO A NON-CONTROLLING SHAREHOLDER/RELATED COMPANIES

The amounts due to a non-controlling shareholder and related companies are non-trade in nature, interest free, unsecured and repayable on demand. These related companies are controlled by Mr. Li Song Xiao, the former controlling shareholder of the Company. Mr. Li Song Xiao is a substantial shareholder of the Company at 31 December 2010.

28. CONSIDERATION PAYABLES FOR ACQUISITION OF SUBSIDIARIES

In November 2007, the Group entered into purchase agreements with independent third parties to acquire in aggregate a 80% equity interest in 瀋陽向明陽益置業有限公司 ("向明陽益置業"), a company established in the PRC to carry out a property development project in Shenyang, the PRC, for a total cash consideration of approximately HK$609,800,000. At the December 2010, a consideration payable of HK$70,771,000 (2009: HK$68,500,000) is not yet settled.

In November 2007, the Group entered into purchase agreements with independent third parties to acquire a 100% equity interest in 珠海市淇州島影視城有限公司 ("淇州島影視城"), a company established in the PRC to carry out a property development project in Zhuhai, the PRC, for a total cash consideration of approximately HK$3,076,232,000. At the December 2010, a consideration payable of HK$151,094,000 (2009: HK$146,051,000) is not yet settled.

In December 2007, the Group entered into purchase agreements with independent third parties to acquire a 90% equity interest in 中歐城開有限公司 ("中歐城開"), a company established in the PRC to carry out a property development project in Hebei Province, the PRC, for a total cash consideration of approximately HK$547,260,000. 中歐城開 became a wholly-owed subsidiary of the Company. At the December 2010, a consideration payable of HK$101,439,000 (2009: HK$160,740,000) is not yet settled.

On 30 June 2008, the Group acquired 12% equity interest in 北京君合百年房地產開發有限公司 ("君合百年"), a company established in the PRC and engaged in property development in Beijing, the PRC, for a total consideration of RMB82,090,000 (equivalent to approximately HK$93,369,000). Prior to the acquisition, the Group held 43.95% interest in 君合百年 and this has been accounted for as interest in an associate. 君合百年 then became a 55.95% owned subsidiary of the Group subsequent to the acquisition. At the December 2010, a consideration payable of HK$26,958,000 (2009: HK$68,400,000) is not yet settled.

The consideration payables are not yet paid due to certain conditions of the respective sales and purchase agreements are not yet fulfilled as at the end of the reporting period.

29. PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES

Pre-sale proceeds received on sales of properties represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of HK$2,126,251,000 (2009: HK$2,754,024,000) is expected to be recognised as revenue after more than one year.

30. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior year/period:

	Convertible loan notes	Revaluation of investment properties	Fair value adjustment on properties under development/ properties held for sale	Fair value adjustment on hotel properties	Impairment on property, plant and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2009	(12,165)	(533,239)	(608,598)	(19,974)	24,832	(1,149,144)
Disposal of subsidiaries	–	–	81,267	–	–	81,267
Redemption of convertible loan notes	10,637	–	–	–	–	10,637
(Charge) credit to profit or loss	1,090	66,637	12,097	137	(690)	79,271
At 31 December 2009 and 1 January 2010	(438)	(466,602)	(515,234)	(19,837)	24,142	(977,969)
Exchange realignment	–	(16,069)	(17,313)	(684)	419	(33,647)
Redemption of convertible loan notes	203	–	–	–	–	203
(Charge) credit to profit or loss	230	(1,783)	40,394	209	(24,561)	14,489
At 31 December 2010	(5)	(484,454)	(492,153)	(20,312)	–	(996,924)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2010	2009
	HK$'000	*HK$'000*
Deferred tax assets	–	24,142
Deferred tax liabilities	(996,924)	(1,002,111)
	(996,924)	(977,969)

At the end of the reporting period, the Group has unused tax losses of approximately HK$1,534,698,000 (2009: HK$1,044,403,000) and deductible temporary difference of HK$98,244,000 (2009: nil) available for offset against future profits, which are subjected to the confirmation from Hong Kong Inland Revenue Department and the PRC Tax Bureau. No deferred tax asset has been recognised in respect of such losses and deductible temporary difference due to the unpredictability of future profit streams. The unrecognised tax losses at the end of reporting periods will expire in the following years.

	2010	**2009**
	HK$'000	*HK$'000*
2011	1,101	1,064
2012	21,914	21,180
2013	239,628	280,122
2014	484,010	503,219
2015	372,409	–
Indefinite	415,636	238,818
	1,534,698	1,044,403

Deferred tax liabilities not recognised

Under the Corporate Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 8 December 2006, the withholding income tax rate was reduced to 5% if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25% equity interest. On 22 February 2008, the Minister of Finance and State Administration of Tax approved Caishui (2008) No. 1, pursuant to which dividend distributions out of accumulated profits of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax.

As at 31 December 2010, temporary differences relating to the distributable profits of certain subsidiaries since 2008 amounted to HK$698,600,000 (2009: HK$763,700,000). Deferred tax liabilities of HK$34,900,000 (2009: HK$38,800,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these accumulated profits as the Group is able to control the timing of the reversal of the temporary differences and it is possible that the temporary differences will not reverse in the foreseeable future.

31. BANK BORROWINGS

	2010	**2009**
	HK$'000	*HK$'000*
Secured bank borrowings repayable within a period of		
Within one year	120,901	702,240
More than one year, but not exceeding two years	183,092	116,850
More than two years but not exceeding five years	–	321,754
More than five years	331,316	329,460
	635,309	1,470,304
Less: Amounts due within one year shown under current liabilities	(120,901)	(702,240)
	514,408	768,064

All the bank borrowings are denominated in RMB and variable-rate borrowings which carry interest at Benchmark Lending Rate of the People's Bank of China in the PRC. The effective interest rates on the Group's bank borrowings range from 4.86% to 6.05% (1.5.2009 to 31.12.2009: 5.40% to 6.43%) per annum.

Assets that have been pledged as collateral to secure bank borrowings are as follows:

	2010	2009
	HK$'000	*HK$'000*
Investment properties	2,960,604	2,912,586
Inventories	900,605	2,011,311
Property, plant and equipment	–	309,658
	3,861,209	5,233,555

In addition, the net asset value of a group entity is pledged to a bank to secure a bank borrowing granted to the Group. The net asset value of that group entity at 31 December 2010 is approximately HK$595,175,500 (2009: nil).

As at 31 December 2010, corporate guarantees of HK$319,048,000 (2009: HK$384,032,000) were given by 北京新松投資集團有限公司, which was controlled by Mr. Li Song Xiao, a former major shareholder of the Company.

32. LOAN PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Loan Payables from related parties *(note (a))*	1,294,881	–
Loan Payable A *(note (b))*	176,929	–
Loan Payable B *(note (c))*	–	1,368,000
Loan Payable C *(note (d))*	–	34,200
Loan payables from independent third parties	176,929	1,402,200
	1,471,810	1,402,200

Notes:

(a) On 29 December 2010, the Company and SIHL Finance Limited, a wholly owned subsidiary of SIHL, which is an intermediate holding of the Company since June 2010, entered into a loan agreement pursuant to which SIHL Finance Limited agreed to grant a principal amount of HK$1,000,000,000 to the Company, which is unsecured and bearing interest at 5.5% per annum. The loan will be repaid to the SIHL Finance Limited on 30 December 2011.

In December 2010, the Group obtained borrowing of RMB250,000,000 (equivalent to approximately HK$294,881,000) from Shanghai Urban Development (Holdings) Company Limited ("SUDH"), a company controlled by SHIL, through an entrusted loan agreement administrated by Shanghai Pudong Development Bank. Such loan balance was bearing interest at 6.972% per annum and repayable by 28 December 2011. The loan was provided for property project development of the Group.

(b) The Group obtained a loan from a financial institution amounting to RMB150,000,000 (equivalent to approximately HK$176,929,000) ("Loan Payable A"). The proceeds were used to finance the development of properties. Loan Payable A is secured by (i) certain properties under development of the Group located in the PRC with total carrying amount of approximately RMB325,752,000 (equivalent to approximately HK$384,232,000) and (ii) equity pledge over 10% of registered capital of 天津中新濱海房地產開發有限公司 ("天津濱海"), a wholly owned subsidiary of the Company in the PRC. This loan will be repayable on 7 July 2011 and is bearing interest at 12% per annum.

(c) On 29 November 2007, a loan agreement was entered into between the Group and an independent third party, pursuant to which a term loan of RMB1,500,000,000 ("Loan Payable B") and repayable on 5 December 2009. The loan is bearing interest at 20% per annum and secured by a pledge of equity interest in the 淇州島影視城 and a charge of the entire issued share capital of Moral Luck Group Limited, a wholly-owned subsidiary of the Company. In addition, Loan Payable B is secured by subordination of intra-group's balance between certain wholly-owned subsidiaries of the Company in favour of this independent third party and the corporate guarantees given by the Company and certain of the Company's subsidiaries.

On 2 December 2009, the Group refinanced Loan Payable B by agreeing to repay by nine instalments until 5 December 2011. The Group might repay the entire loan with certain early repayment rebate on the interest accrual on the 5 December 2010 or 5 June 2011. During the period from 1 May 2009 to 31 December 2009, the Group failed to repay Loan Payable B according to the repayment schedule. Accordingly, the entire loan amount became due as at 31 December 2009. The amount was fully repaid during the year ended 31 December 2010.

(d) According to an agreement in February 2007, an independent third party ("Lender C") contributed an amount of RMB60,000,000 in respect of 30% of the registered capital in a subsidiary (the "Project Company") and granted a loan facility of RMB240,000,000 ("Loan Payable C") to the Project Company. However, under the agreement, Lender C has no right to share any profits of the Project Company. The Group is obliged to purchase from Lender C the 30% registered capital of the Project Company for a consideration of RMB60,000,000 and repay the loan of RMB240,000,000 plus a guaranteed additional amount of RMB100,000,000 within 24 months from the date of the agreement. As the Group has contractual obligations to deliver cash in accordance with the agreement and Lender C has no profit sharing rights in the Project Company irrespective of his equity ownership, Loan Payable C was classified as a financial liability.

In 2008, the Group purchased the 30% registered capital of the Project Company for RMB60,000,000 from Lender C. As of 31 December 2009, the Group has settled RMB210,000,000 of Loan Payable C and the remaining RMB30,000,000 (equivalent to HK$34,200,000) is outstanding. The outstanding balance was fully repaid during the year ended 31 December 2010.

33. CONVERTIBLE LOAN NOTES

On 12 June 2006, the Company issued zero coupon convertible loan notes at par with a principal amount of HK$1,340,000,000 ("Convertible Loan Note 2011"). Convertible Loan Note 2011 will be redeemed at 135.7% of the principal amount on 11 May 2011 ("Maturity Date"). Convertible Loan Note 2011 is listed on the Stock Exchange.

The holders of Convertible Loan Note 2011 have the right to convert all or any portion of Convertible Loan Note 2011 into shares of the Company at an initial conversion price of HK$1.5048 per share, subject to anti-dilutive adjustments. The conversion right can be exercised at any time on or after 60 days from the date on which Convertible Loan Note 2011 is issued up to, and including, the close of business on the business day seven days prior to the Maturity Date.

On 12 June 2009, the holders of Convertible Loan Note 2011 can put back the Convertible Loan Note 2011 to the Company at the price of 120.103% of principal amount ("Redemption Right of the Holder"). As the economic characteristics and risks of the Redemption Right of the Holder are not closely related to the host contract, the Redemption Right of the Holder is separately accounted for at fair value at the end of each reporting period as a derivative financial instrument. The Redemption Right of the Holder expired on 12 June 2009.

At any time after 12 June 2009 but not less than seven business days prior to the Maturity Date, the Company may redeem Convertible Loan Note 2011 in whole but not in part at a pre-determined redemption amount if the closing price of the shares for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is given is at least 130 per cent of the applicable early redemption amount divided by the conversion ratio ("Redemption Right of the Issuer"). As the economic characteristics and risks of the Redemption Right of the Issuer are not closely related to the host contract, the Redemption Right of the Issuer is separately accounted for at fair value at the end of each reporting period as a derivative financial instrument. The fair value of the Redemption Right of the Issuer at 31 December 2010 was insignificant (2009: HK$600,000). Accordingly, a change in the fair value of the derivative financial instrument of HK$600,000 was charged (1.5.2009 to 31.12.2009: HK$600,000 was credited) to the profit or loss for the year.

In the event that the Company's shares cease to be listed or admitted to trading on the Stock Exchange, each holder of Convertible Loan Note 2011 shall have a right, at such holder's option, to require the Company to redeem Convertible Loan Note 2011 on the twentieth business day after notice has been given to the holder at the early redemption amount ("Delisted Put Right"). As the economic characteristics and risks of the Delisted Put Right are not closely related to the host contract, the Delisted Put Right is separately accounted for at fair value at the end of each reporting period as a derivative financial instrument. The fair value of the Delisted Put Right is insignificant as at 31 December 2010 and 2009.

Convertible Loan Note 2011 contains a liability element, Redemption Right of the Holder, Redemption Right of the Issuer, Delisted Put Right and equity element. The equity element is represented in the equity heading "convertible loan note equity reserve". The effective interest rate of the liability element is 9.44%.

Pursuant to the terms and conditions of the Convertible Loan Note 2011, the conversion price of the conversion right to the holders was adjusted with the consolidation of shares effective on 29 October 2007, and the holders are entitled to convert the Convertible Loan Note 2011 for a fully paid share at the adjusted conversion price of HK$6.0193 per share. The number of shares issuable on the exercise of the conversion right is reduced to one-fourth of the outstanding shares issuable under the Convertible Loan Note 2011 with effect from 29 October 2007.

No Convertible Loan Note 2011 was converted into the Company's new ordinary shares for the year ended 31 December 2010 and the period from 1 May 2009 to 31 December 2009.

On 11 January 2009, the Company announced, among other things, that the Company proposed to amend the terms of the Redemption Right of the Holder, at the option of the holders of the Convertible Loan Note 2011, so as to enable the holders of the Convertible Loan Note 2011 to exercise the Redemption Right of the Holder requiring the Company to redeem all of the Convertible Loan Note 2011 at a price of HK$6,300 for each HK$10,000 principal amount of the Convertible Loan Note 2011 ("Amendments to the Terms of the Redemption Right of the Holder") on 12 June 2009.

The meeting of holders of the Convertible Loan Note 2011 held on 13 May 2009 passed an extraordinary resolution of holders of the Convertible Loan Note 2011 to approve the Amendments to the Terms of the Redemption Right of the Holder.

On 12 June 2009, the Company redeemed Convertible Loan Note 2011 of total principal amount of HK$864,850,000 for a total consideration of HK$544,855,500 (the "Redemption 2009"), pursuant to the terms and conditions of Convertible Loan Note 2011. Immediately after the Redemption 2009, the principal amount of HK$52,160,000 remained outstanding, and a gain of approximately HK$426,074,000 from the Redemption 2009 was recognised in profit or loss.

On 15 October 2010, the Company redeemed Convertible Loan Note 2011 of total principal amount of HK$50,160,000 for a total consideration of HK$65,408,000 (the "Redemption 2010"), pursuant to the terms and conditions of Convertible Loan Note 2011. Immediately after the Redemption 2010, the principal amount of HK$2,000,000 remained outstanding, and a loss of approximately HK$3,163,000 from the Redemption 2010 was recognised in profit and loss.

34. SENIOR NOTES/WARRANTS

On 23 July 2007, the Company issued 4,000 units of senior notes at a par value of US$400,000,000, (equivalent to approximately HK$3,120,000,000) ("Senior Notes 2014") and 264,000,000 warrants ("Warrants 2012"). The Senior Notes 2014 bear interest at 9.75% per annum and will mature on 23 July 2014 ("Notes Maturity Date"). The Senior Notes 2014 are guaranteed by all of the Company's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

The Senior Notes 2014 and Warrants 2012 are separated immediately upon their issuance and the Warrants 2012 are detachable from the Senior Notes 2014.

The Warrants 2012 are exercisable at any time from the date of issue to 23 July 2012 at an exercise price of HK$1.68 per share, subject to anti-dilutive adjustments, to subscribe for shares of the Company. The Warrants 2012 are denominated in HKD and settlement of the warrant is structured at a net share settlement basis. As the Warrants 2012 may be settled other than by exchange of a fixed amount of cash for a fixed number of the Company's shares, the Warrants 2012 is classified as a derivative financial liability and measured at fair value with changes in fair value recognised in the profit or loss.

The fair value of Warrants 2012 at 31 December 2010 was HK$16,600,000 (2009: HK$29,600,000). Accordingly, a change in fair value of warrants of HK$13,000,000 (1.5.2009 to 31.12.2009: HK$2,500,000) was charged to the profit or loss for the year.

Pursuant to the terms and conditions of Warrants 2012, on 29 October 2007, the subscription price of Warrants 2012 was adjusted following the consolidation on a 4 to 1 basis of the Company's shares. Warrants 2012 holders were entitled to subscribe in cash for fully paid shares at the adjusted subscription price of HK$6.72 per share. The number of shares issuable on the exercise of the Warrants 2012 was reduced to one-fourth of the outstanding number of shares issuable under Warrants 2012 as at 29 October 2007.

As at 31 December 2010, 66,000,000 (2009: 66,000,000) of Warrants 2012 were outstanding. Exercise in full of the outstanding Warrants 2012 would result in the issue of 66,000,000 (2009: 66,000,000) additional shares with an aggregate subscription value of HK$443,520,000 (2009: HK$443,520,000).

At any time prior to the Notes Maturity Date, the Company may redeem the Senior Notes 2014, in whole or in part, at a redemption price equal to 100% of the principal amount plus the greater of (1) 1% of the principal amount of Senior Notes 2014 being redeemed and (2) the excess of (A) the present value at such redemption date of (i) 100% of the principal amount of the Senior Notes 2014 plus (ii) all required remaining scheduled interest payments due on Senior Notes 2014 through to the Notes Maturity Date, computed using a discount rate equal to the comparable treasury issue plus 100 basis points, over (B) the principal amount of Senior Notes 2014 on such redemption date ("100% Redemption Right of the Issuer – Senior Notes 2014"). As the economic characteristics and risks of the 100% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 100% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 100% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at 31 December 2010 and 2009.

At any time prior to 23 July 2011, the Company may redeem up to 35% of the principal amount of the Senior Notes 2014 with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 109.75% of the principal amount of the Senior Notes 2014 ("35% Redemption Right of the Issuer – Senior Note 2014"). As the economic characteristics and risk of the 35% Redemption Right of the Issuer – Senior Notes 2014 are not closely related to the host contract, the 35% Redemption Right of the Issuer – Senior Notes 2014 is separately accounted for at fair value at each reporting date as a derivative financial instrument. The fair value of the 35% Redemption Right of the Issuer – Senior Notes 2014 was insignificant as at 31 December 2010 and 2009.

The Senior Notes 2014 contain a liability element, Warrants 2012, 100% Redemption Right of the Issuer – Senior Notes 2014 and 35% Redemption Right of the Issuer – Senior Notes 2014. At 31 December 2010, the effective interest rate of the liability element is 11.35% (2009: 11.35%).

35. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The directors resolved to dispose of a parcel of land, which is located at Qiao Island, Zhuhai, the PRC, through the disposal of 淇州島影視城, a subsidiary of the Company, as at 31 December 2009. Negotiations with several interested parties had taken place as at 31 December 2009.

On 19 January 2010, the Group entered into an agreement with Turbo Wise Limited ("Turbo Wise"), a company wholly owned by Mr. Li Song Xiao, the then major shareholder of the Company, subject to certain conditions, to sell 淇州島影視城 at a consideration of HK$2,500,000,000 ("Disposal Agreement").

Therefore, the directors of the Company considered the disposal of 淇州島影視城 as highly probable and the assets and liabilities attributable to 淇州島影視城, which was expected to be sold within twelve months, were classified as assets held for sale and presented separately in the consolidated statement of financial position at 31 December 2009. Because the proceeds of the disposal were expected to be less than the net carrying amount of assets and liabilities of 淇州島影視城, and accordingly, an impairment loss of HK$1,790,000,000 was recognised in profit or loss for the period from 1 May 2009 to 31 December 2009.

In addition, the completion of (i) the sale and purchase agreement between Novel Good Limited ("Novel Good"), a wholly owned subsidiary of SIHL, and Investment Gain Limited ("Investment Gain"), a company controlled by Mr. Li Song Xiao, which Novel Good will acquire 500,000,000 ordinary shares of the Company from Mr. Li Song Xiao ("Sale and Purchase Agreement") and (ii) the subscription agreement between Novel Good and the Company for the subscription of 683,692,000 shares of the Company ("Subscription Agreement") is subject to, among others, the completion of the disposal of 淇州島影視城.

As at 31 December 2009, the major classes of assets and liabilities of 淇州島影視城 classified as held for sale were as follows:

	HK$'000
Properties under development, at cost	4,486,145
Less: impairment loss	(1,790,000)
Properties under development, at fair value less costs to sell	2,696,145
Property, plant and equipment	921
Trade and other receivables	381
Cash and cash equivalents	35,496
Total assets classified as held for sale	2,732,943
Trade and other payables	285
Income tax payable	550
Total liabilities classified as held for sale	835

On 11 May 2010, Novel Good, Invest Gain and the Company entered into a supplemental agreement to waive the disposal of 淇州島影視城 as a condition of the Sale and Purchase Agreement and the Subscription Agreement. At the same time, the Company entered into a termination agreement with Turbo Wise to terminate the Disposal Agreement. Accordingly, the disposal of 淇州島影視城 is not considered as highly probable and the assets and liabilities of 淇州島影視城 ceased to be classified as held for sale and included in the property development segment.

36. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.04 each		
Authorised:		
At 1 May 2009, 31 December 2009 and 31 December 2010	10,000,000	400,000
Issued and fully paid:		
At 1 May 2009 and 31 December 2009	1,945,640	77,826
Issue of shares under private placement	683,692	27,347
At 31 December 2010	2,629,332	105,173

On 24 June 2010, 683,692,000 ordinary shares of HK$0.04 each were issued to Novel Good Limited, a wholly-owned subsidiary of SIHL, at a price of HK$2.32 per share for a total consideration of approximately HK$1,585,784,000. The proceeds were used to reduce the Group's borrowings and for future development of the Group when investment opportunities arise. These new shares rank pari passu with other shares in issue in all respects.

37. SHARE OPTIONS

Pursuant to a special general meeting of the Company held on 12 December 2002, the Company adopted a share option scheme (the "Scheme"). Pursuant to the Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of the Company at any time. The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1.00 received by the Company. The exercise period of the share options granted is determinable by the directors, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of the Company, but in any case must be the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

At 31 December 2010, the number of shares of the Company in respect of which options had been granted and remained outstanding under the Scheme was 111,500,000 (2009: 125,625,000), representing 4.2% (2009: 6.5%) of the shares of the Company in issue at that date.

The following tables disclose movements of the Company's share options during the year/period.

Grantees	Date of grant	Outstanding at 1.1.2010	Granted during year	Exercised during year	Cancelled during year	Outstanding at 31.12.2010	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment) *HK$*
Directors of the Company	4 April 2006	8,625,000	–	–	(8,625,000)	–	4 April 2006– 3 April 2016	3.6
	17 November 2006	21,950,000	–	–	(21,950,000)	–	17 November 2006– 22 October 2016	3.72
	14 March 2007	7,500,000	–	–	(7,500,000)	–	14 March 2007– 6 March 2017	3.92
	24 September 2010	–	56,000,000	–	–	56,000,000	24 September 2010– 23 September 2020	2.98
		38,075,000	56,000,000	–	(38,075,000)	56,000,000		
Employees	4 April 2006	4,500,000	–	–	(4,500,000)	–	4 April 2006– 3 April 2016	3.6
	17 November 2006	43,050,000	–	–	(43,050,000)	–	17 November 2006– 22 October 2016	3.72
	14 March 2007	40,000,000	–	–	(40,000,000)	–	14 March 2007– 6 March 2017	3.92
	24 September 2010	–	55,500,000	–	–	55,500,000	24 September 2010– 23 September 2020	2.98
		87,550,000	55,500,000	–	(87,550,000)	55,500,000		
Exercisable at the end of the year						44,600,000		
Weighted average exercise price (HK$)		3.78	2.98	–	3.78	2.98		

Grantees	Date of grant	Outstanding at 1.5.2009	Granted during period	Exercised during period	Cancelled during period	Outstanding at 31.12.2009	Exercisable period	Exercised price per share (subject to anti-dilutive adjustment) *HK$*
Directors of the Company	4 April 2006	8,625,000	–	–	–	8,625,000	4 April 2006–3 April 2016	3.6
	17 November 2006	21,950,000	–	–	–	21,950,000	17 November 2006–22 October 2016	3.72
	14 March 2007	7,500,000	–	–	–	7,500,000	14 March 2007–6 March 2017	3.92
		38,075,000	–	–	–	38,075,000		
Employees	4 April 2006	4,500,000	–	–	–	4,500,000	4 April 2006–3 April 2016	3.6
	17 November 2006	43,050,000	–	–	–	43,050,000	17 November 2006–22 October 2016	3.72
	14 March 2007	40,000,000	–	–	–	40,000,000	14 March 2007–6 March 2017	3.92
		87,550,000	–	–	–	87,550,000		
Exercisable at the end of the year						103,575,000		
Weighted average exercise price (HK$)		3.78	–	–	–	3.78		

On 24 September 2010, 111,500,000 options were granted to directors and employees of the Group. The options are vested in three tranches over two years and the estimated fair values of the options granted are HK$129,898,000.

These fair values were calculated using the Binominal model. The inputs into the model were as follows:

	2010
Closing share price at the date of offer	HK$2.98
Exercise price	HK$2.98
Expected volatility	50%
Expected life	5.6 years
Risk-free rate	2.18%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous four years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK$69,366,000 for the year ended 31 December 2010 (1.5.2009 to 31.12.2009: HK$13,076,000) in relation to share options granted by the Company.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of an average 13% of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted.

The Binomial model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of share option varies with different variables of certain subjective assumptions.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings, loan payables, senior notes and convertible loan notes, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company actively and regularly review the capital structure. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not more than 100% determined as the proportion net debt (which includes loan payables, senior notes, convertibles loan notes and bank borrowings less bank balances and cash and restricted bank deposits) to equity. As at 31 December 2010, the gearing ratio of the Group was 37.2% (2009: 69.1%). Based on recommendations of the directors, the Group will balance its overall capital structure through new shares issued, and share buy-backs as well as the issue of new debt or the redemption of exiting debts.

39. FINANCIAL INSTRUMENTS

39a. Categories of financial instruments

	2010	2009
	HK$'000	*HK$'000*
Financial assets		
Derivative financial instruments		
Redemption Right of the Issuer	–	600
Loans and receivables (including cash and cash equivalents)	2,577,582	3,643,139
Financial liabilities		
Derivative financial instruments		
Warrants	16,600	29,600
Financial liabilities	5,835,776	6,709,392

39b. Financial risk management objectives and policies

The Group's major financial instruments include derivative financial instruments, restricted bank deposits, bank balances and cash, loan receivables, trade and other receivables, loan payables, trade and other payables, amounts due from an associate, amounts due to non-controlling shareholders and related companies, consideration receivables for disposal of assets, consideration payables for acquisition of subsidiaries, bank borrowings, convertible loan notes and senior notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group actively and regularly reviews and manages its capital structure to strictly control the debt level. The Group maintains a strategy on acquiring land only if the project development can commence within a short period of time so as to minimise the time period between acquisition and development of the acquired land, thus the Group's capital can be efficiently deployed.

Market risk

(i) Currency risk

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 RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. The Group did not hedge its currency exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollar ("USD")	(3,108,019)	(3,076,562)	480,932	1,942
HKD	(1,016,526)	(74,103)	1,116,227	934,546

Sensitivity analysis

The Group is mainly exposed to the currency of USD and HKD against RMB, the functional currency of relevant group entities.

The following table details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2009: 5%) are the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items. A positive/negative number below indicates a decrease/increase in post-tax profit where RMB strengthen 5% (2009: 5%) against USD and HKD respectively. For a 5% (2009: 5%) weakening of RMB against USD and HKD respectively, there would be an equal and opposite impact on the loss.

	USD Liabilities		**HKD Assets**	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit or loss for the year/period	109,681	128,365(i)	(4,163)	(35,923)(ii)

(i) This is mainly attributable to the exposure outstanding on senior note denominated in USD at the year/period end.

(ii) This is mainly attributable to the exposure to bank balances and loan payables denominated in HKD at 31 December 2010 and consideration receivable for disposal of assets, bank balances and convertible loan notes denominated in HKD at 31 December 2009.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 31 for details of these borrowings) and bank balances and cash. It is the Group's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate loan payables, convertible loan notes, senior notes and restricted bank deposits. The Group currently do not enter into any hedging instrument for fair value interest rate risks.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of the Benchmark Lending Rate of the People's Bank of China arising from the Group's Renminbi denominated borrowings.

Sensitivity analysis

The Group does not anticipate there is any significant impact on its interest-bearing assets resulting from the changes in interest rates as the interest rates of bank deposits are not expected to change significantly.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate borrowings. The analysis is prepared assuming the Group's variable-rate borrowings of which the borrowing costs are not qualified for capitalisation outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2009: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2009: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2010 would increase/decrease by HK$2,485,000 (2009: increase/decrease by HK$2,880,000).

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable-rate bank borrowings.

(iii) Other price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of financial derivatives of the Group. As the end of reporting period, the Group is exposed to this risk through redemption rights attached to the convertible loan notes issued by the Company and the warrants as disclosed in notes 33 and 34, respectively.

No sensitivity analysis on other price risk is presented as the directors of the Company consider a reasonable possible change to the Company's own share price will not have a significant effect to the profit and loss.

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

– the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

– the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 43.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow–up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and restricted bank deposits is limited because the counterparties are banks with high credit ratings.

The Group's concentration of credit risk by geographical locations is mainly in PRC, which accounted for 100% (2009: 100%) of the total trade receivable as at 31 December 2010.

In relation to the Group providing guarantees to secure obligations of the buyers of the property units for the repayment of their mortgage loans, if there is a default in repayment by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to banks. Under such circumstances, the Group is able to retain the customer's deposits, take over the ownership of the relevant properties and sell the properties to recover any amounts paid by the Group to banks. In this regard, the directors of the Company consider that the Group's credit risk on such guarantees is significantly reduced. Detailed disclosure of these guarantees has been made in note 43.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group had no significant concentrations of credit risk within the property development business segment and hotel operations segment.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings, loan payable and senior notes as a significant source of liquidity. As at 31 December 2010, the Group has no available unutilised short-term bank loan facilities (2009: HK$ nil). Borrowings are usually drawn on a project-by-project basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2010							
Non-derivative financial liabilities							
Trade and other payables	–	346,705	–	–	–	346,705	346,705
Amounts due to non-controlling shareholders	–	52,347	–	–	–	52,347	52,347
Amount due to related companies	–	2,466	–	–	–	2,466	2,466
Consideration payables for acquisition of subsidiaries	–	350,262	–	–	–	350,262	350,262
Bank borrowings	4.9–6.1	154,043	209,149	59,041	370,677	792,910	635,309
Loan payables	5.5–12.0	1,552,984	–	–	–	1,552,984	1,471,810
Convertible notes	9.4	2,714	–	–	–	2,714	2,607
Senior notes	11.4	304,200	305,033	3,728,400	–	4,337,633	2,974,260
Financial guarantees issued: Maximum amount guaranteed *(note 43)*	–	2,618,654	–	–	–	2,618,654	–
		5,384,375	514,182	3,787,441	370,677	10,056,675	5,835,766

	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2009							
Non-derivative financial liabilities							
Trade and other payables	–	337,836	–	–	–	337,836	337,836
Amount due to non-controlling shareholders	–	48,055	–	–	–	48,055	48,055
Amount due to related companies	–	2,466	–	–	–	2,466	2,466
Consideration payables for acquisition of subsidiaries	–	443,592	–	–	–	443,592	443,592
Bank borrowings	5.4–6.4	773,508	160,392	387,108	379,340	1,700,348	1,470,304
Loan payables	20.0	1,675,800	–	–	–	1,675,800	1,402,200
Convertible loan notes	9.4	–	70,782	–	–	70,782	62,136
Senior notes	11.4	304,200	304,200	4,033,433	–	4,641,833	2,942,803
Financial guarantees issued: Maximum amount guaranteed *(note 43)*	–	2,592,713	–	–	–	2,592,713	–
		6,178,170	535,374	4,420,541	379,340	11,513,425	6,709,392

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

39c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

– the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives;

– the fair value of financial guarantee contracts is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantee not been available, where reliable estimates of such information can be made; and

– the fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discount cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 2 and total 2010 HK$'000	Level 2 and total 2009 HK$'000
Financial assets		
Derivative financial instrument		
– Redemption Right of the Issuer	–	600
Total	–	600
Financial liabilities		
Derivative financial instrument		
– Warrants	16,600	29,600
Total	16,600	29,600

There were no transfer between instruments in level 1 and level 2 in current year.

40. DISPOSAL OF SUBSIDIARIES

(a) Disposal of subsidiaries

(i) 君合百年

In July 2009, the Group completed the disposal of its entire interest in 北京國鋭民合投資有限公司 ("北京國鋭") for a total cash consideration of approximately HK$1,175,397,000. 北京國鋭 owns a 55.95% equity interest in 君合百年, a company established in the PRC and engaged in property development in Beijing, the PRC. A gain on disposal of approximately HK$105,526,000 arose from this disposal.

(ii) 北京新松建築研究發展有限公司 ("北京新松建築")

In August 2009, the Group completed the disposal of the entire equity interest in 北京新松建築, a company established in the PRC and engaged in design and construction business, for a cash consideration of approximately HK$1,129,000. A gain on disposal of approximately HK$1,815,000 arose from this disposal.

(iii) 億嘉合置業

In June 2009, the Group completed the disposal of a 40% equity interest in 億嘉合置業, a company established in the PRC and engaged in property development in Tianjin, for a cash consideration of approximately HK$410,400,000. After the disposal, the Group retains 40% interests in 億嘉合置業, which became an associate of the Group. A gain on disposal of approximately HK$115,485,000 arose from this disposal.

(iv) 天津新潤房地產開發有限公司 ("天津新潤")

In December 2009, the Group completed the disposal of the entire equity interest in Star Profit Group Limited ("Star Profit") and its subsidiaries for a total consideration of approximately HK$1,120,000,000. Profit Kingsway Limited, a wholly-owned subsidiary of Star Profit, owns the entire equity interest in 天津新潤, a company established in the PRC and engaged in property development in Tianjin, the PRC. A gain on disposal of approximately HK$69,523,000 arose from this disposal.

(v) 北京世銘企業管理有限公司 ("北京世銘")

In December 2009, the Group completed the disposal of the entire equity interest in 北京世銘, a company established in the PRC and engaged in corporate management in Beijing, for a cash consideration of approximately HK$25,000. A gain on disposal of approximately HK$28,000 arose from this disposal.

(vi) *滎鑫(北京)企業管理有限公司, 中新方圓科技(深圳)有限公司, 天津中新同城房地產開發有限公司, 天津中新泰華房地產開發有限公司 and 天津中新宜城房地產開發有限公司 ("Deregistered Subsidiaries")*

During the period from 1 May 2009 to 31 December 2009, the Group applied for and completed the deregistration of the Deregistered Subsidiaries, which were established in the PRC and had not yet commenced any business. A gain on disposal of approximately HK$44,489,000 arose from this disposal due to the release of exchange reserve.

(b) Summary of disposal of subsidiaries

For the period from 1 May 2009 to 31 December 2009, the net assets disposed in respect of the disposal of subsidiaries were summarised below:

	HK$'000
Consideration received:	
Cash	1,870,797
Consideration receivable	836,154
Total consideration received	2,706,951
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	3,859
Properties under development	4,886,668
Trade and other receivables	3,961
Prepaid income tax	324
Bank balances and cash	103,015
Accruals and other payables	(104,693)
Income tax payables	(322)
Deferred tax liabilities	(81,267)
Loan payables	(615,719)
Advance payment from a non-controlling shareholder for the property development project	(798,000)
Amounts due to group companies	(472,424)
Net assets disposal of	2,925,402
Gain on disposal of subsidiaries:	
Total consideration received	2,706,951
Net asset disposal of	(2,925,402)
Non-controlling interests	79,914
Net assets transfer to interests in an associate	330,169
Cumulative exchange differences of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	145,234
	336,866
Net cash inflow arising on disposal:	
Cash consideration	1,870,797
Less: bank balances and cash disposed of	(103,015)
	1,767,782

The subsidiaries disposed of in prior period did not contribute significantly to the Group's results and cash flows.

41. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of properties under development:

	The Group	
	2010	**2009**
	HK$'000	*HK$'000*
Expenditure in respect of the acquisition of properties under development contracted for but not provided in the consolidated financial statements	3,316,257	3,210,742
Capital expenditure in respect of the capital contribution to an associate authorised but not contracted for	1,216,000	–

The Group is responsible for payment of any excess amount of the actual amount of the demolishment and re-settlement expenses over Wukuang's Contribution. As the demolishment and re-settlement of the property project is still at an early stage, in the opinion of directors of the Company, the capital commitment cannot be quantified as at 31 December 2010 and 2009.

42. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year/period in respect of office premises are HK$20,121,000 (1.5.2009 to 31.12.2009: HK$14,674,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Within one year	22,464	5,684
In the second to fifth years inclusive	25,250	2,285
	47,714	7,969

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a term ranging from three months to three years.

The Group as lessor

Property rental income earned during the year was HK$17,278,000 (1.5.2009 to 31.12.2009: HK$7,345,000). Certain of the Group's properties have committed tenants for the next 2 to 20 years with an option to renew the lease after that date at which time all terms are renegotiated.

Contingent rental income were calculated based on the higher of a fixed monthly rental or a certain percentage of the turnover of the relevant operation that occupied the premise.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2010	2009
	HK$'000	*HK$'000*
Within one year	36,311	39,602
In the second to fifth year inclusive	58,755	55,834
After five years	38,561	15,004
	133,627	110,440

43. CONTINGENT LIABILITIES

(a) Corporate guarantees

(i) Guarantees in respect of mortgage facilities for certain purchasers

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage instalments by these buyers, the Group is responsible to pay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was approximately HK$2,618,654,000 as at 31 December 2010 (2009: HK$2,377,313,000).

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition, and the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

(ii) Guarantees in respect of bank loans for a former subsidiary

The Company has entered into agreements with two banks to provide corporate guarantees with respect to bank loans granted to a former subsidiary. Pursuant to the terms of guarantees, upon default in payments of bank loans by the former subsidiary, the Company is responsible to repay the outstanding loan principals together with accrued interest and penalty owed by the former subsidiary to the banks. The guarantees will be released when the bank loans of the former subsidiary are repaid in full. The maximum liability of the Company at the end of the reporting period under such guarantees is the outstanding amount of the bank loans to the former subsidiary of RMB nil (equivalent to approximately HK$nil) (2009: RMB224,000,000 (equivalent to approximately HK$255,360,000)).

As at 31 December 2009, the Company held a deposit of RMB36,000,000 (equivalent to approximately HK$39,960,000) from the holding company of the former subsidiary as a collateral for the guarantees, and such deposit was refunded to the holding company of the former subsidiary during the year ended 31 December 2010 after the facility expired.

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and, the directors of the Company consider that the possibility of default by the former subsidiary is remote and, in case of default in payments, the net realisable value of the net assets of the former subsidiary can recover the repayment of the outstanding principals of the bank loans together with the accrued interest and penalty. Accordingly, no provision has been made in respect of such guarantees.

(b) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties with terms ranging from one to two years against certain specified defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

(c) Legal proceedings

From time to time, the Group may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Group's business. The directors of the Company are currently not aware of any such legal proceedings or claims that they believe will have, individually or in the aggregate, a material adverse affect on the Group's business, financial condition or operating results of the Group.

44. RELATED PARTY TRANSACTIONS

(a) Balances with related parties

Details of the balances with related parties are set out in notes 19, 27 and 32.

(b) Transactions with key management personnel

(i) During the period from 1 May 2009 to 31 December 2009, Mr. Liu Yi and Ms. Liu Yan, directors of the Company, entered into sale and purchase agreements with the Company's subsidiaries for the purchase of the Group's properties for a total consideration of approximately HK$1,335,000 and HK$1,265,000, respectively. At 31 December 2009, the Group received an amount of approximately HK$6,000 from Ms. Liu Yan as deposits in accordance with these agreements.

(ii) Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 11, is as follows:

	1.1.2010 to 31.12.2010	**1.5.2009 to 31.12.2009**
	HK$'000	*HK$'000*
Short-term employee benefits	16,283	10,830
Post-employment benefits	8	8
Equity compensation benefits	32,017	3,857
	48,308	14,695

Total remuneration is included in "Staff costs" (see note 9).

(c) Transactions with related parties

The Group entered into the following significant transactions with related parties during the year/period:

Name of related company	*Notes*	Nature of transactions	1.1.2010 to 31.12.2010 *HK$'000*	1.5.2009 to 31.12.2009 *HK$'000*
北京欣錦佳資產管理有限公司	*(i)*	Building management fee paid	4,899	4,817
天津博華物業管理有限公司	*(i)*	Agency fees paid	–	1,896
重慶中新嘉業物業管理有限公司	*(i)*	Agency fees paid	–	2,843
北京西宇嘉業管理有限公司 –深圳分公司	*(ii)*	Agency fees paid	–	1,334
上海中大物業管理有限公司	*(iii)*	Building management fee paid	697	–
SIHL Finance Limited	*(iii)*	Finance cost paid	301	–
Moon Yik Company Limited	*(iv)*	Rental expense and management fee paid	2,081	–

Notes:

(i) The former controlling shareholder of the Company, Mr. Li Song Xiao, has controlling interest of these entities.

(ii) A former director of the Company, Ms. Lin Yan, has controlling interest of this entity.

(iii) These entities are subsidiaries of SHIL, the parent of the Company.

(iv) This entity is controlled by an independent non-executive director of SIHL, the parent of the Company.

Except for the above transactions, the Group had the following guarantees and arrangement loan during the year/period:

(i) The Group entered into the loan agreements with subsidiaries of SIHL as set out in note 32(a).

(ii) Corporate guarantees were given by 北京新松投資集團有限公司 as set out in note 31.

45. EVENT AFTER THE REPORTING PERIOD

On 29 September 2010, the Company announced that Power Tact Investment Ltd ("Power Tact"), a wholly-owned subsidiary of the Company, SUDH and Urban Development Green Carbon (Tianjin) Equity Investment Fund Joint Venture ("SUDG JV") (collectively the "Purchasers") won the bid for the acquisition of the land use right at a consideration of RMB2,429 million (equivalent to approximately HK$2,813 million) (the "Land Acquisition Cost"). Pursuant to the letter dated 29 September 2010 between the Purchasers and the Shanghai Land Exchange Centre, the investment ratio of Power Tact, SUDH and SUDG JV in the land is 25%, 40% and 35%, respectively. Power Tact, SUDH and SUDG JV will establish 上海城開集團龍城置業有限公司 ("JV Company") for the purpose of holding and developing the land. The registered capital of the JV Company shall be RMB2,100 million (equivalent to approximately HK$2,432 million), of which RMB525 million (equivalent to approximately HK$608 million) will be contributed by Power Tact. The total investment of the JV Company shall be RMB4,200 million (equivalent to approximately HK$4,864 million). The JV company was established on 28 February 2011.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/and paid-up registered capital held in 2009 and 2010 Directly	Indirectly	Principal activities
中置(北京)企業管理有限公司 *(note (b))*	The PRC	HK$200,000,000	–	100%	Investment holding
深圳鳳凰置業有限公司 *(note (a))*	The PRC	US$10,000,000	–	82%	Property investment
北京金馬文華園房地產開發有限公司 *(note (a))*	The PRC	US$12,000,000	–	100%	Property development
北京新松房地產開發有限公司 *(note (a))*	The PRC	RMB190,000,000	–	100%	Property development
北京市御水苑房地產開發有限責任公司 *(note (c))*	The PRC	RMB20,000,000	–	90%	Property development
北京新松置地投資顧問有限公司 *(note (c))*	The PRC	RMB30,000,000	–	100%	Investment holding
成都中新錦泰房地產開發有限公司 *(note (a))*	The PRC	RMB200,000,000	–	100%	Property development
西安滻灞建設開發有限公司 *(note (a))*	The PRC	US$86,880,000	–	71.5%	Property development
西安中新滻灞歐亞酒店發展有限公司 *(note (c))*	The PRC	RMB50,000,000	–	71.5%	Hotel operations
西安中新永榮房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新佳園房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新永佳房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新沁園房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新新柳域房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新華勝房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新榮景房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid-up share capital/ registered capital	Percentage of issued share capital/and paid-up registered capital held in 2009 and 2010		Principal activities
			Directly	Indirectly	
西安中新濱河房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
西安中新永景房地產開發有限公司 *(note (c))*	The PRC	RMB10,000,000	–	71.5%	Property development
湖南淺水灣湘雅溫泉花園有限公司 *(note (c))*	The PRC	RMB30,000,000	–	67%	Property development
重慶中華企業房地產發展有限公司 *(note (c))*	The PRC	RMB200,000,000	–	100%	Property development
天津中新濱海房地產開發有限公司*(note (b))*	The PRC	HK$100,000,000	–	100%	Property development
天津中新華安房地產開發有限公司 *(note (b))*	The PRC	RMB240,000,000	–	100%	Property development
天津中新華城房地產開發有限公司 *(note (b))*	The PRC	RMB80,000,000	–	100%	Property investment
天津中新嘉業房地產開發有限公司 *(note (b))*	The PRC	RMB120,000,000	–	100%	Property development
天津中新信捷房地產開發有限公司 *(note (b))*	The PRC	RMB240,000,000	–	100%	Property development
天津凱津房地產開發有限公司 *(note (c))*	The PRC	RMB210,000,000	–	100%	Property development
上海九久廣場投資開發有限公司 *(note (c))*	The PRC	RMB226,160,000	–	100%	Property development
瀋陽向明長益置業有限公司 *(note (a))*	The PRC	USD63,750,000	–	80%	Property development
珠海市淇洲島影視城有限公司 *(note (a))*	The PRC	RMB90,000,000	–	100%	Property development
中歐城開有限公司 *(note (c))*	The PRC	RMB100,000,000	–	100%	Property development
北京盈通房地產開發有限公司 *(note (a))*	The PRC	USD6,000,000	–	67.5%	Primary land development

Notes:

(a) These companies were established in the PRC in the form of sino-foreign equity joint ventures.

(b) These companies were established in the PRC in the form of wholly-owned foreign enterprises.

(c) These companies were established in the PRC in the form of a limited liability company.

The above table only includes those subsidiaries which, in the opinion of the Company's directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length."

MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL RESULTS OF OPERATIONS

Set out below are a discussion and analysis of the Group's results of operations for the six months ended 30 June 2011, for the 12 months ended 31 December 2010, for the eight months ended 31 December 2009, and for the 12 months ended 30 April 2008 and 2009. The information set out below is principally extracted from the "Management discussion and analysis" section of the relevant interim report and annual reports of the Company to provide further information relating to the financial condition and results of operations of the Group during the periods stated.

Please note that as identified in the section headed "Issues Arising Prior to SIH's Acquisition of a Controlling Interest in the Company", for the eight months ended 31 December 2009 and for the year ended 31 December 2010, the Group recorded a loss of HK$2,184.3 million and HK$835.9 million, respectively. Amongst other factors, this was partially due to the low gross profit margins of certain projects of the Group. These projects were undertaken by three constructors, namely Shanghai Haidi Construction Engineering Co., Ltd., Tianjin Shenya Construction Engineering Co., Ltd., and Orient Construction Group Co., Ltd., with whom the Group entered into construction contracts prior to SIH's acquisition of a controlling interest in the Company.

The Group operates in a capital intensive industry and has historically financed, and expects to continue to finance in the future, its working capital and liquidity requirements primarily through proceeds from the pre-sale and sale of properties, rental income, borrowings from financial institutions and capital contributions and advances from shareholders. However, the PRC property market has experienced significant volatility in recent years as a result of market conditions and fluctuations in property sales volumes and prices, especially as a result of the recent deterioration in PRC's economic growth, the PRC credit environment and the global economic and financial crisis, which has reduced demand for the properties that the Group sells. These factors have also resulted in banks and other financial institutions becoming less willing to make credit available to property purchasers and companies in the property development industry. In particular, during economic downturns or market slowdown's as has been the case for the PRC property market recently, potential purchasers or purchasers of properties tend to become more prudent and act more cautiously out of concern for further declines of property prices and may even terminate or defer their decisions to purchase property. Customers who have already entered into pre-sale contracts with the Group during periods of better economic or market conditions may also wish to cancel their pre-sale contracts and adopt a wait-and-see approach in anticipation of a better bargain. In the three months ended 30 September 2011, the Group received 30 cancellations of sale or pre-sale from customers and had to return an amount of RMB2.4 million to customers. While customers are not required to provide a reason for their cancellation, the Group believes that certain of those cancellations could have been due to the recent deterioration in the global and PRC economic and market conditions. In addition, the Group faces intense competition from other real estate developers. Please refer to the risk factor headed "The Enlarged Group faces intense competition from other real estate developers". Correctly determining the appropriate price in response to the change in market conditions is vital to the success of the Group's business. Competitors of the Group may reduce the prices of their properties as a result of the prevailing economic or market conditions, which could result in increased pricing pressure on the Group and further restrict the Group's ability to sell properties. Please also refer to the risk factor headed "The recent deterioration of the PRC's economic growth and the global financial crisis may affect the Enlarged Group's business. It could limit the Enlarged Group's ability to continue to finance its working capital and to meet its liquidity requirements and materially and adversely affect its financial position and results of operations". As a result of these factors, there can be no assurance that the Group will be able to generate sufficient cash flow from its operations or that banks, shareholders and other lenders that the Group has relied on in the past for financing will continue to provide the Group with sufficient funding in the future in order to be able to continue to finance its working capital and liquidity requirements. If the Group is not able to finance its working capital and liquidity requirements in the future, its business, financial condition and results of operations could be materially and adversely affected. Please also refer to the risk factor headed "The Enlarged Group maintains a substantial level of indebtedness to finance its capital intensive business, and it may not have adequate cash flow to fund its operations or to service its financing obligations".

Pursuant to a meeting of the Board held on 11 December 2009, the financial year end date of the Group and the Company was changed from 30 April to 31 December in order to bring the annual reporting period end date of the Group in line with that of its major operating subsidiaries engaged in the business of property development. As a result, the figures for the period of eight months from 1 May to 31 December 2009 for the consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and related notes to the consolidated financial statements are not comparable with those of the 12-month period from 1 January to 31 December 2010. Similarly, the figures for the period of 12 months from 1 May 2008 to 30 April 2009 for the consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and related notes to the consolidated financial statements are not comparable with those of the eight-month period from 1 May to 31 December 2009.

For the six months ended 30 June 2011

For the six months ended 30 June 2011, revenue of the Group was approximately HK$882.5 million, representing a decrease of 63.5% compared to the corresponding period in 2010, as less properties in terms of GFA were delivered during the period, which was approximately 110,000 sq.m. During the period, the major revenue stream was attributable to the projects of Laochengxiang in Tianjin, Forest Garden in Changsha, Youngman Point in Beijing and Top City in Chongqing. These four projects accounted for approximately 41%, 17%, 17% and 10% of total revenue, respectively, for the period. During the period, the gross profit margin slightly increased to 18.6%, which was attributable to the increase in average selling price and the effective cost control measures.

During the period, the profit attributable to Shareholders was HK$56.7 million, representing a significant improvement from the loss of HK$645.6 million in the same period of last year. It was primarily benefited from the revaluation gain of investment properties and the decrease in finance costs. Meanwhile, after reinforcing the control on operating expenses, the management fee and selling expenses dropped compared to those in the same period in 2010. For the six months ended 30 June 2011, the basic earnings per Share were HK2.16 cents, and the diluted earnings per Share were HK2.16 cents.

To achieve a more effective utilisation of resources, the Group proactively deployed a large number of mid and senior management personnel with professional and extensive experience to lead key project companies during the first half of 2011. In June 2011, the operational headquarters were relocated from Beijing to Shanghai, to consolidate the resources to accurately and efficiently monitor the construction progress, marketing and promotion strategies and sales for various projects. The move has strengthened the advantages of the Group, including the strong background of the Controlling Shareholder, a land bank of excellent locations and a management team with extensive experience, etc.

After the Kempinski Hotel at Neo Water City, a project developed by the Group, has become the permanent premises of Euro-Asia Economic Forum, the International Horticultural Exposition was launched at Chan-Ba Ecological District in Xi'an in April 2011, and will be completed in October 2011. During the period, the Group also seized the opportunity to speed up the sales of the new units in Neo Water City, the contract sales amount of which accounted for almost 40% of the Group's overall contract sales amount for the period. It was immediately followed by the project of Forest Garden in Changsha, which accounted for approximately 20% of the Group's overall contract sales amount. In addition, the project of Park Avenue in Chengdu accounted for approximately 18%, with the remaining contract sales attributable to Laochengxiang in Tianjin and Top City in Chongqing.

In contrast, investment properties are less affected by changes in policies than residential properties. They can also bring steady cash flow for the Group. During the period, the Group had strategically increased the proportion of investment properties, with the total assets value increasing from HK$3 billion to HK$3.6 billion, and the year-on-year rental income has significantly increased by more than two times. It will facilitate the future sound development of the Group.

In April 2011, the Group announced that it proposed to acquire 59% equity interests in Shanghai Urban Development held by SIH. Shanghai Urban Development has interest in 11 projects in Shanghai, Jiangsu, Hunan and Chongqing, with an aggregate GFA of approximately 4.5 million sq.m. based on the Target Group's internal records. Upon completion of the transaction, the Group can rapidly increase its land bank in the first- and second-tier cities with the aggregate GFA reaching approximately 17 million sq.m., which will help boost the Group's long-term competitiveness.

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

The Company's issued and fully paid share capital as at 30 June 2011 amounted to HK$105,173,288, divided into 2,629,332,189 Shares of HK$0.04 each.

During the review period, no warrants or convertible notes were converted into the Shares of the Company. The Company redeemed all its outstanding Convertible Bonds on 12 June 2011.

The Group's net debt to equity ratio increased to 59.7% as at 30 June 2011 from 37.2% as at 31 December 2010, mainly attributable to the increase in total debts, the increase of capital invested in the new project of Mei Long Nanfang Shangcheng in Shanghai and the decrease in cash during the period. Net debt represents total borrowings (including bank borrowings, loan payables, senior notes and convertible notes) less cash and cash equivalents and restricted bank deposits secured against bank borrowings. As at 30 June 2011, the cash and cash equivalents of the Group amounted to HK$1.22 billion. The aggregated net asset value amounted to HK$7.79 billion and the current ratio was 1.48.

As at 30 June 2011, the Group employed 545 employees compared to 586 as at 31 December 2010. The remuneration policies for the employees of the Group are determined according to the performance, qualification and experience and competence of the employee. The emolument of the Directors is determined by the remuneration committee of the Board, having regard to the operating results of the Company, individual performance and comparable market statistics. Staff benefits include contributions to the mandatory provident fund schemes and discretionary bonus payments which is linked to the profitability of the Group and individual performances. There has been no change in the emolument policy of the Group for the two years ended 30 April 2008 and 2009, for the eight months ended 31 December 2009, for the year ended 31 December 2010 and for the six months ended 30 June 2011.

The Group has adopted a share option scheme as an incentive to Directors and eligible employees. During the period, training programmes were provided to employees. Activities aiming at building team spirit were regularly organised for employees, so as to enhance the human capital of the Group and the staff's sense of belonging to the Group.

For the 12 months ended 31 December 2010

For the 12 months ended 31 December 2010, revenue of the Group for the year amounted to HK$4,110.3 million representing an increase of 701.1% compared to HK$513.1 million for the eight months ended 31 December 2009. During the year, most of the revenue was generated from three projects, namely Laochengxiang in Tianjin, Jiujiu Youth City in Shanghai and Youngman Point in Beijing, which accounted for approximately 58%, 29% and 11% of the Group's total revenue during the year, respectively.

Loss attributable to owners of the Company for the 12 months ended 31 December 2010 amounted to HK$749.6 million, representing a significant improvement from the loss of HK$2,106.4 million in the eight-month period ended 31 December 2009, which was mainly driven by satisfactory sales results. Distribution and selling expenses for the 12 months ended 31 December 2010 expressed as a percentage of revenue improved significantly to 9.8% from 49.2% for the eight months ended 31 December 2009. Likewise, general and administrative expenses expressed as a percentage of revenue also improved from 76.9% for the eight months ended 31 December 2009 to 13.8% for the 12 months ended 31 December 2010. Financing costs, which primarily represent interest paid on bank borrowings, reduced correspondingly upon the decline of liability level. For the 12 months ended 31 December 2010, the basic loss per Share and the diluted loss per Share was HK32.55 cents and HK32.55 cents, respectively, compared to the basic loss per Share and diluted loss per Share of HK108.26 cents and HK127.84 cents, respectively for the eight months ended 31 December 2009.

In January 2010, the Group acquired the remaining 10% interest in the Yanjiao project for a total consideration of RMB25 million (equivalent to approximately HK$28 million). After completion of the transaction, the Group holds 100% of the Yanjiao project. Save for the above, the Group did not carry out any material acquisition or disposal during the 12 months ended 31 December 2010.

In September 2010, the Group successfully bid for the land use right of a piece of land for Mei Long Nanfang Shangcheng in Shanghai for a total consideration of RMB2.429 billion (equivalent to approximately HK$2.813 billion) together with Shanghai Urban Development and Green Carbon Fund via tendering. The total site area of the project is 87,246 sq.m. with a saleable area of approximately 421,300 sq.m. Disregarding the interest held through Shanghai Urban Development following Completion, the Group has a 25% interest in this project.

During 2010, the Company successfully raised HK$1.586 billion via issuing new Shares to SIH, which has enhanced the financial position of the Group and led to a significant improvement in the Group's gearing ratio. On 15 October 2010, the Company paid an aggregate of approximately HK$65.4 million to redeem Convertible Bonds in a total principal amount of HK$50.2 million in respect of which valid put option notices were received. In December 2010, the Group repaid bank borrowings of RMB1.2 billion together with all interest incurred in relation to the Zhuhai project. The net borrowing ratio decreased from 69.1% as at 31 December 2009 to 37.2% as at 31 December 2010. The net borrowing ratio is calculated as net debt divided by total equity attributable to the equity shareholders of the Company. For this purpose, the Group defines net debt as total debt (which includes loan payables and bank borrowings, convertible loan notes and senior notes) less cash and cash equivalents. As at 31 December 2010, the Group's cash and cash equivalents amounted to HK$2,381.5 million compared to HK$1,627.2 million as at 31 December 2009. The net asset value of the Group as at 31 December 2010 was HK$7,642.3 million compared to HK$6,660.0 million as at 31 December 2009. The current ratio of the Group as at 31 December 2009 and 2010 was approximately 1.50 and 1.56 respectively.

As at 31 December 2010, the Group had 586 employees compared to 622 as at 31 December 2009.

Certain bank deposits of approximately HK$54 million were pledged to banks to secure long-term mortgage loans granted by banks to the purchasers of pre-sold properties and are therefore classified as non-current assets. These pledged deposits will be released upon the transfer of the property title certificates to the respective purchasers.

The following table sets out the bank borrowings of the Group as at the dates indicated:

	31 December	
	2010	**2009**
	HK$'000	*HK$'000*
Secured bank borrowings repayable within a period of		
Within one year	120,901	702,240
More than one year, but not exceeding two years	183,092	116,850
More than two years but not exceeding five years	–	321,754
More than five years	331,316	329,460
	635,309	1,470,304
Less: Amounts due within one year shown under current liabilities	(120,901)	(702,240)
	514,408	768,064

All the bank borrowings were denominated in RMB and variable-rate borrowings which carried interest at benchmark lending rate of the PBOC. The effective interest rates on the Group's bank borrowings during the 12 months ended 31 December 2010 ranged from 4.86% to 6.05% per annum, compared to the range of 5.40% to 6.43% per annum for the eight months ended 31 December 2009.

Assets that have been pledged as collateral to secure bank borrowings are as follows:

	2010	**2009**
	HK$'000	*HK$'000*
Investment properties	2,960,604	2,912,586
Inventories	900,605	2,011,311
Property, plant and equipment	–	309,658
	3,861,209	5,233,555

In addition, the net asset value of a group entity is pledged to a bank to secure a bank borrowing granted to the Group. The net asset value of that group entity at 31 December 2010 was approximately HK$595.2 million (2009: nil).

As at 31 December 2010, corporate guarantees of HK$319.0 million (2009: HK$384.0 million) were given by 北京新松投資集團有限公司 (Beijing Xinsong Investment Group Co., Ltd.), which was controlled by Mr. Li Song Xiao, a former major shareholder of the Company.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy in the 12 months ended 31 December 2010 remained unchanged from prior period.

The capital structure of the Group consists of net debt, which includes bank borrowings, loan payables, senior notes and convertible loan notes, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves. The Directors actively and regularly review the capital structure. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of not more than 100% determined as the proportion net debt (which includes loan payables, senior notes, convertibles loan notes and bank borrowings less bank balances and cash and restricted bank deposits) to equity. Based on recommendations of the Directors, the Group will balance its overall capital structure through new shares issued, and share buy-backs as well as the issue of new debt or the redemption of existing debts.

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 RMB. Depreciation or appreciation of the RMB against foreign currencies can affect the Group's results. During the 12 months ended 31 December 2010, the Group did not hedge its currency exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are as follows:

	Liabilities		**Assets**	
	31 December		**31 December**	
	2010	**2009**	**2010**	**2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollar ("USD")	(3,108,019)	(3,076,562)	480,932	1,942
HKD	(1,016,526)	(74,103)	1,116,227	934,546

For the eight months ended 31 December 2009

For the eight months ended 31 December 2009, the Group recorded revenue of HK$513 million, representing a decrease of approximately 79.8% over HK$2.53 billion for the year ended 30 April 2009. Loss attributable to Shareholders amounted to HK$2.11 billion compared to the profit attributable to Shareholders of HK$127 million for the year ended 30 April 2009. For the eight months ended 31 December 2009, basic loss per Share was HK$1.08 and diluted loss per Share was HK$1.28. For the year ended 30 April 2009, basic earnings per Share were HK6.51 cents and diluted earnings per Share were HK5.56 cents. Total pre-sale receipts from customers as at 31 December 2009 and 30 April 2009 were HK$8.76 billion and HK$5.42 billion, respectively, representing an increase of approximately 61.8%.

During the eight months ended 31 December 2009, the Group focused on enhancing its cash inflows, and as a result the launch of new projects or new phases in different cities including Xi'an, Chengdu, Beijing, Tianjin and Shanghai was accelerated. Total saleable GFA pre-sold by the Group for the eight months ended 31 December 2009 remained in a high level, amounting to 623,000 sq.m. compared to 769,000 sq.m. for the year ended 30 April 2009. Total recognised saleable GFA for the eight months ended 31 December 2009 and for the year ended 30 April 2009 was 138,000 sq.m. and 299,000 sq.m., respectively.

As at 31 December 2009, the Group had cash and bank balances of HK$1.63 billion. Net assets were HK$6.66 billion. The Group's current ratio was 1.50. Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total equity attributable to the equity shareholders of the Company. For this purpose, the Group defines net debt as total debt (which includes loans and borrowings, convertible notes and senior notes) less cash and cash equivalents and restricted bank deposits secured against bank borrowings. As at 31 December 2009, the Group's gearing ratio was 69.4%.

As at 31 December 2009, the Group employed 622 employees compared to 1,163 as at 30 April 2009.

As at 31 December 2009, certain bank deposits of approximately HK$55 million were pledged to banks to secure long-term mortgage loans granted by banks to the purchasers of pre-sold properties and are therefore classified as non-current assets. These pledged deposits will be released upon the transfer of the property title certificates to the respective purchasers. The balance as at 30 April 2009 was HK$173 million.

The following table sets out the bank borrowings of the Group outstanding as at the dates indicated:

	31 December 2009 *HK$'000*	30 April 2009 *HK$'000*
Within 1 year or on demand	702,240	971,656
After 1 year but within 2 years	116,850	972,192
After 2 years but within 5 years	321,754	240,677
After 5 years	329,460	341,179
Total bank loans	1,470,304	2,525,704
Less: repayable within 1 year or on demand as classified under current liabilities	(702,240)	(971,656)
Repayable after 1 year as classified under non-current liabilities	768,064	1,554,048

During the eight months ended 31 December 2009, the Group obtained new bank borrowings amounting to HK$302.1 million. The proceeds were used to finance the development of properties.

All bank borrowings were denominated in RMB and variable-rate borrowings which carried interest at commercial rates in the PRC. At 31 December 2009, the effective interest rates on the Group's bank borrowings ranged from 5.40% to 6.43% per annum, compared to the range of 5.13% to 7.94% in respect of the bank borrowings outstanding as at 30 April 2009.

The bank borrowings were secured by:

(i) certain properties under development, certain completed properties held for sale, a hotel property and certain investment properties of the Group located in the PRC with total carrying amounts of approximately HK$2,011.3 million (at 30 April 2009: HK$3,322.1 million), HK$Nil (at 30 April 2009: HK$11.9 million), HK$309.7 million (at 30 April 2009: HK$295.3 million) and HK$2,912.6 million (at 30 April 2009: HK$2,754.5 million) as at 31 December 2009, respectively;

(ii) certain bank deposits of the Group amounting to approximately HK$Nil (at 30 April 2009: HK$19.0 million), which have been pledged to secure short-term bank borrowings and are therefore classified as current assets; and

(iii) corporate guarantees given by 北京新松投資集團有限公司 (Beijing Xinsong Investment Group Co., Ltd.), in which the then controlling shareholder of the Company, Mr. Li Song Xiao, has a controlling interest, to the extent of approximately HK$384.0 million (30 April 2009: HK$420.3 million).

For the 12 months ended 30 April 2009

For the 12 months ended 30 April 2009, the Group recorded revenue of HK$2,534.6 million, representing a decrease of approximately 49.6% from HK$5,029.3 million for the 12 months ended 30 April 2008. Profit attributable to owners of the Company amounted to HK$126.6 million, representing a decrease of approximately 91.8% from HK$1,550.5 million for the 12 months ended 30 April 2008. Basic earnings per Share of the Company for the 12 months ended 30 April 2009 decreased by 92.3% to HK6.51 cents from HK84.23 cents for the 12 months ended 30 April 2008. Diluted earnings per Share for the 12 months ended 30 April 2009 were HK5.56 cents, representing a decrease of 91.8% from HK68.19 cents for the 12 months ended 30 April 2008. The pre-sale proceeds on sale of properties balance as at 30 April 2009 was HK$5,415.6 million, representing an increase of 98.6% over the balance of HK$2,727.4 million outstanding as at 30 April 2008.

During the 12 months ended 30 April 2009, the Group had focused on enhancing its cash inflows, so the launch of new projects or new phases in cities, including Xi'an, Chengdu, Beijing, Tianjin and Shanghai, was accelerated. Total GFA sold by the Group for the 12 months ended 30 April 2009 remained in a high level, amounting to 769,000 sq.m. (2008: 811,000 sq.m.). Total recognised saleable GFA for the 12 months ended 30 April 2009 amounted to 299,000 sq.m. (2008: 823,000 sq.m.).

As at 30 April 2009, the Group employed 1,163 employees compared to 1,176 as at 30 April 2008.

As at 30 April 2009, the Group had cash and bank balances of HK$2,618.1 million. Net assets were HK$9,072.1 million. The Group's current ratio was 1.86. The net debt of the Group as at 30 April 2009 amounted to HK$6,577.9 million making the Group's gearing ratio at 79.1% calculated as net debt to shareholders' funds of HK$8,316.4 million.

At 30 April 2009, the bank loans were repayable as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 1 year or on demand	971,656	541,491
After 1 year but within 2 years	972,192	1,980,240
After 2 years but within 5 years	240,677	363,525
After 5 years	341,179	428,793
Total bank loans	2,525,704	3,314,049
Less: repayable within 1 year or on demand as classified under current liabilities	(971,656)	(541,491)
Repayable after 1 year as classified under non-current liabilities	1,554,048	2,772,558

During the year, the Group obtained new bank borrowings amounting to HK$772.8 million (2008: HK$1,890.4 million) and assumed bank borrowings of HK$Nil (2008: HK$67.6 million) through acquisitions of subsidiaries. The proceeds were used to finance the development of properties.

The bank borrowings were variable-rate borrowings which carried interest at commercial rates in the PRC. The effective interest rates (being the PBOC's lending rate) on the Group's bank borrowings denominated in RMB ranged from 5.13% to 7.94% (2008: 5.91% to 8.32%) per annum.

The bank borrowings were secured by:

(i) certain properties under development, certain completed properties held for sale, a hotel property and certain investment properties of the Group located in the PRC with total carrying amounts of approximately HK$3,322.1 million (2008: HK$2,755.7 million), HK$11,940,000 (2008: HK$288.9 million), HK$295.3 million (2008: HK$Nil) and HK$2,754.5 million (2008: HK$3,395.6 million) respectively.

(ii) certain bank deposits of the Group amounting to approximately HK$19.0 million (2008: HK$11.1 million), which have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

For the 12 months ended 30 April 2008

The operating results of the Group rose to historic high in 2008. For the 12 months ended 30 April 2008, the Group recorded revenue of HK$5,029.3 million, representing an increase of approximately 80.9% over the immediate prior year reflecting the Group's ability to provide refined products, and primarily attributable to the dedication by the Group's employees during the period. Profit attributable to owners of the Company amounted to HK$1,566.5 million, representing an increase of approximately 86.1% over the immediate prior year. Basic earnings per share and diluted earnings per share for the 12 months ended 30 April 2008 were HK84.23 cents and HK68.19 cents, respectively. The pre-sale proceeds on sale of properties balance as at 30 April 2008 was HK$2,727.4 million, representing an increase of 42.2% over the balance of HK$1.92 billion as at 30 April 2007.

During the 12 months ended 30 April 2008, the Group's businesses underwent an effective consolidation in accordance with its strategic plan. While expanding the Group's capability on property development, the Group also placed great emphasis on reasonable allocation of the operating cash flow. Total GFA sold and recognised by the Group during the 12 months ended 30 April 2008 was 822,491 sq.m., while GFA of completed properties holdings was 292,963 sq.m.

MATERIAL CHANGES

The Directors confirm that there has been no material change in the business development, financial or trading position or outlook of the Group since 31 December 2010 (being the date to which the last audited financial statements of the Group were prepared as set out in this appendix to this circular) up to and including the Latest Practicable Date, save for (a) the Transactions, (b) the interim results of the Group for the six months ended 30 June 2011 which shows a loss of HK$286.0 million before taxation for the period after excluding revaluation gains, and (c) the indebtedness position of the Group as detailed in the paragraph headed "Indebtedness of the Group" in this appendix to this circular.

INDEBTEDNESS OF THE GROUP

As at 31 August 2011, being the latest practicable date for determining indebtedness, the Group's indebtedness was HK$5,783.3 million. The Group's total indebtedness as at 31 December 2010 and as at 31 August 2011 are set out below:

	As at 31 December 2010	**As at 31 August 2011**
	HK$'000	*HK$'000*
Loan payable to the SIH group	1,000,000	1,000,000
Loan payable to the Target Group	294,881	1,203,949
Other loan payables	176,929	–
Bank borrowings	635,309	540,880
Senior notes	2,974,260	2,997,262
Convertible loan notes	2,607	–
Amounts due to non-controlling shareholders	52,347	41,183
Total	5,136,333	5,783,274

As at 31 August 2011, being the latest practicable date for determining indebtedness, the Group has financing arrangements in place which will provide funding to the Group of up to approximately HK$1,203.9 million.

Contingent liabilities

As at the close of business on 31 August 2011, the Group had the following contingent liabilities:

(a) Guarantees in respect of mortgage facilities for certain purchasers

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage instalments by these buyers, the Group is responsible to pay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was approximately HK$2,741.9 million as at 31 August 2011. In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition, and the Directors consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

(b) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties with terms ranging from one to two years against certain specified defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

(c) Legal proceedings

From time to time, the Group may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Group's business. Please refer to the paragraph headed "Legal proceedings of the Group" in Appendix VI to this circular for a description of certain legal proceedings of the Group. Save as disclosed in the paragraph headed "Legal proceedings of the Group" in Appendix VI to this circular, the Directors are not aware of any legal proceedings or claims that they believe will have, individually or in the aggregate, material adverse affect on the Group's business, financial condition or operating results of the Group.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 August 2011, the Group did not have any other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Directors have confirmed that there has been no material change in the indebtedness or any contingent liabilities of the Group since 31 August 2011.

The information set forth in this appendix does not form part of the accountants' report prepared by Deloitte Touche Tohmatsu, the reporting accountants of the Company, as set forth in Appendix I to this circular, and is included herein for illustrative purposes only.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF SHANGHAI INDUSTRIES URBAN DEVELOPMENT GROUP LIMITED

We report on the unaudited pro forma financial information of Shanghai Industrial Urban Development Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of Silvery Champ Limited (the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group") from Shanghai Industrial Holdings Limited ("SIH") and the assignment of the dividends declared by 上海城開(集團)有限公司 ("Shanghai Urban Development") which are receivable by SIH, might have affected the financial information presented, for inclusion in Appendix III of the circular dated 31 October 2011 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page III-3 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma

Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 30 June 2011 or any future date; or
- the results and cash flows of the Group for the year ended 31 December 2010 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 October 2011

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Basis of the preparation of the unaudited pro forma consolidated financial information of the Enlarged Group

The unaudited pro forma consolidated financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed (i) acquisition of the 59% paid-in registered capital of Shanghai Urban Development through the acquisition of the Target Company from SIH and (ii) assignment of the Dividend Receivable (representing dividends declared but unpaid by Shanghai Urban Development to SIH) to the Company (the "Transactions").

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2010 are prepared based on the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2010 as extracted from the consolidated financial statements set out in Appendix II to this circular and the audited combined statement of comprehensive income and combined statement of cash flows of the Target Group for the year ended 31 December 2010 as extracted from the accountants' report set out in Appendix I to this circular as if the Transactions had been completed on 1 January 2010.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2011 is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2011 as extracted from the unaudited condensed consolidated financial information of the Group included in its interim report 2011, and the audited combined statement of financial position of the Target Group as at 30 April 2011 as extracted from the accountants' report set out in the Appendix I to this circular as if the Transactions were completed on 30 June 2011.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the completion of the Transactions. It is prepared for illustrative purposes only and it does not purport to represent what the results and cash flows, or financial position of the Enlarged Group are on the completion of the Transactions or any future dates.

A. Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group

	The Group for the year ended 31 December 2010	The Target Group for the year ended 31 December 2010	The Target Group for the year ended 31 December 2010	Total	Proforma adjustments	*Notes*	The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)		(unaudited)
	(Note 1a)	*(Note 2a)*	*(Notes 2d and 3)*				
Revenue	4,110,291	3,726,196	4,321,642	8,431,933			8,431,933
Cost of sales	(3,476,750)	(2,562,323)	(2,971,782)	(6,448,532)			(6,448,532)
Gross profit	633,541	1,163,873	1,349,860	1,983,401			1,983,401
Other income	30,841	35,759	41,473	72,314			72,314
Other gains and losses	134,497	65,920	76,454	210,951			210,951
Fair value gain on investment properties	7,130	–	–	7,130			7,130
Impairment loss in respect of inventories	(178,326)	–	–	(178,326)			(178,326)
Distribution and selling expenses	(401,945)	(135,806)	(157,508)	(559,453)			(559,453)
General and administrative expenses	(566,800)	(226,811)	(263,055)	(829,855)	(51,983)	*8*	(881,838)
Finance costs	(359,661)	(121,855)	(141,327)	(500,988)			(500,988)
Loss on redemption of convertible loan notes	(3,163)	–	–	(3,163)			(3,163)
Share of profits (losses) of associates	(3,244)	2,883	3,344	100			100
Gain on disposal of interest in a subsidiary	–	16	19	19			19
Gain on disposal of interest in an associate	–	171	198	198			198
(Loss) profit before taxation	(707,130)	784,150	909,458	202,328			150,345
Income tax expenses	(128,778)	(385,155)	(446,703)	(575,481)			(575,481)
(Loss) profit for the year	(835,908)	398,995	462,755	(373,153)			(425,136)

	The Group for the year ended 31 December 2010	The Target Group for the year ended 31 December 2010	The Target Group for the year ended 31 December 2010	Total	Proforma adjustments	Notes	The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)		(unaudited)
	(Note 1a)	*(Note 2a)*	*(Notes 2d and 3)*				
Other comprehensive income for the year:							
Exchange differences on translation into presentation currency	160,954	–	384,509	545,463			545,463
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sale of completed properties held for sale	(17)	–	–	(17)			(17)
Other comprehensive income for the year	160,937	–	384,509	545,446			545,446
Total comprehensive (expense) income for the year	(674,971)	398,995	847,264	172,293			120,310
(Loss) profit of the year attributable to:							
Owners of the Company	(749,649)	202,108	234,405	(515,244)	(51,983)	*8*	(567,227)
Non-controlling interests	(86,259)	196,887	228,350	142,091			142,091
	(835,908)	398,995	462,755	(373,153)			(425,136)
Total comprehensive (expense) income attributable to:							
Owners of the Company	(607,721)	202,108	411,183	(196,538)	(51,983)	*8*	(248,521)
Non-controlling interests	(67,250)	196,887	436,081	368,831			368,831
	(674,971)	398,995	847,264	172,293			120,310

B. Unaudited pro forma consolidated statement of financial position of the Enlarged Group

	The Group as at 30 June 2011	The Target Group as at 30 April 2011	The Target Group as at 30 April 2011	Total	Proforma adjustments	*Notes*	The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)		(unaudited)
	(Note 1b)	*(Note 2b)*	*(Note 2d)*				
Non-current assets							
Investment properties	3,645,847	1,880,000	2,217,460	5,863,307			5,863,307
Property, plant and equipment	939,561	25,675	30,284	969,845			969,845
Prepaid lease payments	84,943	3,789	4,469	89,412			89,412
Interests in associates	959,021	818,200	965,067	1,924,088	(619,238)	*9*	1,304,850
Amount due from an associate	81,955	–	–	81,955			81,955
Restricted bank deposits	51,892	64,897	76,546	128,438			128,438
Available-for-sale investments	–	29,631	34,950	34,950			34,950
Intangible assets	–	51,000	60,155	60,155			60,155
Deferred tax assets	–	28,618	33,755	33,755			33,755
	5,763,219	2,901,810	3,422,686	9,185,905			8,566,667
Current assets							
Inventories	18,718,153	14,931,204	17,611,355	36,329,508			36,329,508
Trade and other receivables	681,799	990,380	1,168,153	1,849,952	(589,750)	*6*	1,260,202
Prepaid lease payments	3,122	135	159	3,281			3,281
Consideration receivables for disposal of assets	21,466	–	–	21,466			21,466
Prepaid income tax and land appreciation tax	318,522	31,306	36,925	355,447			355,447
Amount due from related companies	–	102,343	120,714	120,714			120,714
Financial assets at fair value through profit or loss	–	10,629	12,537	12,537			12,537
Pledged bank deposits	–	13,515	15,941	15,941			15,941
Restricted bank deposits	5,015	–	–	5,015			5,015
Bank balances and cash	1,223,944	3,168,740	3,737,529	4,961,473			4,961,473
	20,972,021	19,248,252	22,703,313	43,675,334			43,085,584

	The Group as at 30 June 2011	The Target Group as at 30 April 2011	The Target Group as at 30 April 2011	Total	Proforma adjustments	*Notes*	The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)		(unaudited)
	(Note 1b)	*(Note 2b)*	*(Note 2d)*				
Current liabilities							
Trade and other payables	2,417,828	609,206	718,558	3,136,386	51,983	*8*	3,188,369
Amounts due to non-controlling shareholders	41,183	–	–	41,183			41,183
Amounts due to related companies	–	279,425	329,582	329,582	99,595	*4*	429,177
Consideration payables for acquisition of subsidiaries	378,157	–	–	378,157			378,157
Pre-sale proceeds received on sale of properties	8,295,190	1,014,420	1,196,508	9,491,698			9,491,698
Bank borrowings	135,444	1,428,400	1,684,798	1,820,242			1,820,242
Loan payables	1,902,962	1,712,006	2,019,310	3,922,272	(589,750)	*6*	3,332,522
Derivative financial instruments – warrants	7,854	–	–	7,854			7,854
Income tax and land appreciation tax payable	1,029,298	865,162	1,020,459	2,049,757			2,049,757
Dividend payable	6,423	670,000	790,265	796,688	(466,256)	*4&5*	330,432
	14,214,339	6,578,619	7,759,480	21,973,819			21,069,391
Net Current Assets	6,757,682	12,669,633	14,943,833	21,701,515			22,016,193
Total assets less current liabilities	12,520,901	15,571,443	18,366,519	30,887,420			30,582,860
Non-current liabilities							
Bank borrowings	619,763	2,585,800	3,049,951	3,669,714			3,669,714
Other borrowings	–	1,453,550	1,714,462	1,714,462			1,714,462
Senior notes	2,991,228	–	–	2,991,228			2,991,228
Deferred tax liabilities	1,121,518	976,094	1,151,303	2,272,821			2,272,821
	4,732,509	5,015,444	5,915,716	10,648,225			10,648,225
	7,788,392	10,555,999	12,450,803	20,239,195			19,934,635
Capital and reserves							
Share capital	105,173	1,888,000	2,062,626	2,167,799	87,288	*4*	192,461
					(2,062,626)	*5*	
Reserves	7,216,058	2,785,744	3,450,057	10,666,115	6,022,847	*4*	12,956,131
					(230,791)	*5*	
					(3,450,057)	*5*	
					(51,983)	*8*	
Equity attributable to equity holders of the company	7,321,231	4,673,744	5,512,683	12,833,914			13,148,592
Non-controlling interests	467,161	5,882,255	6,938,120	7,405,281	(619,238)	*9*	6,786,043
Total Equity	7,788,392	10,555,999	12,450,803	20,239,195			19,934,635

C. Unaudited pro forma consolidated statement of cash flows of the Enlarged Group

	The Group for the year ended 31 December 2010	The Target Group for the year ended 31 December 2010	The Target Group for the year ended 31 December 2010	Total	Proforma adjustments	Notes	The Enlarged Group
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)		(unaudited)
	(Note 1a)	*(Note 2a)*	*(Notes 2d and 10)*				
OPERATING ACTIVITIES							
(Loss) profit before taxation	(707,130)	784,150	909,458	202,328	(51,983)	*8*	150,345
Adjustments for:							
Fair value change of investment properties	(7,130)	–	–	(7,130)			(7,130)
Depreciation of property, plant equipment	42,530	8,008	9,288	51,818			51,818
Amortisation of prepaid lease payments	2,399	135	157	2,556			2,556
Finance costs	359,661	121,855	141,327	500,988			500,988
Interest income	(13,884)	(66,353)	(76,956)	(90,840)			(90,840)
Gain on fair value change of derivative financial instruments	(12,400)	–	–	(12,400)			(12,400)
Loss on redemption of convertible loan notes	3,163	–	–	3,163			3,163
Impairment loss in respect of inventories	178,326	26,762	31,038	209,364			209,364
Change in fair value of financial assets at fair value through profit or loss	–	433	502	502			502
Loss on disposal of property, plant and equipment	–	63	73	73			73
Share of results of associates	3,244	(2,883)	(3,344)	(100)			(100)
Gain on disposal of a subsidiary and associates		(187)	(217)	(217)			(217)
Transfer from equity on sales of completed properties held for sales	(17)	–	–	(17)			(17)
Equity-settled share-based payment expenses	69,366	–	–	69,366			69,366
Foreign exchange gain	(104,521)	–	–	(104,521)			(104,521)
Operating cash flows before movements in working capital	(186,393)	871,983	1,011,326	824,933			772,950
Decrease (increase) in inventories	(184,726)	508,499	589,755	405,029			405,029
Decrease in financial assets at fair value through profit or loss	–	73	85	85			85
(Increase) decrease in trade and other receivables	107,360	(668,906)	(775,797)	(668,437)			(668,437)
Increase (decrease) in trade and other payables	204,009	(456,752)	(529,741)	(325,732)			(325,732)
Decrease in pre-sale proceeds received on sales of properties	(643,791)	(1,705,813)	(1,978,402)	(2,622,193)			(2,622,193)
Cash used in operations	(703,541)	(1,450,916)	(1,682,774)	(2,386,315)			(2,438,298)
The People's Republic of China income tax and land appreciation tax paid	(433,855)	(310,330)	(359,920)	(793,775)			(793,775)
NET CASH USED IN OPERATING ACTIVITIES	(1,137,396)	(1,761,246)	(2,042,694)	(3,180,090)			(3,232,073)

	The Group for the year ended 31 December 2010 HK$'000 (audited) *(Note 1a)*	The Target Group for the year ended 31 December 2010 RMB'000 (audited) *(Note 2a)*	The Target Group for the year ended 31 December 2010 HK$'000 (unaudited) *(Notes 2d and 10)*	Total HK$'000 (unaudited)	Proforma adjustments HK$'000 (unaudited)	*Notes*	The Enlarged Group HK$'000 (unaudited)
INVESTING ACTIVITIES							
Proceeds from disposal of subsidiaries	836,154	490	568	836,722			836,722
Proceeds from disposal of associates	518,966	450	522	519,488			519,488
Repayment of loan receivables	422,176	–	–	422,176			422,176
Proceeds from disposal of investment properties	54,334	–	–	54,334			54,334
Interest received	13,884	212,353	246,287	260,171			260,171
Dividend received from associates	–	7,785	9,029	9,029			9,029
Decrease in restricted bank deposits	2,726	69,769	80,918	83,644			83,644
Proceed from disposal of property plant and equipment	485	478	554	1,039			1,039
Purchase for properties, plant and equipment	(133,559)	(4,401)	(5,104)	(138,663)			(138,663)
Purchase of available for sale investment	–	(25,000)	(28,995)	(28,995)			(28,995)
Repayment from Xuhui SAAC	–	2,420	2,807	2,807			2,807
Repayment from the vendor of a PRC investment project	–	630,000	730,674	730,674			730,674
Loan advanced to the Group	–	(250,000)	(289,950)	(289,950)	289,950	7	–
NET CASH USED IN INVESTING ACTIVITIES	1,715,166	644,344	747,310	2,462,476			2,752,426
FINANCING ACTIVITIES							
Proceeds from issue of shares	1,586,165	–	–	1,586,165			1,586,165
Loan advances from related companies	1,289,956	–	–	1,289,956	(289,950)	7	1,000,006
Loan advances from third parties	173,974	–	–	173,974			173,974
Proceeds from new bank borrowings	129,231	4,922,008	5,708,545	5,837,776			5,837,776
Capital contribution from non-controlling interests	–	170,559	197,815	197,815			197,815
Advance from non-controlling shareholders	2,554	–	–	2,554			2,554
Repayment of loan payables to third parties	(1,426,583)	–	–	(1,426,583)			(1,426,583)
Repayment of bank borrowings	(1,000,386)	(2,773,898)	(3,217,167)	(4,217,553)			(4,217,553)
Interest paid	(479,103)	(268,055)	(310,890)	(789,993)			(789,993)
Payments for consideration payable for acquisition of subsidiaries	(107,150)	–	–	(107,150)			(107,150)
Payment for redemption of convertible loan notes	(65,408)	–	–	(65,408)			(65,408)
Expense on issue of shares	(381)	–	–	(381)			(381)
Dividend paid	(50)	–	–	(50)			(50)
Dividend paid to non-controlling interest	–	(61,503)	(71,331)	(71,331)			(71,331)
Repayments to Xuhui SAAC	–	4,484	5,201	5,201			5,201
NET CASH GENERATED FROM FINANCING ACTIVITIES	102,819	1,993,595	2,312,173	2,414,992			2,125,042
NET INCREASE IN CASH AND CASH EQUIVALENTS	680,589	876,693	1,016,789	1,697,378			1,645,395
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	38,261	–	135,052	173,313			173,313
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,662,692	2,981,789	3,399,239	5,061,931			5,061,931
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, representing bank balances and cash	2,381,542	3,858,482	4,551,080	6,932,622			6,880,639

D. Notes to the unaudited pro forma financial information

1a. The balances are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2010 as set out in Appendix II to this circular.

1b. The balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2011 as extracted from the unaudited condensed consolidated financial information included in the Group's interim report 2011.

2a. The balances are extracted from the combined statement of comprehensive income and combined statement of cash flow of the Target Group for the year ended 31 December 2010 as set out in the accountant's report included in Appendix I to this circular.

2b. The balances are extracted from the combined statement of financial position of the Target Group as at 30 April 2011 as set out in the accountants' report included in the Appendix I to this circular.

2c. The acquisition of the 100% interest in the Target Company (the "Acquisition") is considered as a business combination under common control because the Company and the Target Company are ultimately controlled by SIH both before and after the Transactions. Accordingly, the Acquisition will be accounted for using the principles of merger accounting.

2d. The combined statement of financial position of the Target Group is translated to Hong Kong dollar at translation rate of RMB1 = HK$1.1795. The combined statement of comprehensive income and combined statement of cash flows of the Target Group are translated to Hong Kong dollar at translation rate of RMB1 = HK$1.1598.

3. The adjustment of HK$384,509,000 to other comprehensive income represents the exchange difference on translation of the financial information of the Target Group for the year ended 31 December 2010 from the functional currency of the Target Company (RMB) to the presentation currency of the Group (HK$).

4. To record the issue of 2,182,191,000 shares of the Company at an assumed value of HK$2.80 each (the "Consideration Shares") by the Company plus the payable to SIH in respect of the potential tax liabilities resulting from the Transactions of RMB84,438,000 (equivalent to HK$99,595,000) as the aggregate consideration of the Transactions.

The Transactions and the assumption of the potential tax liabilities give rise to (i) an increase in share capital of HK$87,288,000, representing 2,182,191,000 shares of the Company at par value of HK$0.04 each, (ii) an increase in share premium of HK$6,022,847,000, (iii) an increase in amount due to SIH of HK$99,595,000 and (iv) elimination of the dividend payable of HK$466,256,000 pursuant to the assignment of Dividend Receivable.

The value of each Consideration Share of the Company is assumed to be HK$2.80 based on the price stated in the Agreement dated 14 April 2011.

The potential tax liabilities of RMB84,438,000 (equivalent to HK$99,595,000) include the estimated withholding income tax of RMB19,767,000 (equivalent to HK$23,315,000) and capital gain tax of RMB64,671,000 (equivalent to HK$76,279,000) as a result of the Transactions. The calculation of the capital gain tax is based on the assumed value of each share of the Company of HK$2.80 as stated in the Agreement dated 14 April 2011 with an aggregate cap at RMB85,000,000 (equivalent to HK$100,258,000). Upon completion of the Transactions, the market price of shares of the Company on completion date will be used to determine the fair value of the Consideration Shares issued and may affect the amount of the potential tax liabilities.

5. As the Acquisition will be accounted for using the principles of merger accounting, the adjustment represents the recognition of merger reserve of approximately RMB195,669,000 (equivalent to HK$230,791,000) which is determined as follows:

	HK$'000
Assumed fair value of Consideration Shares	6,110,135
Assumption of potential tax liabilities	99,595
	6,209,730
Less:	
Net assets of the Target Group, represented by:	
– Share capital	2,062,626
– Reserves	3,450,057
Assignment of Dividend Receivable	466,256
	5,978,939
Merger reserve	230,791

Since the combined net assets of the Target Group, the fair value of the Consideration Shares and the potential tax liabilities on completion date of the Transactions may be different from the amounts shown above, the merger reserve may be different from the estimated amount shown in this unaudited pro forma consolidated statement of financial position of the Enlarged Group.

6. The adjustment represents the elimination of short-term entrusted loan receivable and payable between the Group and the Target Group amounting to HK$589,750,000. The short-term entrusted loan between the Target Group and the Group is approximately HK$589,750,000 and HK$884,625,000 as of 30 April 2011 and 30 June 2011 respectively. The difference of HK$294,875,000 is therefore not fully eliminated for the purpose of presentation in the unaudited pro forma consolidated statement of financial position.

7. The adjustment represents the elimination of short-term entrusted loan amounting to HK$289,950,000 advanced from the Target Group to the Group during the year ended 31 December 2010.

8. The adjustment represents expenditures incurred directly to the Transactions including financial advisor fees, legal fees, printing costs, accountants' fees, and other related expenses of approximately HK$51,983,000. The adjustment has no continuing effect to the Enlarged Group.

9. The adjustment represents the elimination of the interest in associate of RMB525,000,000 (equivalent to HK$619,238,000), represent the 25% interest in SUD Longcheng, held by the Group as at 30 June 2011 against non-controlling interests of the Target Group. The Target Group holds 75% interest in SUD Longcheng as at 30 April 2011.

10. The adjustment represents the exchange realignment on the bank balances and cash of the Target Group.

11. The unaudited pro forma net tangible assets of the Enlarged Group attributable to the equity holders of the Company and the unaudited pro forma net tangible assets per share of the Enlarged Group attributable to the equity holders of the Company would be approximately HK$13,113.1 million and HK$2.73 respectively, which is calculated as follow as extracted from the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as if the Transactions were completed on 30 June 2011:

	HK$'000
Pro forma total assets of the Enlarged Group	51,652,251
Less: Pro forma total liabilities	(31,717,616)
Pro forma net assets of the Enlarged Group	19,934,635
Less: non-controlling interests	(6,786,043)
Pro forma net assets attributable to the equity holders of the Company	13,148,592
Less: intangible assets	(60,155)
Add: intangible assets attributable to non-controlling interests (41% of HK$60,155,000)	24,664
Pro forma net tangible assets attributable to the equity holders of the Company	13,113,101
Divided by:	
2,629,332,189 of the Company's share outstanding on 30 June 2011 and 2,182,191,000 of the Company's shares to be issued upon completion of the transactions	4,811,523,189
Net tangible assets attributable to the equity holders of the Company per share (HK$)	2.73

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties held by the Target Group in the PRC as at 31 July 2011.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

31 October 2011

The Board of Directors
Shanghai Industrial Urban Development Group Limited
Suites 3003–7
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Re: Property Valuation of the Target Group

Instructions, Purpose & Date of Valuation

In accordance with your instruction for us to carry out the valuation of the market value of the properties ("Properties") held by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) ("Shanghai Urban Development") and its subsidiaries (together "the SUD Group") in the People's Republic of China (the "PRC"); the Target Company, Silvery Champ Limited, is an investment holding company. Following completion of the Restructuring Plan, the Target Company indirectly owns 59% equity interest in Shanghai Urban Development. The Target Company and its subsidiaries is thus together as "the Target Group". We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing Shanghai Industrial Urban Development Group Limited ("the Company") with our opinion of the market values in existing state of the Properties as at 31 July 2011 (the "date of valuation").

Definition of Market Value

Our valuation of each of the Properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a Property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Valuation Basis and Assumption

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Properties situated in the PRC, we have prepared our valuation on the basis that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the SUD Group and the PRC legal opinion of the legal adviser, regarding the title to the Properties and the interests in the Properties. In valuing the Properties, we have prepared our valuation on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

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

According to financial information of the Target Group, for indicate purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax liability which would arise on the disposal of the Properties in the PRC are PRC business tax (approximately 5%) and PRC land appreciation tax (approximately 30%-60% of the appreciation amount), if any. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability. The precise tax implication will be subject to prevailing rules and regulation at the time of disposal.

The Properties in Group I held by the SUD Group for sale, a potential tax liability attributable to the SUD Group estimated to be approximately RMB175,830,000 would arise if such Properties were to be sold at the amount of valuations. Depending on the sale status, there is likelihood of such liability referred to in above being crystallised. The Properties in Group II, III, IV and V are held by the SUD Group for investment, under development, future development and owner-occupation purposes respectively, the likelihood of the relevant tax liabilities being crystallized is remote in near future.

Method of Valuation

In valuing the Properties in Group I and IV, which are held by the SUD Group for sale and future development in the PRC respectively, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the Properties in Group II and V, which are held by the SUD Group for investment and owner-occupation in the PRC respectively, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market, and where appropriate, we have also valued the Properties by Income Approach by capitalizing the rental income derived from the existing tenancies with due provision for the reversionary income potential of the Properties.

In valuing the Properties in Group III, which are held by the SUD Group under development in the PRC, we have valued them on the basis that they will be developed and completed in accordance with the SUD Group's latest development proposal provided to us. In arriving at our opinion of value of the land, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market and where appropriate, we have also taken into account the estimated total and expended construction costs.

The Properties in Group VI, which are leased by the SUD Group in the PRC, are considered to have no commercial value due mainly to the prohibition against assignment and subletting or otherwise due to the lack of substantial profit rents.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Rule 11 of the Codes on Takeovers and Mergers and Share Repurchases issued by Securities and Futures Commission and The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institutes of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the SUD Group and the opinion of the PRC legal adviser of the Company, AllBright Law Offices (上海市錦天城律師事務所) dated 31 October 2011, as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, completion dates of building, construction cost, particulars of occupancy, development scheme, tenancy information, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the SUD Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the SUD Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

We have inspected the exterior, and wherever possible, the interior of the Properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the Properties are free of rot, infestation and any other structural defects; no tests were carried out to any of the services. Moreover, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

Explanation

The Target Company, Silvery Champ Limited, is an investment holding company. Following completion of the Restructuring Plan, the Target Company indirectly owns 59% equity interest in the SUD Group. The Target Company and its subsidiaries are thus together as "the Target Group". However, the interests in the Properties are shown herewith on the SUD Group level for ease of reference.

Remark

Please note that we have been appointed by Shanghai Industrial Holdings Limited ("SIH") to prepare valuation of the Group II – Investment Properties for accounting reference purposes recently. We have sought consent from the Company and SIH to carry out the valuation this time. The Company and SIH understand that our valuations are carried out on an impartial basis without bias to any party concerned.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 18 years' experience in the valuation of properties in the PRC.

Contributing PRC valuers of various DTZ PRC Offices with professional qualifications include, but not limited to, China Real Estate Appraiser, China Real Estate Valuer and MRICS.

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31 July 2011	The SUD Group's attributable interest (See Explanation on Page IVA-5)	Market Value in existing state as at 31 July 2011 attributable to the SUD Group
		RMB	*%*	*RMB*
Group I – Properties held by the SUD Group for sales in the PRC				
a1.	The unsold portion at Lot B of Urban Cradle, Minhang District, Shanghai, the PRC	680,000,000	90	612,000,000
a2.	The unsold portion at Lot D of Urban Cradle, Minhang District, Shanghai, the PRC	390,000,000	90	351,000,000
a3.	The unsold portion at Lot E of Urban Cradle, Minhang District, Shanghai, the PRC	74,000,000	90	66,600,000
a4.	The unsold portion of Phase I of Royal Villa, No. 859, East Yingbin Road, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	117,400,000	90	105,660,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
a5.	The unsold portion of Zone B of Phase I, Zone C to E of Phase II, clubhouse of Toscana, Xiangfu Road, Yuhua District, Changsha, Hunan Province, the PRC	55,000,000	55	30,250,000
a6.	The unsold portion of Cluster I & II of Phase I of Ivy Aroma Town, Wenfong Road, Taojia Town, Jiulongpo District, Chongqing, the PRC	240,600,000	55	132,330,000
	Sub-total of Group I in RMB:	**1,557,000,000**		**1,297,840,000**

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31 July 2011	The SUD Group's attributable interest (See Explanation on Page IVA-5)	Market Value in existing state as at 31 July 2011 attributable to the SUD Group
		RMB	*%*	*RMB*
Group II – Properties held by the SUD Group for investment in the PRC				
b1.	Urban Development International Tower, No. 355 Hongqiao Road, Xuhui District, Shanghai, the PRC	1,420,000,000	100	1,420,000,000
b2.	20 office units on levels 8, 9 and 10 and 12 car parks, Asia-pacific Enterprises Tower, No. 333 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	93,000,000	100	93,000,000
b3.	Levels 1 to 3, Nos. 498 and 500 Lane 388 Pubei Road, Xuhui District, Shanghai, the PRC	37,000,000	100	37,000,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
b4.	Huimin Commercial Tower and non-motor vehicle shed, Nos. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	312,000,000	100	312,000,000
b5.	A detached villa, Block No. 3 of Nos. 1 to 7 situated at Lane 16, Gaoyou Road, Xuhui District, Shanghai, the PRC	18,000,000	100	18,000,000
	Sub-total of Group II in RMB:	**1,880,000,000**		**1,880,000,000**

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
Group III – Properties held by the SUD Group under development in the PRC				
c1.	Lot F, Urban Cradle, Minhang District, Shanghai, the PRC	3,122,000,000	90	2,809,800,000
c2.	Shanghai Jingjie Resettlement Housing Project, Lot Longxi, Minhang District, Shanghai, the PRC	432,000,000	100	432,000,000
c3.	Shanghai Jing City Affordable Housing Project, Situated at Lot Shangguangdian, Minhang District, Shanghai, the PRC	2,093,000,000	100	2,093,000,000
c4.	Phase II and Phase III of Royal Villa, No. 859, East Yingbin Road, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	433,900,000	90	390,510,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
c5.	Urban Development International Centre, Wuxi Lihu Economic Development Area, Binhu District, Wuxi, Jiangsu Province, the PRC	814,000,000	100	814,000,000
c6.	Zone F of Phase II of Toscana, Xiangfu Road, Yuhua District, Changsha, Hunan Province, the PRC	292,000,000	55	160,600,000
c7.	Yoooou.net Project, Xugongqiao Road, Huaqiao Town, Kunshan, Jiangsu Province, the PRC	621,000,000	52	322,920,000
c8.	Cluster I & II of Phase II of Ivy Aroma Town, Wenfong Road, Taojia Town, Jiulongpo District, Chongqing, the PRC	169,000,000	55	92,950,000
	Sub-total of Group III in RMB:	**7,976,900,000**		**7,115,780,000**

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31 July 2011	The SUD Group's attributable interest (See Explanation on Page IVA-5)	Market Value in existing state as at 31 July 2011 attributable to the SUD Group
		RMB	*%*	*RMB*
Group IV – Properties held by the SUD Group for future development in the PRC				
d1.	Xujiahui Centre, Site 88, 150 Jiefang, Xujiahui, Xuhui District, Shanghai, the PRC	4,245,000,000	60	2,547,000,000
d2.	Lot P1, Mei Long Nanfang Shangcheng, Nanfang Shangcheng, Mei Long Town, Minhang District, Shanghai, the PRC	2,600,000,000	75	1,950,000,000
d3.	Lot 222, Xinzhuang Metro Superstructure Project, Xinzhuang Town, Minhang District, Shanghai, the PRC	No commercial value	35	No commercial value
d4.	Lot C, Urban Cradle, Minhang District, Shanghai, the PRC	1,894,000,000	90	1,704,600,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
d5.	Cluster III of Phase I of Ivy Aroma Town, Wenfong Road, Taojia Town, Jiulongpo District, Chongqing, the PRC	97,100,000	55	53,405,000
d6.	Cluster III, IV & V of Phase II of Ivy Aroma Town, Wenfong Road, Taojia Town, Jiulongpo District, Chongqing, the PRC	227,400,000	55	125,070,000
	Sub-total of Group IV in RMB:	**9,063,500,000**		**6,380,075,000**

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
Group V – Properties held by the SUD Group for owner-occupation in the PRC				
e1.	7 residential units, a clubhouse and 219 car parks, Lane 168, Nandan Road East and No. 318 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	86,910,000	100	86,910,000
e2.	2 townhouse units, Nos. 80 and 82, Lane 280, Wukang Road, Xuhui District, Shanghai, the PRC	14,000,000	100	14,000,000
e3.	The unsold retail units situated at Nos. 1 to 21, Lane 88 and Nos. 32 to 68 (even), Sanjiang Road, Xuhui District, Shanghai, the PRC	175,000,000	100	175,000,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
e4.	3 residential units and 3 car parks, Nos. 2, 7 and 10, Lane 568, Julu Road, Xuhui District, Shanghai, the PRC	9,100,000	100	9,100,000
e5.	Portion of level 4, No. 35 Leshan Road, Xuhui District, Shanghai, the PRC	18,000,000	100	18,000,000
e6.	5 residential units, Nos. 39, 41 and 42, Lane 300, Qinzhou Road South, Xuhui District, Shanghai, the PRC	5,500,000	100	5,500,000
e7.	6 residential units, Nos. 73 and 74, Lane 301, Sanjiang Road, Xuhui District, Shanghai, the PRC	15,000,000	100	15,000,000
e8.	Units 602 and 204, No. 28, Lane 30 Guilin Street West, Xuhui District, Shanghai, the PRC	2,500,000	100	2,500,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
e9.	3 residential units, Dongquan Road, Xuhui District, Shanghai, the PRC	2,800,000	100	2,800,000
e10.	4 shops, Nos. 117-123 Shilong Road, Xuhui District, Shanghai, the PRC	4,700,000	100	4,700,000
e11.	Units 101&102, No. 1, Lane 105, Taiyuan Road, Xuhui District, Shanghai, the PRC	14,000,000	100	14,000,000
e12.	5 residential units, Lane 25, Wuxing Road, Xuhui District, Shanghai, the PRC	31,000,000	100	31,000,000
e13.	2 residential units and 2 car parks, No. 2, Lane 178, Hongqiao Road, Xuhui District, Shanghai, the PRC	9,500,000	100	9,500,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
e14.	Unit 904, No. 59, Lane 380 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	4,370,000	100	4,370,000
e15.	Villa C10, South Area of Shanghai Labour Union Holiday Resort, Shajiabang Town, Changshu, Jiangsu Province, the PRC	4,000,000	100	4,000,000
e16.	Units 307, 602 and 1501, No. 1, Lane 338, Dong'an Road, Xuhui District, Shanghai, the PRC	8,000,000	100	8,000,000
e17.	11 shops, Lanes 1187 and 1351 Nanmatou Road, Pudong New District, Shanghai, the PRC	60,000,000	100	60,000,000
e18.	2 residential units, Nos. 203 and 209, Caoxi 2nd Village, Xuhui District, Shanghai, the PRC	3,000,000	100	3,000,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
e19.	Nos. 106 to 108, Caodongzhi Road, Xuhui District, Shanghai, the PRC	3,000,000	100	3,000,000
e20.	14 residential units, Nos. 1-5, 24, 49 and 57, Lane 301, Sanjiang Road, Xuhui District, Shanghai, the PRC	12,000,000	100	12,000,000
e21.	18 residential units, Lanes 9, 14, 15 and 30, Guilin Street West, Xuhui District, Shanghai, the PRC	20,000,000	100	20,000,000
e22.	3 shops, Nos. 5, 68 and 72, Dongquan Road, Xuhui District, Shanghai, the PRC	6,500,000	100	6,500,000
e23.	Nos. 101-115, Shilong Road, Xuhui District, Shanghai, the PRC	11,000,000	100	11,000,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
e24.	A residential unit and 4 shops, Nos. 4 and 7, Lane 1057 Zhongshan South 2nd Road, Xuhui District, Shanghai, the PRC	33,000,000	100	33,000,000
e25.	Unit 303, No. 425, Yongjia Road, Xuhui District, Shanghai, the PRC	4,000,000	100	4,000,000
e26.	Unit 302, No. 13 Dong'an 5th Village, Xuhui District, Shanghai, the PRC	750,000	100	750,000
e27.	Unit 106, No. 1, Lane 111 Huarong Road, Xuhui District, Shanghai, the PRC	1,200,000	100	1,200,000
e28.	2 residential units, Lanes 50 and 60 Yishan Road, Xuhui District, Shanghai, the PRC	2,350,000	100	2,350,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
e29.	Unit 505, No. 629 Guangyuan Road West, Xuhui District, Shanghai, the PRC	1,700,000	100	1,700,000
e30.	Unit 703, No. 204 Guanshengyuan Road, Xuhui District, Shanghai, the PRC	900,000	100	900,000
e31.	Unit 801, No. 21, Lane 45, Yude Road, Xuhui District, Shanghai, the PRC	1,700,000	100	1,700,000
e32.	2 residential units, Lane 191 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	4,000,000	100	4,000,000
e33.	Unit 102, No. 80 Changqiao 3rd Village, Xuhui District, Shanghai, the PRC	1,100,000	100	1,100,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
e34.	Unit 103, No. 1, Lane 14, Guilin Street West, Xuhui District, Shanghai, the PRC	1,200,000	100	1,200,000
e35.	5 residential units, Nos. 1-27, Lane 30, Guilin Street West, Xuhui District, Shanghai, the PRC	2,500,000	100	2,500,000
e36.	2 shops, No. 30 Gao'an Road, Xuhui District, Shanghai, the PRC	6,000,000	100	6,000,000
e37.	Units 203 and 2403, No. 1, Lane 47 Gao'an Road, Xuhui District, Shanghai, the PRC	3,000,000	100	3,000,000
e38.	Nos. 3-4, Lane 393, Xiangyang Road South, Xuhui District, Shanghai, the PRC	17,000,000	100	17,000,000
e39.	7 residential units, Nos. 4 and 5, Yu Lan Hua Yuan, Caoxi Road North, Xuhui District, Shanghai, the PRC	9,000,000	100	9,000,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
e40.	Various units with use rights in Shanghai, the PRC	No commercial value	100	No commercial value
e41.	Blocks 1, 2 and 8, No. 776 Luoxiu Road, Xuhui District, Shanghai, the PRC	13,000,000	100	13,000,000
e42.	Unit 602, No. 115, Block 7, Hongbao 1st Village, Xidu Town, Fengxian District, Shanghai, the PRC	600,000	51	306,000
e43.	4 residential units, Xidu Town, Fengxian District, Shanghai, the PRC	2,554,000	51	1,302,540
e44.	No. 267, Luoxiang Yuan, Xuhui District, Shanghai, the PRC	3,100,000	49	1,519,000
e45.	Nos. 4C & 4D, No. 191, Nandan Road, Xuhui District, Shanghai, the PRC	12,000,000	49	5,880,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The SUD Group's attributable interest (See Explanation on Page IVA-5) *%*	Market Value in existing state as at 31 July 2011 attributable to the SUD Group *RMB*
e46.	15 residential units, Lane 1375 Pingyang Road, Minhang District, Shanghai, the PRC	No commercial value	90	No commercial value
e47.	Unit 204, No. 2, Lane 25 Leshan Road, Xuhui District, Shanghai, the PRC	1,700,000	60	1,020,000
e48.	Unit 602, No. 1, Lane 862 Baochun Road, Minghang District, Shanghai, the PRC	1,130,000	90	1,017,000
e49.	Unit 1607, No. 503, Shimen 2nd Road, Xuhui District, Shanghai, the PRC	2,100,000	100	2,100,000
	Sub-total of Group V in RMB:	**645,464,000**		**635,424,540**
	Grand total:	**21,122,864,000***		**17,309,119,540**

Note: In respect of the land use rights of the properties which are in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, our valuations are prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the properties could be freely transferred.

* For ease of reference to previous Page 312 of this Circular; the grand total Market Value in existing state as at 31 July 2011 of whole interest in the Properties but excluding Properties e44 & e45 is RMB21,107,764,000.

Property	Market Value in existing state as at 31 July 2011 *RMB*
Group VI – Properties leased by the SUD Group in the PRC	
f1. Portion of Levels 42-43, Tower 2, Grand Gateway Office Tower, No. 3 Hongqiao Road, Xuhui District, Shanghai, the PRC	No commercial value
f2. Room F5/K2, No. 8 Baodao Villa, Zhaofeng Road, Kunshan, Jiangsu Province, the PRC	No commercial value
f3. Rooms 4601-4611, Tower 1, Grand Gateway Office Tower, No. 1 Hongqiao Road, Xuhui District, Shanghai, the PRC	No commercial value
f4. Rooms 1401-1409 and 1501-1509, No. 1, Alley 7866, Humin Road, Minhang District, Shanghai, the PRC	No commercial value
f5. Room 105, Block 2, No. 889, Qixin Road, Xinzhuang Town, Minhang District, Shanghai, the PRC	No commercial value
f6. Level 12, Yinhe Tower, Qianjin Mid Road, Kunshan, Jiangsu Province, the PRC	No commercial value

	Property	Market Value in existing state as at 31 July 2011 *RMB*
f7.	Level 25, Phase 1 of Yatai Plaza, No. 18 Zhaofeng Road, Huaqiao Economic Development Zone, Kunshan, Jiangsu Province, the PRC	No commercial value
f8.	Level 18, Block 1 Huaren•Yijing International Tower, No. 2288 Taihu Avenue, Wuxi, Jiangsu Province, the PRC	No commercial value
f9.	Floor 2-3, Nos. 498 and 500, 388 Long Pubei Road, Xuhui District, Shanghai, the PRC	No commercial value
f10.	No. 88 Nucheng Avenue, Xipeng Town, Jiulongpo District, Chongqing, the PRC	No commercial value
f11.	Two units, west side of Damennei Zhoupufaxintai, Shanghai the PRC	No commercial value
f12.	Rooms 1005-1006, No. 128 Nanmen Road, Chongming County, Shanghai the PRC	No commercial value

VALUATION CERTIFICATE

Group I – Properties held by the SUD Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
a1.	The unsold portion at Lot B of Urban Cradle, Minhang District, Shanghai, the PRC	Lot B of Urban Cradle comprises a composite residential/commercial development erected upon a parcel of land with a total site area of 131,924.00 sq.m. which was completed in 2008. According to the information provided by the SUD Group, the Property comprises the unsold portion of the Property with a total gross floor area of approximately 14,447.74 sq.m. and together with 40 car parks: **Portion** / **Approximate Gross Floor area** *(sq.m.)* Residential 11,282.05 Ancillary Retail 3,165.69 **Total** **14,447.74** The land use rights of the Property have been granted for a term of 70 years from 15 January 2002 to 14 January 2072 for residential use.	The Property is currently vacant.	RMB680,000,000 (90% interest attributable to the SUD Group: RMB612,000,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2008)052843 dated 30 December 2008, the land use rights of the Property, comprising a site area of 131,924.00 sq.m., and the building ownership of the Property, comprising a gross floor area of 80,586.06 sq.m., have been vested in Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) for a term from 15 January 2002 to 14 January 2072 for residential use.

The Property is part of the said gross floor area.

(2) According to Business Licence No. 3101121030958 dated 17 May 1999, Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) was established as a limited liability company with registered capital of RMB300,000,000 for a valid operation period from 17 May 1999 to 16 May 2014.

(3) According to the PRC legal opinion:

(i) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司), a 90% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and

(iii) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) is the registered land owner.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group I – Properties held by the SUD Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
a2.	The unsold portion at Lot D of Urban Cradle, Minhang District, Shanghai, the PRC	Lot D of Urban Cradle comprises a composite residential/commercial development erected upon a parcel of land with a total site area of 113,454.00 sq.m. which was completed in 2009. According to the information provided by the SUD Group, the Property comprises the unsold portion of the Property with a total gross floor area of approximately 15,434.44 sq.m. and together with 135 car parks:	Portion of retail with a gross floor area of 7,659.49 sq.m. of the Property is subject to various tenancies, with the latest expiry date on 31 January 2021, at a total monthly rent of approximately RMB757,013. The remaining portion of the Property is currently vacant.	RMB390,000,000 (90% interest attributable to the SUD Group: RMB351,000,000) (See Explanation on Page IVA-5)

Portion	Approximate Gross Floor Area *(sq.m.)*
Residential	4,857.12
Retail	6,795.53
Ancillary Building	3,781.79
Total	**15,434.44**

The Property comprises pre-sold residential portion with a total gross floor area of 12,114.38 sq.m..

The land use rights of the Property have been granted for a term of 70 years from 8 July 2002 to 7 July 2072 for residential use.

Notes:

(1) According to two Shanghai Certificates of Real Estate Ownership, the building Ownership rights of the Property, comprising a total gross floor area of approximately 245,368.29 sq.m., have been vested to Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司):

Certificate No.	Lot No.	Gross Floor Area *(sq.m.)*	Site Area *(sq.m.)*	Uses	Expiry Date
(2009)086081	416-1	239,732.07	113,454.00	Residential	7 July 2072
(2009)086083	416-1	5,636.22	113,454.00	Residential	7 July 2072
	Total	**245,368.29**			

The Property is part of the said gross floor area.

(2) According to the information provided by the SUD Group, the pre-sold residential portion with a total gross floor area of 12,114.38 sq.m. has been pre-sold as at 31 July 2011. In the course of our valuation, we have taken into account the pre-sold consideration.

(3) According to Business Licence No. 3101121030958 dated 17 May 1999, Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) was established as a limited liability company with registered capital of RMB300,000,000 for a valid operation period from 17 May 1999 to 16 May 2014.

(4) According to the PRC legal opinion:

(i) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司), a 90% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and

(iii) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) is the registered land owner.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group I – Properties held by the SUD Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
a3.	The unsold portion at Lot E of Urban Cradle, Minhang District, Shanghai, the PRC	Lot E of Urban Cradle comprises a composite residential/commercial development erected upon a parcel of land with a total site area of 120,357.00 sq.m. which was completed in 2008. According to the information provided by the SUD Group, the Property comprises the unsold portion of the Property with a total gross floor area of approximately 673.62 sq.m. and together with 95 car parks:	The Property is currently vacant.	RMB74,000,000 (90% interest attributable to the SUD Group: RMB66,600,000) (See Explanation on Page IVA-5)

Portion	Approximate Gross Floor Area *(sq.m.)*
Residential	598.64
Ancillary Retail	74.98
Total	**673.62**

The Property comprises pre-sold residential and car park portion with a total gross floor area of 4,374.55 sq.m..

The land use rights of the Property have been granted for a term of 70 years from 6 February 2002 to 5 February 2072 for residential use.

Notes:

(1) According to two Shanghai Certificates of Real Estate Ownership, the building ownership rights of the Property, comprising a total gross floor area of approximately 250,351.88 sq.m., have been vested to Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司):

Certificate No.	Lot No.	Gross Floor Area *(sq.m.)*	Site Area *(sq.m.)*	Uses	Expiry Date
(2007)051216	427-1/1	115,534.15	49,927.00	Residential	5 February 2072
(2008)010782	427-1/2	134,817.73	70,430.00	Residential	5 February 2072
	Total	**250,351.88**			

The Property is part of the said gross floor area.

(2) According to the information provided by the SUD Group, the pre-sold residential and car park portion with a total gross floor area of 4,374.55 sq.m. has been pre-sold as at 31 July 2011. In the course of our valuation, we have taken into account the pre-sold consideration.

(3) According to Business Licence No. 3101121030958 dated 17 May 1999, Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) was established as a limited liability company with registered capital of RMB300,000,000 for a valid operation period from 17 May 1999 to 16 May 2014.

(4) According to the PRC legal opinion:

(i) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司), a 90% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and

(iii) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) is the registered land owner.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group I – Properties held by the SUD Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
a4.	The unsold portion of Phase I of Royal Villa, No. 859, East Yingbin Road, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	Royal Villa comprises a residential development erected upon a parcel of land with a total site area of 205,016.50 sq.m.. Phase I of Royal Villa comprises 5 blocks of high-rise buildings and 32 blocks of detached villas which was completed in 2008. According to the information provided by the SUD Group, the Property comprises the unsold portion of Phase I of Royal Villa with a total gross floor area of approximately 8,620.32 sq.m.: **Portion** / **Approximate Gross Floor Area** *(sq.m.)* **Phase I** High-rise 2,169.92 Storeroom 54.24 Villa 6,396.16 **Total** **8,620.32** The SUD Group has the operation rights of 271 car parks of the Property. The Property comprises pre-sold residential portion with a total gross floor area of 411.65 sq.m.. The land use rights of the Property have been granted for a term due to expire on 25 March 2044 for commercial use and 25 March 2074 for residential use.	The Property is currently vacant.	RMB117,400,000 (90% interest attributable to the SUD Group: RMB105,660,000) (please see Note (1)) (See Explanation on Page IVA-5)

Notes:

(1) We noted that no Real Estate Title Certificate has been obtained, we are on the assumption that all relevant Real Estate Title Certificates will be issued in due course and the related fees incurred have been fully paid and settled.

(2) According to twenty-five Initial Commodity Housing Registration Certificates issued by Kunshan Housing Administration Bureau, Phase I of Royal Villa comprises a total gross floor area of 8,621.35 sq.m..

The Property is part of the said gross floor area.

(3) According to Land Use Rights Certificate No. (2006)12006106007 dated 21 April 2006, the land use rights of Royal Villa, comprising a total site area of approximately 205,016.50 sq.m., have been granted to Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) for a term due to expire on 25 March 2044 for commercial use and 25 March 2074 for residential use.

(4) According to Other Rights Certificate No. (2010)0001 dated 1 January 2010, portion land of the Property with a site area of approximately 136,144.85 sq.m. is pledged to China Construction Bank, Kunshan Branch at a consideration of RMB90,000,000 from 4 January 2010 to 3 January 2013.

(5) According to Land Use Rights Grant Contract No. (2003)62 dated 26 December 2003 and its Supplement Contract dated 25 October 2004:

(i)	Grantee	:	Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司)
(ii)	Location	:	South of Yingbin Road, west of Han Pu Tang, Zhoushi Town
(iii)	Site Area	:	205,016.50 sq.m.
(iv)	Land Use	:	Tourism, commercial and residential
(v)	Plot Ratio	:	1.2
(vi)	Land Premium	:	RMB159,912,870
(vii)	Land Use Term	:	70 years for residential use and 40 years for tourism and commercial use

(6) According to Construction Land Planning Permit No. 2006-0034 dated 25 January 2006, the construction site of land with a total site area of 205,018.60 sq.m. was in compliance with urban planning requirements.

(7) According to three Construction Work Planning Permits, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 87,118.06 sq.m.:

Permit No.	**Issuing Date**	**Planned Gross Floor Area** *(sq.m.)*
2006-3795/2349-2388	31 May 2006	84,894.30
2007-1163	26 April 2007	1,484.88
20082950	14 October 2008	738.88
	Total	**87,118.06**

(8) According to Construction Work Commencement Permit No. 3205832006071902 dated 19 July 2006, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 76,917.70 sq.m..

(9) According to two Certificates for Commodity Housing Delivery Record, Phase I of Royal Villa with a total gross floor area of 67,671.13 sq.m. is in compliance with the requirements of housing delivery and is agreed to record with details as follow:

Certificate No.	**Project**	**Gross Floor Area** *(sq.m.)*
No.(2008)385	Block 117-121 and storeroom	51,938.31
No.(2008)386	Block 67-73, 75-83, 85-93, 95-102	15,732.82
	Total	**67,671.13**

(10) According to the information provided by the SUD Group, the pre-sold residential portion with a total gross floor area of 411.65 sq.m. has been pre-sold at a consideration of approximately RMB1,988,549 as at 31 July 2011. In the course of our valuation, we have taken into account the above said consideration.

(11) According to Business Licence No. 320583000010607 dated 24 May 2010, Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) was established as a limited company with a registered capital of RMB167,000,000 for a valid operation period from 5 July 2004 to 5 July 2034.

(12) According to the PRC legal opinion:

(i) Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司), a 90% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property;

(iii) All mentioned certificates and permits are legal, valid and enforceable under the PRC laws and Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) is the registered land owner;

(iv) The land of the Property is pledged to a bank. The transfer of the Property is subject to the consent from the bank; and

(v) Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) has the right to operate 271 car parks of the Property.

(13) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Real Estate Title Certificate	No
Land Use Rights Certificate	Yes
Other Rights Certificate	Yes
Initial Commodity Housing Registration Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Certificate for Commodity Housing Delivery Record	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group I – Properties held by the SUD Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
a5.	The unsold portion of Zone B of Phase I, Zone C to E of Phase II, clubhouse of Toscana, Xiangfu Road, Yuhua District, Changsha, Hunan Province, the PRC	Phase I and Zone C to E of Phase II of Toscana is a large scale residential and commercial development erected upon a parcel of land with a total site area of approximately 169,062.60 sq.m. which was completed in between 2008 and 2011.	The low-rise residential units, townhouse and basement car parks are currently vacant. The clubhouse is currently owner-occupied as office. The car parks are licensed on hourly or monthly basis.	RMB55,000,000 (55% interest attributable to the SUD Group: RMB30,250,000) (Please see Note (1)) (See Explanation on Page IVA-5)

According to the information provided by the SUD Group, the Property comprises the unsold portion of Zone B of Phase I, Zone C to E of Phase II, clubhouse of Toscana with a total gross floor area of approximately 2,813.86 sq.m. including basement 60 car parks:

Portion	Approximate Gross Floor Area *(sq.m.)*
Low-rise residential	154.47
Townhouse	310.08
Clubhouse	717.19
Basement	1,632.12
Total	**2,813.86**

The Property comprises pre-sold residential portion with a total gross floor area of 4,585.67 sq.m.. The SUD Group has the operation rights of 23 car parks of Toscana.

The land use rights of the Property have been granted for a term due to expire on 31 August 2074 for residential use.

Notes:

(1) According to sixty-four Real Estate Title Certificates, three residential units, one clubhouse and 60 car parks with a total gross floor areas of approximately 3,031.17 sq.m. are held by Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司).

We noted that the remaining portion of the Property with a total gross floor area of approximately 4,368.36 sq.m. has not been obtained Real Estate Title Certificate. We are on the assumption that all relevant Real Estate Title Certificates will be issued in due course and the related fees incurred have been fully paid and settled.

(2) According to twelve Works Acceptance and Completion Filling Forms dated 28 December 2010, Block No. E01 to E12 of Toseana, situated at No. 28 Second Section of Xiangfu East Road, Yuhua District, Changsha with a total gross floor area of 18,796.00 sq.m. has been completed.

(3) According to Maximum Pledge Contract No. 00001963 dated 30 June 2010, unit 104, 101, 102 and 201 of the clubhouse of the Property is pledge to Shanghai Pudong Development Bank Co., Ltd., Changsha Branch at a consideration of RMB15,000,000 from 16 November 2009 to 12 November 2011.

(4) According to six Land Use Rights Certificates, the land use rights of the Property, comprising a total site area of approximately 169,062.60 sq.m., have been granted to Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司):

Certificate No.	**Location**	**Site Area** *(sq.m.)*	**Uses**	**Expiry Date**
(2010)040058	No. 28, Tianjixiangfu, Section II, of Xiangfu East Road, Yuhua District	18,611.66	Residential	31 August 2074
(2006)008519	Xiangfu Road, Yuhua District	68,312.65	Residential	31 August 2074
(2006)008516	Xiangfu Road, Yuhua District	24,224.89	Residential	31 August 2074
(2010)040059	No. 28, Tianjixiangfu, Section II, of Xiangfu East Road, Yuhua District	5,394.27	Residential	31 August 2074
(2008)039865	No. 28, Tianjixiangfu, Section II, of Xiangfu East Road, Yuhua District	32,488.61	Residential	31 August 2074
(2010)040060	No. 28, Tianjixiangfu, Section II, of Xiangfu East Road, Yuhua District	20,030.52	Residential	31 August 2074
	Total	**169,062.60**		

(5) According to the information provided by the SUD Group, the pre-sold residential portion with a total gross floor area of 4,585.67 sq.m. has been pre-sold at a consideration of approximately RMB46,002,893 as at 31 July 2011. In the course of our valuation, we have taken into account the above said consideration.

(6) According to Business Licence No. 430100000066142, Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司) was established as a limited liability company on 20 April 2010 with a registered capital of RMB102,110,000 for a valid operating period from 19 August 2004 to 14 November 2014.

(7) According to the PRC legal opinion:

(i) Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司), a 55% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property;

(iii) All mentioned certificates and permits are legal and valid;

(iv) Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司) has the right to operate 23 car parks of Toscana; and

(v) Portion of the clubhouse is pledged to a bank. The transfer of the Property is subject to the consent from the bank.

(8) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Real Estate Title Certificate	Yes (partly)
Land Use Rights Certificate	Yes
Works Acceptance and Completion Filing Form	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group I – Properties held by the SUD Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
a6.	The unsold portion of Cluster I & II of Phase I of Ivy Aroma Town, Wenfong Road, Taojia Town, Jiulongpo District, Chongqing, the PRC	Phase I of Ivy Aroma Town comprises various villas erected upon a parcel of land with a total site area of approximately 126,568.00 sq.m.. Cluster I was completed in 2010 and Cluster II was completed in January 2011. According to the information provided by the SUD Group, the Property comprises unsold portion of Cluster I & II of Phase I of Ivy Aroma Town with a total gross floor area of 4,625.57 sq.m.. The Property comprises pre-sold residential portion with a total gross floor area of 19,435.74 sq.m.. The land use rights of the Property have been granted for a term due to expire in March 2048 for commercial use and March 2058 for residential use.	Villa Nos. 1-2 and 1-3 are used as demonstration houses. Villa Nos. 12-1 and 12-2 are used as the sales office and the remaining villas are currently vacant.	RMB240,600,000 (55% interest attributable to the SUD Group: RMB132,330,000) (please see Note (1)) (See Explanation on Page IVA-5)

Notes:

(1) We noted that no Real Estate Title Certificate has been obtained, we are on the assumption that all relevant Real Estate Title Certificates will be issued in due course and the related fees incurred have been fully paid and settled.

(2) According to Planning Verification and Confirmation Letter for Completion of Construction Works No. (2010)0033 dated 24 May 2010, the construction works of Cluster I of Phase I of Ivy Aroma Town with a total gross floor area of 26,046.05 sq.m. has been completed.

According to Planning Verification and Confirmation Letter for Completion of Construction Works No. (2011)0011 dated 18 March 2011, the construction works of Cluster II of Phase I of Ivy Aroma Town with a total gross floor area of 19,635.12 sq.m. has been completed.

The Property is part of the said gross floor area.

(3) According to Land Use Rights Certificate No. 105D(2008)00269 dated 20 May 2008, the land use rights of the Property, comprising a site area of 126,568.00 sq.m., have been granted to Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司) for a land use term due to expire in March 2048 for commercial use and March 2058 for residential use.

(4) According to Land Use Rights Grant Contract No. (2008) 34 dated 19 March 2008:

(i)	Grantee	:	Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司)
(ii)	Location	:	No. J16-1/01, Xipeng Cluster, Jiulongpo District, Chongqing
(iii)	Site Area	:	126,568 sq.m.
(iv)	Land Use	:	Residential
(v)	Plot Ratio	:	No more than 1.2
(vi)	Land Premium	:	RMB181,380,000
(vii)	Land Use Term	:	50 years for residential use and 40 years for commercial use

(5) According to Construction Land Planning Permit No. 500107200800272 dated 30 May 2008, the construction site of a parcel of land with a total site area of 126,568 sq.m. was in compliance with urban planning requirements.

(6) According to two Construction Work Planning Permits, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with the development scheme:

Permit No.	**Issuing Date**	**Planned Gross Floor Area** *(sq.m.)*
500107200900039	17 June 2009	25,846.96
500107200900106	23 December 2009	19,635.12
	Total	**45,482.08**

(7) According to two Construction Work Commencement Permits, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 45,482.08 sq.m.:

Permit No.	**Issuing Date**	**Planned Gross Floor Area** *(sq.m.)*
510202200906190101	18 June 2009	25,846.96
510202200901060103	5 January 2010	19,635.12
	Total	**45,482.08**

(8) According to five Pre-sale Permits, the development was permitted to pre-sale:

Certificate No.	Block	Uses	Issuing Date	Gross Floor Area *(sq.m.)*
2009-463	1-12	Residential	14 October 2009	17,022.93
2009-576	13-15, 18	Residential	27 November 2009	5,431.02
2009-608	16, 17	Residential	11 December 2009	2,646.29
2010-064	19-22, 30, 32-34	Residential	29 January 2010	11,564.61
2010-297	23-29, 31	Residential	18 May 2010	7,918.83
			Total	**44,583.68**

(9) According to the information provided by the Group, the pre-sold residential portion with a total gross floor area of 19,435.74 sq.m. has been pre-sold at a consideration of approximately RMB196,680,659 as at 31 July 2011. In the course of our valuation, we have taken into account the above said consideration.

(10) According to Business Licence No. 500107000015447 dated 10 March 2011, Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司) as a limited liability company with a registered capital of RMB230,000,000 for a valid operation period from 28 February 2008 to forever.

(11) According to the PRC legal opinion:

(i) Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司), a 55% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司) has fully settled all the land premium of the Property;

(iii) All mentioned certificates and permits are legal and valid; and

(iv) The Property is pledged to a bank. The transfer to the Property is subject to the consent from the bank.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Real Estate Title Certificate	No
Planning Verification and Confirmation letter for Completion of Construction Works	Yes
Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by the SUD Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
b1.	Urban Development International Tower, No. 355 Hongqiao Road, Xuhui District, Shanghai, the PRC	The Property comprises a 15-storey plus 2 levels of basement composite building mainly for office use erected upon a parcel of land with a site area of approximately 8,695 sq.m. which was completed in the end of 2007. The Property has a total gross floor area of approximately 45,238.60 sq.m. including 189 basement car parks: Portion / Approximate Gross Floor Area (sq.m.) Office 33,400.62 Retail 2,078.47 Basement 9,759.51 **Total 45,238.60** The land use rights of the Property have been granted for a term from 8 October 2003 to 7 October 2053 for composite use.	32,727.62 sq.m. office and 2,078.47 sq.m. retail of the Property is subject to various tenancies, with the latest expiry date on 31 December 2017, at a total monthly rent of approximately RMB7,805,511, exclusive of management fee. The remaining portion of the office with a gross floor area of 673 sq.m. is vacant. The car parks are licensed on monthly basis.	RMB1,420,000,000 (100% interest attributable to the SUD Group: RMB1,420,000,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2007)024913 dated 20 December 2007, the land use rights of the Property, comprising a site area of 8,695 sq.m., and the building ownership of the Property, comprising a gross floor area of 45,238.60 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 8 October 2003 to 7 October 2053 for composite use.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is pledged to a bank. The transfer of the Property is subject to the consent from the bank.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by the SUD Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
b2.	20 office units on levels 8, 9 and 10 and 12 car parks, Asia-pacific Enterprises Tower, No. 333 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	The Property comprises 20 office units on levels 8, 9 and 10 and 12 car parks of a 16-storey office building which was completed in 2001. The Property has a total gross floor area of 5,640.10 sq.m.. The land use rights of the Property have been granted for a term from 6 December 1992 to 5 December 2042 for composite use.	The Property is subject to various tenancies, with the latest expiry date on 19 December 2013, at a total monthly rent of approximately RMB627,211, exclusive of management fee. The car parks are licensed on monthly basis.	RMB93,000,000 (100% interest attributable to the SUD Group: RMB93,000,000) (See Explanation on Page IVA-5)

Notes:

(1) According to sixteen Shanghai Certificates of Real Estate Ownership all dated 21 December 2003, the land use rights and building ownership of the Property, comprising a total site area of 599.50 sq.m. and a total gross floor area of 5,640.10 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a term from 6 December 1992 to 5 December 2042 for composite use:

Certificate No.	Unit No./Car Park No.	Apportioned Site Area *(sq.m.)*	Car Park Gross Floor Area *(sq.m.)*	Gross Floor Area *(sq.m.)*
(2004)000428	Units 905 and 906/Car Park No. 24	44.20	49.03	372.77
(2004)000431	Unit 807	18.60	–	156.48
(2004)000434	Unit 1001/Car Park No. 26	53.80	49.03	453.71
(2004)000441	Unit 1002/Car Park No. 27	55.70	49.03	469.55
(2004)000446	Unit 1003/Car Park No. 28	49.10	49.03	413.78
(2004)000448	Unit 1004/Car Park No. 29	49.40	49.03	416.48
(2004)000451	Units 907 and 908/Car Park No. 25	44.50	49.03	374.62
(2004)000461	Units 903 and 904/Car Park No. 23	53.50	49.03	450.86
(2004)000465	Units 901 and 902/Car Park No. 22	53.50	49.03	450.86
(2004)000468	Unit 808/Car Park No. 32	25.90	49.03	218.14
(2004)000474	Unit 805/Car Park No. 31	25.90	49.03	218.14
(2004)000477	Unit 804/Car Park No. 21	35.70	49.03	301.16
(2004)000481	Unit 802	17.80	–	149.70
(2004)000484	Unit 801/Car Park No. 20	35.70	49.03	301.16
(2004)000485	Unit 803	17.80	–	149.70
(2004)000486	Unit 806	18.40	–	154.63
	Total	**599.50**	**588.36**	**5,051.74**

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is pledged to a bank. The transfer of the Property is subject to the consent from the bank.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by the SUD Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
b3.	Levels 1 to 3, Nos. 498 and 500 Lane 388 Pubei Road, Xuhui District, Shanghai, the PRC	The Property comprises various shops on levels 1 to 3 of a 14-storey composite building which was completed in 2001. The Property has a total gross floor area of 3,262.94 sq.m.. The land use rights of the Property have been granted for a term from 30 June 2000 to 30 June 2050 for composite use.	The Property is subject to three tenancies with the latest expiry date on 31 December 2013 at an annual rent of approximately RMB1,508,000, exclusive of utilities charges.	RMB37,000,000 (100% interest attributable to the SUD Group: RMB37,000,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2001)010768 dated 31 December 2001, the land use rights and building ownership of various units situated at Nos. 10 and 11 of Lane 388 and Nos. 498 and 500 Pubei Road, Nos. 64 and 66 of Guilin Road West, comprising a gross floor area of 5,763.22 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) for a term from 30 June 2000 to 30 June 2050 for composite use.

The Property is part of the said gross floor area.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) was established as a limited liability company with a registered capital of RMB301,330,000 for an unbounded operating period from 30 April 1996.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by the SUD Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
b4.	Huimin Commercial Tower and non-motor vehicle shed, Nos. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	The Property comprises a 7-storey commercial building with basement and non-motor vehicle shed which was completed in 2002. The Property has a total gross floor area of 14,234.55 sq.m.. The land use rights of the Property have been allocated for an unspecified term for commercial use.	Portion of the Property with a total gross floor area of approximately 10,861 sq.m. is subject to various tenancies with the latest expiry date on 30 April 2016 at an annual rent of approximately RMB21,100,000, exclusive of utilities charges. The remaining portion of the Property is vacant.	RMB312,000,000 (100% interest attributable to the SUD Group: RMB312,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (1998)005656 dated 15 June 1998, the land use rights and building ownership of Nos. 111 and 123 Tianyaoqiao Road, comprising a site area of 2,673 sq.m. and a gross floor area of 14,234.55 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for commercial use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB301,330,000 for an unbounded operating period from 30 April 1996.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The Property is pledged to a bank. The transfer of the Property is subject to the consent from the bank; and

(v) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) can reserve rental income without hand over to the government.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II – Properties held by the SUD Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
b5.	A detached villa, Block No. 3 of Nos. 1 to 7 situated at Lane 16, Gaoyou Road, Xuhui District, Shanghai, the PRC	The Property comprises a 3-storey villa residential building which was completed in 1993. The Property has a gross floor area of 347.073 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is currently vacant.	RMB18,000,000 (100% interest attributable to the SUD Group: RMB18,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. 00691 dated 24 January 1995, the building ownership of Block No. 3 of Nos. 1 to 7 situated at Lane 16, Gaoyou Road, comprising a total gross floor area of 347.073 sq.m., has been vested in Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for residential use.

As advised, Shanghai Urban Development (Holdings) Co., Ltd. has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB301,330,000 for an unbounded operating period from 30 April 1996.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The Property is pledged to a bank. The transfer of the Property is subject to the consent from the bank; and

(v) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the SUD Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
c1.	Lot F, Urban Cradle, Minhang District, Shanghai, the PRC	The Property comprises a residential/commercial development comprising mainly high-end apartments erected upon a parcel of land with a total site area of 100,909.00 sq.m.. According to the information provided by the SUD Group, the Property will be developed into a composite development with a planned total gross floor area of approximately 248,935.53 sq.m.:	The Property is under construction and scheduled to be completed in 2013.	RMB3,122,000,000 (90% interest attributable to the SUD Group: RMB2,809,800,000) (See Explanation on Page IVA-5)

Portion	Approximate Gross Floor Area *(sq.m.)*
Residential	173,356.62
Retail	5,400.16
Ancillary	1,229.93
Basement	
Retail	2,442.08
Car Parks	66,506.74
Total	**248,935.53**

The land use rights of the Property have been granted for a term of 70 years from 6 February 2002 to 5 February 2072 for residential use.

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2007)008021 dated 22 December 2006, the land use rights of the Property, comprising a total site area of 100,909.00 sq.m., have been granted to Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) for a term of 70 years from 6 February 2002 to 5 February 2072 for residential use.

(2) According to Pledge Registration (Pledge of Grant Construction Use of Land) No. 201012035476, the land of the Property with a site area of approximately 100,909.00 sq.m. is pledged to Industrial Bank Co., Ltd., Shanghai Xuhui Branch and Huaxia Bank Co., Ltd., Shanghai Branch at a consideration of RMB400,000,000 for 3 years from year 2010 (subject to actual release date).

(3) According to Land Use Rights Grant Contract No. (2002)8 dated 15 January 2002 and its Supplement Contract Nos. (2005)46 dated 20 December 2005 and (2009)21 dated 22 May 2009:

(i)	Grantee	:	Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司)
(ii)	Site Area	:	100,908.80 sq.m.
(iii)	Land Use	:	Residential
(iv)	Permitted Gross Floor Area	:	254,001 sq.m. (including 80,788 sq.m. basement area)
(v)	Land Premium	:	RMB33,265,938
(vi)	Land Use Term	:	70 years

(4) According to Construction Land Planning Permit No. (2004)1277 dated 29 December 2004, the construction site of land with a site area of 154,616 sq.m. are in compliance with urban planning requirements.

(5) According to Construction Work Planning Permit No. (2010)FA31011220100148 dated 20 January 2010, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 248,935.53 sq.m..

(6) According to two Construction Work Commencement Permits, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 248,934.71 sq.m.:

Permit No.	**Issuing Date**	**Planned Gross Floor Area** *(sq.m.)*
0501MH0058D01/ 310112200506271419	28 January 2010	90,254.71
0501MH0058D02/ 310112200506271419	28 January 2010	158,680.00
	Total	**248,934.71**

(7) According to the information provided by the SUD Group, 15,306.35 sq.m. of residential portion has been pre-sold as at 31 July 2011. In the course of our valuation, we have taken into account the pre-sold consideration.

(8) According to the information provided by the SUD Group, the estimated total construction cost to complete the development is approximately RMB1,675,000,000; a construction cost of approximately RMB714,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB5,915,000,000.

(10) According to Business Licence No. 3101121030958 dated 17 May 1999, Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) was established a limited liability company with registered capital of RMB300,000,000 for a valid operation period from 17 May 1999 to 16 May 2014.

(11) According to the PRC legal opinion:

(i) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司), a 90% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property;

(iii) All mentioned certificates and permits are legal, valid and enforceable under the PRC laws and Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) is the registered land owner; and

(iv) The land of the Property is pledged to a bank. The transfer of the Property is subject to the consent from the bank.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the SUD Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
c2.	Shanghai Jingjie Resettlement Housing Project, Lot Longxi, Minhang District, Shanghai, the PRC	The Property comprises a resettlement housing development under construction erected upon a piece of land with a total site area of 49,763.50 sq.m.. According to the information provided by the SUD Group, the Property will be developed into a resettlement housing development with a planned total gross floor area of approximately 125,143.00 sq.m.:	The Property is currently under construction and scheduled to be completed in 2012.	RMB432,000,000 (100% interest attributable to the SUD Group: RMB432,000,000) (See Explanation on Page IVA-5)

Portion	Approximate Gross Floor Area *(sq.m.)*
Residential	95,594.00
Ancillary	6,409.00
Basement	23,140.00
Total	**125,143.00**

The land use rights of the Property have been granted for a term of 70 years from 7 April 2010 to 6 April 2080 for residential use.

Notes:

(1) According to three Shanghai Certificates of Real Estate Ownership, the land use rights of the Property, comprising a total site area of 49,763.50 sq.m., have been granted to Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. (上海城開集團晶杰置業有限公司) for a term of 70 years from 7 April 2010 to 6 April 2080 for residential use:

Certificate No.	Land Use Term	Issuing Date	Site Area *(sq.m.)*
(2010)037167	7 April 2010 to 6 April 2080	5 August 2010	44,850.80
(2010)037168	7 April 2010 to 6 April 2080	5 August 2010	3,694.30
(2010)037169	7 April 2010 to 6 April 2080	5 August 2010	1,218.40
		Total	**49,763.50**

(2) According to Land Use Rights Grant Contract No. (2010)9 dated 22 February 2010 and its Supplement Contract dated 7 April 2010:

(i)	Grantee	:	Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. (上海城開集團晶杰置業有限公司)
(ii)	Site Area	:	49,763.50 sq.m.
(iii)	Land Use	:	Residential
(iv)	Plot Ratio	:	2.13
(v)	Land Premium	:	RMB283,651,950
(vi)	Land Use Term	:	70 years

(3) According to Construction Land Planning Permit No. (2010)EA31011220100804 dated 24 June 2010, the construction site of land with a site area of 49,764.00 sq.m. was in compliance with urban planning requirements.

(4) According to Construction Work Planning Permit No. (2010)FA31011220101972 dated19 October 2010, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 125,143.00 sq.m..

(5) According to Construction Work Commencement Permit No. 1001MH0052D01/310112201007071919 dated 8 December 2010, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 125,143 sq.m..

(6) According to the information provided by the SUD Group, the estimated total construction cost to complete the development is approximately RMB831,000,000; a construction cost of approximately RMB85,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(7) According to Repurchase Agreement entered into between People's Government of Minhang District (the buyer) and Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. (上海城開集團晶杰置業有限公司) (the seller), the established price if completed of the proposed development was approximately RMB690,390,400 subject to actual change.

(8) According to Business Licence No. 310112000961991 dated 12 March 2010, Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. (上海城開集團晶杰置業有限公司) was established as a one-person limited liability company with a registered capital of RMB150,000,000 (with a paid-up capital of RMB150,000,000) for a valid operation period from 12 March 2010 to 11 March 2030.

(9) According to the PRC legal opinion:

(i) Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. (上海城開集團晶杰置業有限公司), a 100% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. (上海城開集團晶杰置業有限公司) has fully settled all the land premium of the Property;

(iii) All mentioned certificates and permits are legal, valid and enforceable under the PRC laws and Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. (上海城開集團晶杰置業有限公司) is the registered land owner; but Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. (上海城開集團晶杰置業有限公司) has no right to transfer, lease and mortgage of the land use right according to Land Use Rights Grant Contract;

(iv) According to Repurchase Agreement entered into between People's Government of Minhang District (the buyer) and Shanghai Urban Development Group Jingjie Real Estate Co., Ltd. (上海城開集團晶杰置業有限公司) (the seller), after completion of the Property, people's government of Minhang District will repurchase all Resettlement Housing Project in accordance with established price;

(v) The Property is not subject to any pledge; and

(vi) There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government.

(10) The status of title and grant of major approvals and licences in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the SUD Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
c3.	Shanghai Jing City Affordable Housing Project, Situated at Lot Shangguangdian, Minhang District, Shanghai, the PRC	The Property comprises an affordable housing development namely as Shanghai Jing City under construction erected upon a piece of land with a total site area of 187,463.70 sq.m..	The Property is currently under construction. The completion schedule is subject to the government approval.	RMB2,093,000,000 (100% interest attributable to the SUD Group: RMB2,093,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)
		According to the information provided by the SUD Group, the Property will be developed by four phases into an affordable housing development with a planned total gross floor area of approximately 558,359.60 sq.m.:		

Portion	Approximate Gross Floor Area *(sq.m.)*
Residential	471,996.20
Ancillary	27,356.00
Basement	59,007.40
Total	**558,359.60**

The land use rights of the Property have been allocated for an unspecified term for residential use.

Notes:

(1) According to four Shanghai Certificates of Real Estate Ownership, the land use rights of the Property, comprising a total site area of 187,463.70 sq.m., have been allocated to Shanghai Urban Development Group Jingshi Real Estate Co., Ltd. (上海城開集團晶實置業有限公司) for an unspecified land use term for residential use:

Certificate No.	Land Use Term	Issuing Date	Site Area (*sq.m.*)
(2010)028418	unspecified	9 June 2010	46,600.00
(2010)056956	unspecified	26 November 2010	83,529.10
(2010)056955	unspecified	26 November 2010	42,673.60
(2010)028440	unspecified	9 June 2010	14,661.00
		Total	**187,463.70**

(2) According to aforesaid Shanghai Certificates of Real Estate Ownership, the land use rights of the Property are in allocation nature which is subject to approval from the government and extra land premium upon the disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Loan and Mortgage Contract No. 3100403582010020228 dated 19 September 2010, portion of land with a site area of approximately 46,600.00 sq.m. and the construction in progress on the Property is pledged to Shanghai Branch of China Development Bank at a consideration of RMB605,000,000 from 27 September 2010 to 26 September 2014.

(4) According to two Construction Land Planning Permits, the construction sites of land with a total site area of 254,863.00 sq.m. were in compliance with urban planning requirements:

Permit No.	Issuing Date	Site Area (*sq.m.*)
(2010)EA31011220100056	15 January 2010	201,100.00
(2010)EA31011220101303	17 September 2010	53,763.00
	Total	**254,863.00**

Portion of site area is for the road, green belt, schools, kindergartens, community health, sports and other public facilities use which is not allocated to Shanghai Certificate of Real Estate Ownership.

(5) According to three Construction Work Planning Permits, the construction works of three phases of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 514,652.20 sq.m.:

Permit No.	Issuing Date	Planned Gross Floor Area (*sq.m.*)
(2010) FA31011220101414	28 July 2010	137,993.00
(2011) FA31011220110104	19 January 2011	247,302.50
(2011) FA31011220110354	2 March 2011	129,356.70
	Total	**514,652.20**

The Property is part of the said gross floor area.

(6) According to three Construction Work Commencement Permits, the construction works of two phases of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 514,652.20 sq.m.:

Permit No.	Issuing Date		Planned Gross Floor Area *(sq.m.)*
0901MH0068D01/310112200910281119	2 August 2010		137,993.00
0901MH0068D02/310112200910281119	30 January 2011		122,922.80
0901MH0068D03/310112200910281119	30 January 2011		124,379.70
0901MH0068D04/310112200910281119	24 March 2011		129,356.70
		Total	**514,652.20**

The Property is part of the said gross floor area.

(7) According to the information provided by the SUD Group, the estimated total construction cost to complete the development is approximately RMB3,053,000,000; a construction cost of approximately RMB403,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB4,600,000,000.

(9) According to Business Licence No. 310112000922945 dated 23 September 2009, Shanghai Urban Development Group Jingshi Real Estate Co., Ltd. (上海城開集團晶實置業有限公司) was established as a one-person limited liability company with a registered capital of RMB300,000,000 (with a paid-up capital of RMB300,000,000) for a valid operation period from 23 September 2009 to 22 September 2029.

(10) According to the PRC legal opinion:

(i) Shanghai Urban Development Group Jingshi Real Estate Co., Ltd. (上海城開集團晶實置業有限公司), a 100% owned subsidiary of the SUD Group has obtained valid business licence and is legally established;

(ii) According to Land Compensation Agreement and Supplement Agreement, Shanghai Urban Development Group Jingshi Real Estate Co., Ltd. (上海城開集團晶實置業有限公司) has obtained valid land use rights of the allocation land and has fully settled all the land compensation/replacement fee of the Property;

(iii) All mentioned certificates and permits are legal, valid and enforceable under the PRC laws and Shanghai Urban Development Group Jingshi Real Estate Co., Ltd. (上海城開集團晶實置業有限公司) is the registered land owner;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The interests of the land use rights during the ownership transfer of the Property is payable to the government or at its disposal;

(v) The Property is pledged to a bank. The transfer and further pledge of the Property is subject to the consent from the bank; and

(vi) There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government.

(11) The status of title and grant of major approvals and licences in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes (partly)
Construction Work Commencement Permit	Yes (partly)
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the SUD Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
c4.	Phase II and Phase III of Royal Villa, No. 859, East Yingbin Road, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	Royal Villa comprises a residential development erected upon a parcel of land with a total site area of 205,016.50 sq.m.. The Property is currently under construction. According to the information provided by the SUD Group, Phase II (Block Nos. 6-8, 33-38, and 40-65) of Royal Villa comprises the unsold portion with a gross floor area of 16,129.53 sq.m., Phase III and the remaining portion of Phase II of Royal Villa will be developed into high-rise buildings and detached villas with a planned total gross floor area of 129,553.37 sq.m.. The SUD Group has the operation rights of 155 car parks of the Property. The land use rights of the Property have been granted for a term due to expire on 25 March 2044 for commercial use and 25 March 2074 for residential use.	Phase II (Block Nos. 6-8, 33-38, and 40-65) of Royal Villa is physically completed, Phase III and the remaining portion of Phase II of Royal Villa with a planned total gross floor area of 129,553.37 sq.m. is currently under construction and will be completed in 2014 and in end of 2011 respectively.	RMB433,900,000 (90% interest attributable to the SUD Group: RMB390,510,000) (See Explanation on Page IVA-5)

Notes:

(1) According to fifty Initial Commodity Housing Registration Certificates issued by Kunshan Housing Administration Bureau, portion of Phase II of Royal Villa comprises a total gross floor area of 15,770.05 sq.m..

The Property is part of the said gross floor area.

(2) According to Land Use Rights Certificate No. (2006)12006106007 dated 21 April 2006, the land use rights of Royal Villa, comprising a total site area of 205,016.50 sq.m., have been granted to Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) for a term due to expire on 25 March 2044 for commercial use and 25 March 2074 for residential use.

(3) According to Other Rights Certificate No. (2010)0001 dated 1 January 2010, portion land of the Property with a site area of approximately 93,759 sq.m. is pledged to China Construction Bank, Kunshan Branch at a consideration of RMB90,000,000 from 4 January 2010 to 3 January 2013.

(4) According to Land Use Rights Grant Contract No. (2003)62 dated 26 December 2003 and its Supplement Contract dated 25 October 2004:

(i)	Grantee	:	Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司)
(ii)	Location	:	South of Yingbin Road, west of Han Pu Tang, Zhoushi Town
(iii)	Site Area	:	205,016.50 sq.m.
(iv)	Land Use	:	Tourism, commercial and residential
(v)	Plot Ratio	:	1.2
(vi)	Land Premium	:	RMB159,912,870
(vii)	Land Use Term	:	70 years for residential use and 40 years for tourism and commercial use

(5) According to Construction Land Planning Permit No. 2006-0034 dated 25 January 2006, the construction site of land with a site area of 205,018.60 sq.m. are in compliance with urban planning requirements.

(6) According to twenty-six Construction Work Planning Permits, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with the development scheme:

Permit No.	**Issuing Date**	**Planned Gross Floor Area** *(sq.m.)*
2006-4529~4566	16 June 2006	49,515.90
20102116	26 August 2010	1,398.19
2006-4569~4572	16 June 2006	2,091.20
2006-4573~4574	16 June 2006	894.20
2006-4575~4576	16 June 2006	1,115.60
2006-4577	16 June 2006	503.90
2006-4578~4579	16 June 2006	723.40
2006-4580~4585	16 June 2006	2,604.00
2006-4586~4589	16 June 2006	1,852.00
2006-4590~4595	16 June 2006	2,553.00
2006-4596	16 June 2006	218.00
2006-4597	16 June 2006	10,699.10
2006-4598	16 June 2006	6,200.00
2006-4599	16 June 2006	10,706.90
2006-4600	16 June 2006	10,706.90
2006-4601	16 June 2006	6,200.00
2006-4602	16 June 2006	10,045.50
2006-4603	16 June 2006	6,701.10
2006-4604	16 June 2006	1,841.30
2006-4605	16 June 2006	5,199.40
2006-4606	16 June 2006	4,523.74
2006-4607	16 June 2006	67.00
2006-4608	16 June 2006	10,699.10
2006-4564	16 June 2006	13,918.20
2006-4565	16 June 2006	13,590.00
2006-4568	16 June 2006	5,663.38
	Total	**180,231.01**

The Property is part of the said gross floor area.

(7) According to three Construction Work Commencement Permits, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 186,524.42 sq.m.:

Permit No.	Issuing Date		Planned Gross Floor Area *(sq.m.)*
3205832006072503	25 July 2006		43,659.50
3205832006072502	25 July 2006		47,004.58
3205832010022402	24 February 2010		95,860.34
		Total	**186,524.42**

The Property is part of the said gross floor area.

(8) According to Pre-sale Permit No. (2010)060, Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) was permitted to pre-sale the Property (Block 112&113) with a total gross floor area of 28,209.65 sq.m..

The Property is part of the said gross floor area.

(9) According to the information provided by the SUD Group, 8,486.54 sq.m. of residential and storeroom portion has been pre-sold at a total consideration of RMB51,339,134 as at 31 July 2011. In the course of our valuation, we have take into account the said pre-sold consideration.

(10) According to the information provided by the SUD Group, the estimated total construction cost to complete the development is approximately RMB436,000,000; a construction cost of approximately RMB100,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(11) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB777,000,000.

(12) According to Business Licence No. 320583000010607 dated 24 May 2010, Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) was established as a limited company with a registered capital of RMB167,000,000 for a valid operation period from 5 July 2004 to 5 July 2034.

(13) According to the PRC legal opinion:

(i) Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司), a 90% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property;

(iii) All mentioned certificates and permits are legal, valid and enforceable under the PRC laws and Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) is the registered land owner;

(iv) The land of the Property is pledged to a bank. The transfer of the Property is subject to the consent from the bank;

(v) Kunshan Urban Development Real Estate Development Co., Ltd. (昆山城開房地產開發有限公司) has right to operate 155 car parks of the Property; and

(vi) There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government.

(14) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Other Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Initial Commodity Housing Registration Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the SUD Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
c5.	Urban Development International Centre, Wuxi Lihu Economic Development Area, Binhu District, Wuxi, Jiangsu Province, the PRC	The Property comprises a commercial development under construction erected upon a parcel of land with a total site area of 24,041.3 sq.m.. According to the information provided by the SUD Group, the Property will be developed into a commercial development with a planned total gross floor area of approximately 193,368 sq.m.:	The Property is under construction and scheduled to be completion in 2013.	RMB814,000,000 (100% interest attributable to the SUD Group: RMB814,000,000) (See Explanation on Page IVA-5)

Portion	Approximate Gross Floor Area *(sq.m.)*
Hotel	41,010
Commercial	11,727
Service Apartment	59,638
Office	32,988
Basement	48,005
Total	**193,368**

The land use rights of the Property have been granted for a term due to expire on 29 January 2048 for commercial use and 29 January 2058 for office use.

Notes:

(1) According to Land Use Rights Certificate No. (2009)027 dated 13 July 2009, the land use rights of the Property, comprising a total site area of 24,041.3 sq.m., have been vested in Shanghai Urban Development Group Wuxi Real Estate Co., Ltd. (上海城開(集團)無錫置業有限公司) for a term due to expire on 29 January 2048 for commercial use and 29 January 2058 for office use.

(2) According to Land Use Rights Grant Contract No. (2007)48 dated 16 November 2007 and its Supplement Contract dated 20 March 2008:

(i)	Grantee	:	Shanghai Urban Development Group Wuxi Real Estate Co., Ltd. (上海城開(集團)無錫置業有限公司)
(ii)	Location	:	Northeast of Yinxiu Road and Taihu Avenue, Binhu District
(iii)	Site Area	:	24,041.3 sq.m.
(iv)	Land Use	:	Commercial and office
(v)	Plot Ratio	:	Not more than 6.0 to 6.2
(vi)	Land Premium	:	RMB418,000,000
(vii)	Land Use Term	:	Due to expire on 29 January 2048 for commercial use and 29 January 2058 for office use.

(3) According to Construction Land Planning Permit No. 320201200800152 dated 10 November 2008, the construction site of a parcel of land with a total site area of 24,041.3 sq.m. is in compliance with urban planning requirements.

(4) According to Construction Work Planning Permit No. F-3202112009C0071 dated 17 August 2009, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 193,368 sq.m..

(5) According to two Construction Work Commencement Permits, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 193,368.00 sq.m.:

Permit No.	**Issuing Date**	**Planned Gross Floor Area** *(sq.m.)*
3202112009092300001A	23 September 2009	48,005.00
3202112010042600003A	26 April 2010	145,363.00
	Total	**193,368.00**

(6) According to the information provided by the SUD Group, the estimated total construction cost to complete the development is approximately RMB1,436,000,000; a construction cost of approximately RMB315,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(7) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB2,578,000,000.

(8) According to Business Licence No. 320211000128913 dated 20 March 2010, Shanghai Urban Development Group Wuxi Real Estate Co., Ltd. (上海城開(集團)無錫置業有限公司) was established as a limited company with a registered capital of RMB500,000,000 for a valid operation period from 28 February 2008.

(9) According to the PRC legal opinion:

(i) Shanghai Urban Development Group Wuxi Real Estate Co., Ltd. (上海城開(集團)無錫置業有限公司), a 100% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development Group Wuxi Real Estate Co., Ltd. (上海城開(集團)無錫置業有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property;

(iii) All mentioned certificates and permits are legal and valid;

(iv) The Property is pledged to a bank. The transfer of the Property is subject to the consent from the bank; and

(v) There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government.

(10) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the SUD Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
c6.	Zone F of Phase II of Toscana, Xiangfu Road, Yuhua District, Changsha, Hunan Province, the PRC	The Property comprises a residential development under construction erected upon a parcel of land with a site area of approximately 27,432.81 sq.m.. According to the information provided by the SUD Group, the Property will be developed into 7 blocks of low-rise residential buildings and 2 mid-rise residential buildings with a planned total gross floor area of approximately 59,405.37 sq.m.: **Portion** / **Approximate Gross Floor Area** *(sq.m.)* Multi-storey residential 20,875.20 Low-rise residential 28,319.82 Basement 10,210.35 **Total** **59,405.37** The SUD Group has the operation rights of 260 car parks of the Property. The land use rights of the Property have been granted for a term due to expire on 31 August 2074 for residential use.	The Property is under construction and scheduled to be completion in end of 2011.	RMB292,000,000 (55% interest attributable to the SUD Group: RMB160,600,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Land Use Rights Certificate No. (2006)008518 dated 27 March 2006, the land use rights of the Property, comprising a site area of approximately 27,432.81 sq.m., have been granted to Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司) for a term due to expire on 31 August 2074 for residential use.

(2) According to Land Use Rights Grant Contract No. 20050169 dated 13 August 2005 and Land Use Rights Transaction Confirmation Letter:

(i)	Grantee	:	Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司)
(ii)	Site Area	:	180,542.46 sq.m.
(iii)	Land Use	:	Residential
(iv)	Plot Ratio	:	Not more than 1.8
(v)	Land Premium	:	RMB128,403,866
(vi)	Land Use Term	:	Due to expire on 31 August 2074 from the date of handover of the land

(3) According to Construction Land Planning Permit No. (2004)0371 dated 26 January 2005, the construction site of land with a total site area of 202,669.30 sq.m. is in compliance with the requirements of urban planning requirement.

(4) According to two Construction Work Planning Permits, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with the development scheme:

Permit No.	**Issuing Date**	**Planned Gross Floor Area** *(sq.m.)*
1[2007]0121	6 August 2010	31,262.34
1[2007]0116	29 September 2009	28,237.37
	Total	**59,499.71**

The Property is part of the said gross floor area.

(5) According to two Construction Work Commencement Permits, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 66,568.32 sq.m.:

Permit No.	**Issuing Date**	**Planned Gross Floor Area** *(sq.m.)*
430000200805080101	19 May 2008	63,879.00
430000200910100101	6 November 2009	2,689.32
	Total	**66,568.32**

The Property is part of the said gross floor area.

(6) According to nine Pre-sale Permits, Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司) was permitted to pre-sale the Property with a total planned gross floor area of 49,195.02 sq.m.:

Permit No.	Block	Issuing Date	Planned Gross Floor Area (sq.m.)
(2010)9280	F-1	11 November 2010	4,707.89
(2010)8923	F-2	12 July 2010	4,622.39
(2010)9032	F-3	1 September 2010	1,685.06
(2010)9281	F-4	11 November 2010	3,192.66
(2010)8924	F-5	12 July 2010	2,222.4
(2010)9033	F-6	1 September 2010	2,222.4
(2011)9465	F-7	25 January 2011	2,222.4
(2010)9034	F-8	11 November 2010	11,381.74
(2010)9282	F-9	11 November 2010	16,938.08
		Total	**49,195.02**

The Property is part of the said gross floor area.

(7) According to the information provided by the SUD Group, 23,610.98 sq.m. of residential portion has been pre-sold at a total consideration of RMB200,016,049 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by the SUD Group, the estimated total construction cost to complete the development is approximately RMB210,000,000; a construction cost of approximately RMB144,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB392,000,000.

(10) According to Business Licence No. 430100000066142, Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司) was established as a limited liability company on 19 August 2004 with registered capital of RMB102,110,000 for a valid operation period from 19 August 2004 to 14 November 2014.

(11) As advised by Shanghai Urban Development (Holdings) Co., Ltd., the Property was acquired in February 2004 at an acquisition cost of RMB189,560,095.

(12) According to the PRC legal opinion:

(i) Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司), a 55% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property;

(iii) Changsha Chengpu Property Co., Ltd. (長沙城普置業有限公司) has the right to operate 260 car parks of the Property; and

(iv) All mentioned certificates and permits are legal and valid.

(13) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the SUD Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
c7.	Yoooou.net Project, Xugongqiao Road, Huaqiao Town, Kunshan, Jiangsu Province, the PRC	The Property comprises a commercial development known as Yoooou.net erected upon a parcel of land with a site area of approximately 34,223.00 sq.m.. According to the information provided by the SUD Group, the Property will be developed into a composite development with a planned total gross floor area of 129,498.22 sq.m.. The land use rights of the Property have been granted for a term of 40 years due to expire on 30 January 2048 for retail, hotel, office and scientific research uses.	The Property is under construction and scheduled to be completed in 2012.	RMB621,000,000 (52% interest attributable to the SUD Group: RMB322,920,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Land Use Rights Certificate No. (2009)12009111029 dated 2 March 2009, the land use right of the Property, comprising a site area of approximately 34,223.00 sq.m., have been granted to Kunshan Urban Development Kenting Real Estate Co., Ltd. (昆山城開錦亭置業有限公司) for a term of 40 years due to expire on 30 January 2048 for retail, hotel, office and scientific research uses.

(2) According to Mortgage Agreement entered into between Kunshan Urban Development Kenting Real Estate Co., Ltd. (昆山城開錦亭置業有限公司) (the "Pledgor") and Suzhou Branch of HSBC Bank (China) Co., Ltd. (the "Pledgee"), a pledge in favour of Suzhou Branch of HSBC Bank (China) Co., Ltd. was registered against the land use rights at the consideration of RMB100,000,000 from 22 January 2010 to 29 July 2013.

(3) According to Land Use Rights Grant Contract No. (2008)15 dated 31 January 2008:

(i)	Grantee	:	Kunshan Urban Development Kenting Real Estate Co., Ltd. (昆山城開錦亭置業有限公司)
(ii)	Site Area	:	34,223 sq.m.
(iii)	Land Use	:	Commercial (office and scientific research)
(iv)	Plot Ratio	:	2.8 to 3.1 (inclusive)
(v)	Land Premium	:	RMB20,533,800
(vi)	Land Use Term	:	40 years due to expire on 30 Jan 2048

(4) According to Construction Land Planning Permit No. GJ2008Y-086 dated 24 December 2008, the construction site of land with a total site area of 34,223.00 sq.m. is in compliance with urban planning requirement.

(5) According to four Construction Work Planning Permits, the construction works of the Property, comprising a total gross floor area of approximately 129,631.83 sq.m., was in compliance with the requirement of urban planning and was permitted to be developed with the development scheme:

Permit No.	Issuing Date	Planned Gross Floor Area *(sq.m.)*
GJg2009-398	14 April 2010	19,972.39
GJg2009-399	14 April 2010	49,021.56
GJg2009-400	14 April 2010	26,128.74
GJg2009-401	14 April 2010	34,509.14
	Total	**129,631.83**

The Property is part of the said gross floor area.

(6) According to two Construction Work Commencement Permits, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 129,498.22 sq.m.:

Permit No.	Issuing Date	Planned Gross Floor Area *(sq.m.)*
3205832010042907	29 April 2010	73,552.15
3205832010042908	29 April 2010	55,946.07
	Total	**129,498.22**

(7) According to Pre-sale Permit No. (2011)147 dated 17 May 2011, Kunshan Urban Development Kenting Real Estate Co., Ltd. (昆山城開錦亭置業有限公司) was permitted to pre-sale the Property (Block 3) with a total gross floor area of 30,188.47 sq.m..

The Property is part of the said gross floor area.

(8) According to the information provided by the SUD Group, 7,449.16 sq.m. of residential portion has been pre-sold at a total consideration of RMB86,725,892 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(9) According to the information provided by the SUD Group, the estimated total construction cost to complete the development is approximately RMB688,000,000; a construction cost of approximately RMB227,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(10) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB1,397,000,000.

(11) According to Business Licence No. 320583000259718 dated 19 May 2009, Kunshan Urban Development Kenting Real Estate Co., Ltd. (昆山城開錦亭置業有限公司) was established as a limited company with a registered capital of RMB50,000,000 for a valid operation period from 13 June 2008 to 12 June 2028.

(12) According to the PRC legal opinion:

(i) Kunshan Urban Development Kenting Real Estate Co., Ltd. (昆山城開錦亭置業有限公司), a 52% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Kunshan Urban Development Kenting Real Estate Co., Ltd. (昆山城開錦亭置業有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property;

(iii) All mentioned certificates and permits are legal and valid;

(iv) The land of the Property is pledged to a bank. The transfer of the Property is subject to the consent from the bank; and

(v) There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government.

(13) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Properties held by the SUD Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
c8.	Cluster I & II of Phase II of Ivy Aroma Town, Wenfong Road, Taojia Town, Jiulongpo District, Chongqing, the PRC	The Property comprises a villa development under construction erected upon various parcels of land with a total site area of approximately 50,812.20 sq.m.. According to the information provided by the SUD Group, the Property will be developed into a villa development with a planned total gross floor area of approximately 36,873.61 sq.m.. The land use rights of the Property have been granted for a term due to expire on 29 July 2060 for residential use.	The Property is under construction, portion of the Property is constructed to superstructure and portion of the Property is a vacant land. The Property is scheduled to be completed in 2012 by phases.	RMB169,000,000 (55% interest attributable to the SUD Group: RMB92,950,000) (See Explanation on Page IVA-5)

Notes:

(1) According to two Land Use Rights Certificates all dated 24 August 2010, the land use rights of the Property, comprising a total site area of 50,812.20 sq.m., have been granted to Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司):

Certificate No.	Lot No.	Site Area *(sq.m.)*	Uses	Expiry Date
105D(2010)00457	J01-2/01	22,641.20	Residential	29 July 2060
105D(2010)00458	J05-1/01	28,171.00	Residential	29 July 2060
	Total	**50,812.20**		

(2) According to Land Use Rights Grant Contract No. (2010)139 dated 29 July 2010:

(i)	Grantee	:	Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司)
(ii)	Location	:	No. J01-2/01, J02-2/01, J05-1/01, J06-1/01, J06-4/01 & J09-1/01 Xipeng Cluster, Jiulongpo District, Chongqing
(iii)	Site Area	:	163,244 sq.m.
(iv)	Land Use	:	Commercial and residential
(v)	Plot Ratio	:	1.97
(vi)	Land Premium	:	RMB249,620,000
(vii)	Land Use Term	:	50 years for residential use and 40 years for commercial use

(3) According to Construction Land Planning Permit No. 500107201000177 dated 18 August 2010, the construction site of land with a site area of 163,244.00 sq.m. was in compliance with the requirements of urban planning requirement.

(4) According to Construction Work Planning Permit No. 500107201000074 dated 10 December 2010, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 36,873.61 sq.m..

(5) According to Construction Work Commencement Permit No. 500107201012240101 dated 24 December 2010, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 36,873.61 sq.m..

(6) According to Pre-sale Permit No. 2011-411 dated 3 June 2011, Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司) was permitted to pre-sale the Property with a total planned gross floor area of 12,393.77 sq.m..

(7) According to the information provided by the SUD Group, 1,002.06 sq.m. of residential portion has been pre-sold at a total consideration of RMB12,517,967 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by the SUD Group, the estimated total construction cost to complete the development is approximately RMB143,000,000; a construction cost of approximately RMB61,500,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB341,000,000.

(10) According to Business Licence No. 500107000015447, Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司) as a limited liability company with a registered capital of RMB230,000,000 for a valid operation period from 28 February 2008 to forever.

(11) According to the PRC legal opinion:

(i) Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司), a 55% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司) has fully settled all the land premium of the Property;

(iii) All mentioned certificates and permits are legal and valid;

(iv) The land of the Property is pledged to a bank. The transfer to the Property is subject to the consent from the bank; and

(v) There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes (partly)
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Properties held by the SUD Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
d1.	Xujiahui Centre, Site 88, 150 Jiefang, Xujiahui, Xuhui District, Shanghai, the PRC	The Property comprises a parcel of land with a site area of 35,343.00 sq.m.. According to the information provided by the SUD Group, the Property comprises a commercial/office development with planned total gross floor area of approximately 168,414.75 sq.m.. The land use rights of the Property have been granted for a term of 70 years from 23 July 1996 to 22 July 2046 for composite use.	There is several temporary commercial buildings erected upon the Property.	RMB4,245,000,000 (60% interest attributable to the SUD Group: RMB2,547,000,000) (Please see Note (1)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2007)012691 dated 26 June 2007, the land use rights of the Property, comprising a site area of 35,343.00 sq.m., have been granted to Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) for a term from 23 July 1996 to 22 July 2046 for composite use.

As inspected, there is several temporary buildings erected upon the Property, however, in the course of our valuation, we have disregarded the said buildings in our valuation.

(2) According to Land Use Rights Grant Contract No. (1996)49 dated 27 October 1995 and its Supplement Contract Nos. (1999)51 and (2007)107 dated 11 June 1996 and 11 June 2007:

(i)	Grantee	:	Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司)
(ii)	Site Area	:	35,343 sq.m.
(iii)	Land Use	:	Composite (commercial, residential, tourist, office, sport, entertainment and culture)
(iv)	Plot Ratio	:	6
(v)	Land Premium	:	USD16,858,611
(vi)	Land Use Term	:	50 years

(3) According to Approval on the Construction Scale of the Property No. (2005)694 dated 3 August 2005, the development capacity of the Property was approved with details as follows:

(i)	Location	:	6 parcels of land situated at west and north to Guangyuan Road and Guangyuan Road West, south to Hongqiao Road, east to Tianping Road and Grand Gateway, Sub-centre of Xujiahui
(ii)	Site Area	:	13.2 hectares
(iii)	Plot Ratio	:	4.0 (whilst the plot ratio of Sites 1 and 2 are to be confirmed)
(iv)	Permitted Gross Floor Area	:	Not more than 629,000 sq.m. above ground gross floor area

(4) According to Business Licence No. 3100001007238, Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) was established as a limited liability company with registered capital of RMB830,528,640 for a valid operation period from 17 May 1996 to 26 July 2054.

(5) According to the PRC legal opinion:

(i) Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司), a 60% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property;

(iii) The Property is identified as idle land by Xuhui District Planning and Land Bureau on 1 June 2010. However, Xuhui District Planning and Land Bureau issued a letter on 15 June 2010 and 22 June 2011, agreed to extend the development due to the special reason of unified planning and subway borrow land. There is not exist the legal risk of recovery or levy the idle land charge by the government;

(iv) Portion of land premium of the Property, demolition & relocation fee and municipal facilities fee of RMB158,378,897.04 has been paid by Shanghai Xujiahui Commercial City (Group) Co., Ltd., (上海徐家匯商城(集團)有限公司) (shareholders of Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司)), Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) need to repaid the money; and

(v) The Property is not subject to any pledge.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Approval on the Construction Scale of the Property	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Properties held by the SUD Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
d2.	Lot P1, Mei Long Nanfang Shangcheng, Nanfang Shangcheng, Mei Long Town, Minhang District, Shanghai, the PRC	The Property comprises a parcel of land with a site area of 87,326.6 sq.m.. According to the information provided by the SUD Group, the Property comprises a commercial/office development with planned total gross floor area of approximately 323,080.00 sq.m. plus an underground floor area of 98,220 sq.m.. The land use rights of the Property have been granted for a term of 40 years for commercial use and a term of 50 years for office use.	The Property is currently vacant and pending for development.	RMB2,600,000,000 (75% interest attributable to the SUD Group: RMB1,950,000,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2011)037425 dated 26 September 2011, the land use rights of the Property, comprising a site area of 87,326.6 sq.m., have been granted to Shanghai Urban Development Group Longcheng Real Estate Co., Ltd. (上海城開集團龍城置業有限公司) for a term of 40 years from 22 March 2011 to 21 March 2051 for commercial use and 50 years from 22 March 2011 to 21 March 2061 for office use.

(2) According to Land Use Rights Grant Contract No. (2010)88 dated 30 December 2010:

(i)	Grantee	:	Shanghai Urban Development Group Longcheng Real Estate Co., Ltd. (上海城開集團龍城置業有限公司)
(ii)	Location	:	Lot P1, No. 0455 Jiefang, Meilong Town
(iii)	Site Area	:	87,326.60 sq.m.
(iv)	Land Use	:	Commercial and office
(v)	Gross Floor Area	:	323,080 sq.m. (above ground floor area)
(vi)	Land Premium	:	RMB2,429,000,000
(vii)	Land Use Term	:	40 years for commercial use and 50 years for office use

(3) According to Business Licence No. 310000400637277, Shanghai Urban Development Group Longcheng Real Estate Co., Ltd. (上海城開集團龍城置業有限公司) was established as a limited liability company with registered capital of RMB2,100,000,000 for a valid operation period from 30 November 2010 to 29 November 2060.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development Group Longcheng Real Estate Co., Ltd. (上海城開集團龍城置業有限公司), a 75% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development Group Longcheng Real Estate Co., Ltd. (上海城開集團龍城置業有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property;

(iii) The Property is not subject to any pledge; and

(iv) There is not exist the risk of identification of idle land and the legal risk of recovery or levy of idle land charge by the government.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes (land only)
Land Use Rights Grant Contract	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Properties held by the SUD Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
d3.	Lot 222, Xinzhuang Metro Superstructure Project, Xinzhuang Town, Minhang District, Shanghai, the PRC	The Property comprises a parcel of land with a site area of 117,825.2 sq.m.. According to the information provided by the SUD Group, the Property comprises a commercial/office/residential development with planned total gross floor area of approximately 405,000.00 sq.m.. The land use rights of the Property have been granted for a term of 40 years for commercial use, 50 years for office use and 70 years for residential use.	There is virescence and several temporary buildings erected upon the Property.	No commercial value (Please see Note (1)) (See Explanation on Page IVA-5)

Notes:

(1) We noted that no Shanghai Certificate of Real Estate Ownership has been obtained, we are on the assumption that the Shanghai Certificate of Real Estate Ownership will be issued in due course and the land premium has been fully settled, the Market Value of the Property in existing state as at 31 July 2011 was RMB2,750,000,000 (35% interest attributable to the SUD Group: RMB962,500,000.

As inspected, there is several temporary buildings erected upon the Property, however, in the course of our valuation, we have disregarded the said buildings in our valuation.

(2) According to Land Use Rights Grant Contract No. (2011)23 dated 20 May 2011:

(i)	Grantee	:	Shanghai Xintian Real Estate Co., Ltd. (上海莘天置業有限公司)
(ii)	Location	:	Lot P8/P7/P6/P5/P4/P3/P2/P1, 0260/0123/0288 Jiefang, 12004 Jiedao, Minhang District
(iii)	Site Area	:	117,825.2 sq.m.
(iv)	Land Use	:	Composite (municipal, public service, commercial, office and residential)
(v)	Gross Floor Area	:	Not more than 405,000 sq.m. (above ground) and not less than 100,000 sq.m. (underground)
(vi)	Land Premium	:	RMB2,700,000,000
(vii)	Land Use Term	:	40 years for commercial use, 50 years for office use and 70 years for residential use

(3) According to Confirm Letter of State-owned Land Transaction dated 29 September 2010, the land use rights of the Property had been purchased by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), Shanghai Xinmin Light Rail Industrial Co., Ltd. (上海莘閔輕軌實業有限公司), Shanghai Xinzhuang Investment Management Co., Ltd. (上海莘莊投資經營有限公司) and May Crown Investment Limited (美冠投資有限公司) at a consideration of RMB2,700,000,000.

(4) According to Business Licence No. 310000400637324, Shanghai Xintian Real Estate Co., Ltd. (上海莘天置業有限公司) was established as a limited liability company with registered capital of RMB2,850,000,000 for a valid operation period from 1 December 2010 to 30 November 2080.

(5) According to the PRC legal opinion:

(i) Shanghai Xintian Real Estate Co., Ltd. (上海莘天置業有限公司), a 35% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established; and

(ii) Shanghai Xintian Real Estate Co., Ltd. (上海莘天置業有限公司) has fully settled all the land premium of the Property. When Shanghai Certificate of Real Estate Ownership has been obtained by Shanghai Xintian Real Estate Co., Ltd. (上海莘天置業有限公司) and Shanghai Xintian Real Estate Co., Ltd. (上海莘天置業有限公司) has the rights to use, transfer, lease and pledge the Property.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	No
Land Use Rights Grant Contract	Yes
Confirm Letter of State-owned Land Transaction	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Properties held by the SUD Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
d4.	Lot C, Urban Cradle, Minhang District, Shanghai, the PRC	The Property comprises a parcel of land with a site area of 110,819.00 sq.m.. According to the information provided by the SUD Group, the Property comprises a residential/commercial development with planned total gross floor area of approximately 287,517 sq.m.. (including above ground gross floor area of 192,517 sq.m. and underground gross floor area of 95,000 sq.m.) The land use rights of the Property have been granted for a term of 70 years from 8 July 2002 to 7 July 2072 for residential use.	The Property is currently vacant and pending for development.	RMB1,894,000,000 (90% interest attributable to the SUD Group: RMB1,704,600,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2007)008022 dated 22 December 2006, the land use rights of the Property, comprising a total site area of 110,819.00 sq.m., have been granted to Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司) for a term of 70 years from 8 July 2002 to 7 July 2072 for residential use.

(2) According to Land Use Rights Grant Contract No. (2002)141 dated 1 July 2002 and its Supplement Contract No. (2005)44 dated 20 December 2005:

(i)	Grantee	:	Shanghai Wan Yuan Real Estate Development Co, Ltd. (上海萬源房地產開發有限公司)
(ii)	Site Area	:	110,819.10 sq.m.
(iii)	Land Use	:	Residential
(iv)	Permitted Gross Floor Area	:	192,517 sq.m.
(v)	Land Premium	:	RMB41,994,810
(vi)	Land Use Term	:	70 years

(3) According to Shanghai Enterprises Investment Project Record Comment No. (2010)12 dated 29 June 2010, the total gross floor area of the Property is 287,517 sq.m. including above ground floor area of 192,517 sq.m. (residential: 188,633 sq.m. and commercial & ancillary area: 3,884 sq.m.) and underground gross floor area of 95,000 sq.m..

(4) According to Construction Land Planning Permit No. (2004)1274 dated 29 December 2004, the construction site of land with a site area of 165,868 sq.m. are in compliance with urban planning requirements.

(5) According to Business Licence No. 3101121030958, Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) was established as a limited liability company with registered capital of RMB300,000,000 for a valid operation period from 17 May 1999 to 16 May 2014.

(6) According to the PRC legal opinion:

(i) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司), a 90% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) has fully settled all the land premium of the Property and has the rights to use, transfer, lease and pledge the Property; and

(iii) All mentioned certificates and permits are legal, valid and enforceable under the PRC laws and Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) is the registered land owner.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Properties held by the SUD Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
d5.	Cluster III of Phase I of Ivy Aroma Town, Wenfong Road, Taojia Town, Jiulongpo District, Chongqing, the PRC	Phase I of Ivy Aroma Town comprises various villas erected upon a parcel of land with a total site area of approximately 126,568.00 sq.m.. According to the information provided by the SUD Group, the Property comprises Cluster III of Phase I of Ivy Aroma Town with planned total gross floor area of approximately 33,509.69 sq.m.. The land use rights of the Property have been granted for a term due to expire in March 2048 for commercial use and March 2058 for residential use.	The Property is currently vacant and pending for development.	RMB97,100,000 (55% interest attributable to the SUD Group: RMB53,405,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Land Use Rights Certificate No. 105D(2008)00269 dated 20 May 2008, the land use rights of the Property, comprising a site area of 126,568.00 sq.m., has been granted to Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司) for a land use term due to expire in March 2048 for commercial use and March 2058 for residential use.

(2) According to Land Use Rights Grant Contract No. (2008) 34 dated 19 March 2008:

(i)	Grantee	:	Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司)
(ii)	Location	:	No. J16-1/01, Xipeng Cluster, Jiulongpo District, Chongqing
(iii)	Site Area	:	126,568 sq.m.
(iv)	Land Use	:	Residential
(v)	Plot Ratio	:	No more than 1.2
(vi)	Land Premium	:	RMB181,380,000
(vii)	Land Use Term	:	50 years for residential use and 40 years for commercial use

(3) According to Construction Land Planning Permit No. 500107200800272 dated 30 May 2008, the construction site of a parcel of land with a total site area of 126,568 sq.m. was in compliance with urban planning requirements.

(4) According to Business Licence No. 500107000015447, Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司) was established as a limited liability company with a registered capital of RMB230,000,000 for a valid operation period from 28 February 2008 to forever.

(5) According to the PRC legal opinion:

(i) Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司), a 55% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司) has fully settled all the land premium of the Property;

(iii) All mentioned certificates and permits are legal and valid; and

(iv) Two gas pipes are passed through under the Property, a distance of 50 meters from the Property cannot be developed, it can only be used as greenery space. As advised, the relocation of two gas pipes are under negotiation with the government.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Properties held by the SUD Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
d6.	Cluster III, IV & V of Phase II of Ivy Aroma Town, Wenfong Road, Taojia Town, Jiulongpo District, Chongqing, the PRC	The Property comprises a villa development erected upon a total site area of approximately 112,431.80 sq.m.. According to the information provided by the SUD Group, the Property will be developed into a villa development with a planned total gross floor area of approximately 78,632.67 sq.m.. The land use rights of the Property have been granted for a term due to expire on 29 July 2060 for residential use and 29 July 2050 for commercial use.	The Property is currently vacant and pending for development.	RMB227,400,000 (55% interest attributable to the SUD Group: RMB125,070,000) (See Explanation on Page IVA-5)

Notes:

(1) According to three Land Use Rights Certificates all dated 24 August 2010, the land use rights of the Property, comprising a total site area of 112,431.80 sq.m., have been granted to Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司):

Certificate No.	Site No.	Site Area *(sq.m.)*	Uses	Expiry Date
105D(2010)00455	J09-1/01	32,389.40	Residential	29 July 2060
105D(2010)00456	J02-2/01	46,690.60	Residential	29 July 2060
105D(2010)00459	J06-4/01, J06-1/01	33,351.80	Composite	29 July 2060 29 July 2050
	Total	**112,431.80**		

(2) According to Land Use Rights Grant Contract No. (2010)139 dated 29 July 2010:

(i)	Grantee	:	Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司)
(ii)	Location	:	No. J01-2/01, J02-2/01, J05-1/01, J06-1/01, J06-4/01 & J09-1/01 Xipeng Cluster, Jiulongpo District, Chongqing
(iii)	Site Area	:	163,244 sq.m.
(iv)	Land Use	:	Commercial and residential
(v)	Plot Ratio	:	1.97
(vi)	Land Premium	:	RMB249,620,000
(vii)	Land Use Term	:	50 years for residential use and 40 years for commercial use

(3) According to Construction Land Planning Permit No. 500107201000177 dated 30 February 2010, the construction site of land with a site area of 163,244.00 sq.m. was in compliance with urban planning requirements.

(4) According to Business Licence No. 500107000015447, Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司) as a limited liability company with a registered capital of RMB230,000,000 for a valid operation period from 28 February 2008 to forever.

(5) According to the PRC legal opinion:

(i) Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司), a 55% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development Group Chongqing Depu Property Co., Ltd. (上海城開集團重慶德普置業有限公司) has fully settled all the land premium of the Property;

(iii) All mentioned certificates and permits are legal and valid;

(iv) Two gas pipes are passed through under the Property, a distance of 50 meters from the Property cannot be developed, it can only be used as greenery space. As advised, the relocation of two gas pipes are under negotiation with the government; and

(v) The land of the Property is pledged to a bank. The transfer to the Property is subject to the consent from the bank.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e1.	7 residential units, a clubhouse and 219 car parks, Lane 168, Nandan Road East and No. 318 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	The Property comprises 7 residential units, a clubhouse and 219 car parks of the 18- to 30-storey residential buildings which were completed in 2006. The Property has a total gross floor area of 10,173.42 sq.m.: **Portion** / **Approximate Gross Floor area** *(sq.m.)* Residential: 1,065.91 Club House: 1,354.91 Basement Car Park: 7,752.60 **Total**: **10,173.42** The land use rights of the Property have been granted for a term from 12 June 2001 to 11 June 2071 for residential use.	Portion of the Property with a total lettable area of 1,480.75 sq.m. is subject to various tenancies with the latest expiry date on 31 December 2016 at an annual rent of approximately RMB215,814.56. The remaining portion is currently vacant. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB86,910,000 (100% interest attributable to the SUD Group: RMB86,910,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2006)004901 dated 21 March 2006, the land use rights and building ownership of Nos. 1 to 9, Lane 168, Nandan Road East and No. 318 Tianyaoqiao Road, comprising a gross floor area of 89,087.85 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 12 June 2001 to 11 June 2071 for residential use.

The Property is part of the said gross floor area.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e2.	2 townhouse units, Nos. 80 and 82, Lane 280, Wukang Road, Xuhui District, Shanghai, the PRC	The Property comprises 2 townhouse units which were completed in 2002. The Property has a total gross floor area of 354.41 sq.m.. The land use rights of the Property have been granted for a term from 20 November 2000 to 19 November 2070 for residential use.	The Property is currently vacant.	RMB14,000,000 (100% interest attributable to the SUD Group: RMB14,000,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2002)008630 dated 2 September 2002, the land use rights and building ownership of the Property, comprising a gross floor area of 354.41 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 20 November 2000 to 19 November 2070 for residential use.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser are as follows:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e3.	The unsold retail units situated at Nos. 1 to 21, Lane 88 and Nos. 32 to 68 (even), Sanjiang Road, Xuhui District, Shanghai, the PRC	The Property comprises the unsold retail units of a residential development which was completed in 2004. The Property has a total gross floor area of 5,842.95 sq.m.. The land use rights of the Property have been granted for a term from 20 November 2001 to 20 November 2071 for residential use.	Portion of the Property with a total lettable area of approximately 4,971.31 sq.m. is subject to various tenancies with the latest expiry date on 28 February 2016, at a total monthly rent of approximately RMB302,186.54. The remaining portion is currently vacant. This surplus property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB175,000,000 (100% interest attributable to the SUD Group: RMB175,000,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2004)025780 dated 7 July 2004, the land use rights and building ownership of Nos. 1 to 21, Lane 88 and Nos. 32 to 68 (even) Sanjiang Road, comprising a gross floor areas of 129,501.26 sq.m., have been vested in Shanghai Urban Development (Group) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 20 November 2001 to 20 November 2071 for residential use.

The Property is part of the said gross floor area.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is pledged to a bank. The transfer of the Property is subject to the consent from the bank.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e4.	3 residential units and 3 car parks, Nos. 2, 7 and 10, Lane 568, Julu Road, Xuhui District, Shanghai, the PRC	The Property comprises 3 residential units and 3 car parks in a 8-storey and a 19-storey residential buildings which were completed between 1997 and 1998. The Property has a total gross floor area of 334.49 sq.m. and together with 3 car parks. The land use rights of the Property have been granted for respective terms from 22 November 2004 to 15 May 2064 for residential use and 22 November 2004 to 1 July 2036 for car park use.	The Property is currently vacant.	RMB9,100,000 (100% interest attributable to the SUD Group: RMB9,100,000) (See Explanation on Page IVA-5)

Notes:

(1) According to three Shanghai Certificates of Real Estate Ownership all dated 22 November 2004, the land use rights and building ownership of the Property, comprising a total gross floor area of 334.49 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 22 November 2004 to 15 May 2064 for residential use and 22 November 2004 to 1 July 2036 for car park use:

Certificate No.	Unit No.	Car Park No.	Gross Floor Area (for unit) *(sq.m.)*	Gross Floor Area (for car park) *(sq.m.)*
(2004)000361	Unit A, Level 5, No. 2	Car Park No. 263 in Basement, No. 10	138.51	26.90
(2004)000362	Unit C, Level 5, No. 7	Car Park No. 260 in Basement, No. 10	68.04	26.90
(2004)000364	Unit B, Level 1, No. 2	Car Park No. 129 in Basement, No. 10	127.94	27.49
		Total	**334.49**	**81.29**

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e5.	Portion of level 4, No. 35 Leshan Road, Xuhui District, Shanghai, the PRC	The Property comprises portion of level 4 of an office building which was completed in 1990s. The Property has a total gross floor area of 834 sq.m.. The land use rights of the Property have been granted for 50 years from 15 August 2007 to 15 August 2057 for office use.	The Property is subject to a tenancy from 1 March 2009 to 28 February 2014 at a monthly rent of RMB32,978. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB18,000,000 (100% interest attributable to the SUD Group: RMB18,000,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2007)018710 dated 31 August 2007, the building ownership of various units situated at No. 35 Leshan Road, comprising a gross floor area of 834 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 15 August 2007 to 15 August 2057 for office use.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e6.	5 residential units, Nos. 39, 41 and 42, Lane 300, Qinzhou Road South, Xuhui District, Shanghai, the PRC	The Property comprises 5 residential units of a 6-storey residential building which was completed in 1994. The Property has a total gross floor area of 274.50 sq.m.. The land use rights of the Property have been granted for an unspecified term for residential use.	Portion of the Property with a total lettable area of approximately 158.94 sq.m. is subject to two tenancies with the latest expiry date on 30 June 2012 at a total monthly rent of approximately RMB2,900. The remaining portion is currently vacant. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB5,500,000 (100% interest attributable to the SUD Group: RMB5,500,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2000)025701 dated 17 July 2000, the land use rights and building ownership of various units situated at Nos. 7 to 8, 10, 17, 25 to 26, 31 to 34, 39 to 42, Lane 300, Qinzhou Road South, comprising a gross floor area of 17,169.53 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.

The Property is part of the said gross floor area.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e7.	6 residential units, Nos. 73 and 74, Lane 301, Sanjiang Road, Xuhui District, Shanghai, the PRC	The Property comprises 6 residential units of a 6-storey residential building which was completed in 1998. The Property has a total gross floor area of 765.72 sq.m.. The land use rights of the Property have been granted for a land use term from 8 January 1999 to 7 January 2069 for residential use.	The Property is subject to various tenancies with the latest expiry date on 14 May 2012 at a total monthly rent of approximately RMB19,900. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB15,000,000 (100% interest attributable to the SUD Group: RMB15,000,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (1999)000127 dated 11 January 1999, the land use rights and building ownership of Nos. 73 to 75, Lane 301, Sanjiang Road, comprising a gross floor area of 3,518.28 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a land use term from 8 January 1999 to 7 January 2069 for residential use.

The Property is part of the said gross floor area.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e8.	Units 602 and 204, No. 28, Lane 30 Guilin Street West, Xuhui District, Shanghai, the PRC	The Property comprises 2 residential units of a residential building which was completed in 1990s. The Property has a total gross floor area of 124.12 sq.m.. The land use rights of the Property have been granted for an unspecified term for residential use.	The Property is currently vacant.	RMB2,500,000 (100% interest attributable to the SUD Group: RMB2,500,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2001)022323 dated 29 March 2001, the land use rights and building ownership of various units situated at No. 28 Lane 30 Guilin Street West, comprising a gross floor area of 308.05 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

The Property is part of the said gross floor area.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e9.	3 residential units, Dongquan Road, Xuhui District, Shanghai, the PRC	The Property comprises 3 residential units of a residential building which was completed in 1994. The Property has a total gross floor area of 138.79 sq.m.. The land use rights of the Property have been granted for an unspecified term for residential use.	Portion of the Property with a lettable area of 48.97 sq.m. is subject to a tenancy from 27 April 2011 to 26 April 2012, at a monthly rent of approximately RMB1,300. The remaining portion is currently vacant. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB2,800,000 (100% interest attributable to the SUD Group: RMB2,800,000) (See Explanation on Page IVA-5)

Notes:

(1) According to three Shanghai Certificates of Real Estate Ownership Nos. (2007)015002, (2007)014540 and (2007)014838, the building ownership of three residential units situated at Nos. 1 to 10, 12-17, 19-21, 23 to 25 and 27, 29 and 30 of Lane 50, Nos. 1 to 16, 20 to 26 of Lane 51, Nos. 1 to 9, 11 to 29 and 31 to 38 of Lane 105 Dongquan Road, comprising a total gross floor area of 16,245.68 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

The Property is part of the said gross floor area.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e10.	4 shops, Nos. 117-123 Shilong Road, Xuhui District, Shanghai, the PRC	The Property comprises 4 shops which were completed in 1994. The Property has a total gross floor area of 174.72 sq.m.. The land use rights of the Property have been granted for a term from 14 March 2005 to 13 March 2045 for commercial use.	The Property is subject to various tenancies with the latest expiry date on 30 October 2012 at a total monthly rent of approximately RMB16,200. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB4,700,000 (100% interest attributable to the SUD Group: RMB4,700,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No.(2005)014908 dated 8 April 2005, the land use rights and building ownership of 4 shops situated at Nos. 117-123 Shilong Road, comprising a gross floor area of 174.72 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for a term from 14 March 2005 to 13 March 2045 for commercial use.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e11.	Units 101&102, No.1, Lane 105, Taiyuan Road, Xuhui District, Shanghai, the PRC	The Property comprises 2 residential units which were completed in 1990s. The Property has a total gross floor area of 347.34 sq.m.. The land use rights of the Property have been granted for an unspecified term for residential use.	The Property is subject to a tenancy from 1 July 2011 to 31 July 2013 at a monthly rent of approximately RMB23,500. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB14,000,000 (100% interest attributable to the SUD Group: RMB14,000,000) (See Explanation on Page IVA-5)

Notes:

(1) According to two Shanghai Certificates of Real Estate Ownership Nos. (2001)000473 and (2001)000472 all dated 20 January 2001, the land use rights and building ownership of 2 residential units situated at No.1, Lane 105, Taiyuan Road, comprising a total gross floor area of 347.34 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e12.	5 residential units, Lane 25, Wuxing Road, Xuhui District, Shanghai, the PRC	The Property comprises 5 residential units which were completed in 1995s. The Property has a total gross floor area of 679.67 sq.m.. The land use rights of the Property have been granted for 70 years due to expire on 2 September 2062 for residential use.	The Property is currently vacant.	RMB31,000,000 (100% interest attributable to the SUD Group: RMB31,000,000) (See Explanation on Page IVA-5)

Notes:

(1) According to five Shanghai Certificates of Real Estate Ownership Nos. (2001)000183, (2000)006832, (2001)000180, (2000)006821 and (2000)007882, the land use rights and building ownership of 5 residential units situated at Lane 25, Wuxing Road, comprising a total gross floor area of 679.67 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for 70 years due to expire on 2 September 2062 residential use.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e13.	2 residential units and 2 car parks, No. 2, Lane 178, Hongqiao Road, Xuhui District, Shanghai, the PRC	The Property comprises 2 residential units and 2 car parks of a 27-storey residential building which was completed in 2002. The Property has a total gross floor area of 371.94 sq.m.. The land use rights of the Property have been granted for an unspecified term for residential use.	The Property is currently vacant.	RMB9,500,000 (100% interest attributable to the SUD Group: RMB9,500,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificates of Real Estate Ownership No. (2003)004378 dated 10 February 2003, the land use rights and building ownership of No. 2 Lane 178 Hongqiao Road, comprising a total gross floor area of 985.74 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

The Property is part of the said gross floor area.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e14.	Unit 904, No. 59, Lane 380 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	The Property comprises a residential unit of a residential building which was completed in 2000. The Property has a total gross floor area of 145.51 sq.m.. The land use rights of the Property have been granted for an unspecified term for residential use.	The Property is subject to a tenancy from 1 June 2011 to 30 May 2012 at a monthly rent of approximately RMB3,000. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB4,370,000 (100% interest attributable to the SUD Group: RMB4,370,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2006)019546 dated 31 July 2006, the land use rights and building ownership of the Property, comprising an apportioned site area of 31.7 sq.m. and a gross floor area of 145.51 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e15.	Villa C10, South Area of Shanghai Labour Union Holiday Resort, Shajiabang Town, Changshu, Jiangsu Province, the PRC	The Property comprises a 3-storey villa which was completed in 2000. The Property has a total gross floor area of 639 sq.m.. The land use rights of the Property have been granted for an unspecified term for residential use	The Property is currently vacant.	RMB4,000,000 (100% interest attributable to the SUD Group: RMB4,000,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Building Ownership Certificate No. 00000360 dated 8 January 2001, the building ownership of the Property, comprising a gross floor area of 639 sq.m., have been vested in Shanghai Urban Development (Group) Co., Ltd. (上海城開(集團)有限公司).

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e16.	Units 307, 602 and 1501, No. 1, Lane 338, Dong'an Road, Xuhui District, Shanghai, the PRC	The Property comprises 3 residential units of a 18-storey residential building which was completed in 1996. The Property has a total gross floor area of 338.48 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	Portion of the Property with a lettable area of 103.22 sq.m. is subject to a tenancy with the expiry date on 30 November 2011, at a monthly rent of approximately RMB1,000. The remaining portion is currently vacant. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB8,000,000 (100% interest attributable to the SUD Group: RMB8,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (1997)004344 dated 10 September 1997, the land use rights and building ownership of various units situated at No. 1, Lane 338, Dong'an Road, comprising a total gross floor area of 12,773.12 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) and Shanghai Xuhui Real Estate Operation Company (上海市徐匯房產經營公司) for an unspecified term for residential use.

The Property is part of the said gross floor area.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e17.	11 shops, Lanes 1187 and 1351 Nanmatou Road, Pudong New District, Shanghai, the PRC	The Property comprises 11 shops of a residential development which was completed in between 1995 and 1997. The Property has a total gross floor area of 2,620.01 sq.m.. The land use rights of the Property have been allocated for an unspecified term for commercial use.	Portion of the Property with a total lettable area of 2,504.64 sq.m. is subject to various tenancies with the latest expiry date on 14 January 2014, at a total monthly rent of approximately RMB155,756. The remaining portion is currently vacant. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB60,000,000 (100% interest attributable to the SUD Group: RMB60,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to two Shanghai Certificates of Real Estate Ownership Nos. (1999)018730 and (2004)134027 dated 24 May 1999 and 26 November 2004 respectively, the land use rights and building ownership of Lanes 1187 and 1351, Nos. 1427 to 1431 Nanmatou Road and Nos. 607 to 643 Changli Road East, comprising a total gross floor area of 35,003.56 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for commercial use.

The Property is part of the said gross floor area.

(2) According to aforesaid Shanghai Certificates of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e18.	2 residential units, Nos. 203 and 209, Caoxi 2nd Village, Xuhui District, Shanghai, the PRC	The Property comprises 2 residential units of a residential development which was completed in 1990s. The Property has a total gross floor area of 152.42 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	Portion of the Property with a lettable area of 76.21 sq.m. is subject to a tenancy with the expiry date on 20 September 2011, at a monthly rent of approximately RMB2,500. The remaining portion is currently vacant. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB3,000,000 (100% interest attributable to the SUD Group: RMB3,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificates of Real Estate Ownership No. (2000)036350 dated 24 August 2000, the land use rights and building ownership of various units situated at Nos. 201 to 203 and 207 to 212, Caoxi 2nd Village, comprising a gross floor area of 8,190.92 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

The Property is part of the said gross floor area.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificates of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e19.	Nos. 106 to 108, Caodongzhi Road, Xuhui District, Shanghai, the PRC	The Property comprises a shop which was completed in 1990s. The Property has a total gross floor area of 95.89 sq.m.. The land use rights of the Property have been allocated for an unspecified term for commercial use.	The Property is subject to a tenancy from 1 May 2011 to 30 April 2013, at a monthly rent of approximately RMB14,500. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB3,000,000 (100% interest attributable to the SUD Group: RMB3,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificates of Real Estate Ownership No. (2001)033570 dated 29 April 2001, the land use rights and building ownership of the Property situated at Nos. 106 to 108, Caodongzhi Road, comprising a gross floor area of 95.89 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for commercial use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificates of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e20.	14 residential units, Nos. 1-5, 24, 49 and 57, Lane 301, Sanjiang Road, Xuhui District, Shanghai, the PRC	The Property comprises 14 residential units of a residential development which was completed in 1990s. The Property has a total gross floor area of 592.73 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	Portion of the Property with a total lettable area of 493.54 sq.m. is subject to various tenancies with the latest expiry date on 30 March 2013, at a total monthly rent of approximately RMB14,550. The remaining portion is currently vacant. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB12,000,000 (100% interest attributable to the SUD Group: RMB12,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2007)001731 dated 15 December 2006, the building ownership of various units situated at Nos. 1 to 17, 19 to 21, 24 to 58 and 63 to 68, Lane 301, Sanjiang Road, comprising a gross floor area of 11,155.31 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

The Property is part of the said gross floor area.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e21.	18 residential units, Lanes 9, 14, 15 and 30, Guilin Street West, Xuhui District, Shanghai, the PRC	The Property comprises 18 residential units of the 6- and 8-storey residential buildings which were completed in 1995. The Property has a total gross floor area of 951.78 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	Portion of the Property with a total lettable area of 833.17 sq.m. is subject to various tenancies with the latest expiry date on 31 December 2012, at a total monthly rent of approximately RMB24,700. The remaining portion is currently vacant. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB20,000,000 (100% interest attributable to the SUD Group: RMB20,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2007)006151 dated 6 April 2007, the land use rights and building ownership of various units situated at Nos. 1-55 Lane 9 Guilin Street West, comprising a gross floor area of 5,210.97 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

According to Shanghai Certificate of Real Estate Ownership No. (2000)060411 dated 27 November 2000, the land use rights and building ownership of various units situated at Nos. 2-20 Lane 14 Guilin Street West, comprising a site area of 16,871.20 sq.m. and a gross floor area of 18,739 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

According to Shanghai Certificate of Real Estate Ownership No. (2007)005336 dated 8 March 2007, the land use rights and building ownership of various units situated at Nos. 1-16, 18-27, Lane 30 Guilin Street West, comprising a site area of 1,112 sq.m. and a gross floor area of 4,556.95 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

According to Shanghai Certificate of Real Estate Ownership No. (2003)017985 dated 21 May 2003, the land use rights and building ownership of various units situated at Nos. 17 and 30, Lane 15 Guilin Street West, comprising a site area of 39.6 sq.m. and a gross floor area of 216.96 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

The Property is part of the said gross floor area.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e22.	3 shops, Nos. 5, 68 and 72, Dongquan Road, Xuhui District, Shanghai, the PRC	The Property comprises 3 shops of a residential development which was completed in 1994. The Property has a total gross floor area of 205.49 sq.m.. The land use rights of the Property have been allocated for an unspecified term for commercial use.	The Property is subject to various tenancies with the latest expiry date on 30 June 2013, at a total monthly rent of approximately RMB15,443.45. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB6,500,000 (100% interest attributable to the SUD Group: RMB6,500,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to three Shanghai Certificates of Real Estate Ownership Nos. (2000)054050, (2000)054073 and (2000)054074 all dated 7 November 2000, the building ownership of various units situated at Nos. 5, 68 and 72 Dongquan Road, comprising a total gross floor area of 205.49 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) for an unspecified term for commercial use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e23.	Nos. 101-115, Shilong Road, Xuhui District, Shanghai, the PRC	The Property comprises a residential unit of a residential development which was completed in 1994. The Property has a total gross floor area of 354.15 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is subject to a tenancy from 20 January 2011 to 19 January 2014, at a monthly rent of approximately RMB36,639.76. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB11,000,000 (100% interest attributable to the SUD Group: RMB11,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificates of Real Estate Ownership (2002)032246 dated 23 October 2002, the building ownership of the Property, comprising a gross floor area of 354.15 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e24.	A residential unit and 4 shops, Nos. 4 and 7, Lane 1057 Zhongshan South 2nd Road, Xuhui District, Shanghai, the PRC	The Property comprises a residential unit and 4 shops of a residential development which was completed in 1994. The Property has a total gross floor area of 1,712.68 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is subject to various tenancies with the latest expiry date on 15 August 2018, at a total monthly rent of approximately RMB133,822.5. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB33,000,000 (100% interest attributable to the SUD Group: RMB33,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2008)011619 dated 12 June 2008, the land use rights and building ownership of various units situated at Nos.1, 6, 4, 7 Lane 1057 Zhongshan South 2nd Road, comprising a gross floor area of 4,159.48 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

The Property is part of the said gross floor area.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) Portion of the Property is pledged to a bank. The transfer of the Property is subject to the consent from the bank.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e25.	Unit 303, No. 425, Yongjia Road, Xuhui District, Shanghai, the PRC	The Property comprises a residential unit of a residential development which was completed in 1990s. The Property has a total gross floor area of 196.53 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is subject to a tenancy from 1 April 2011 to 30 March 2012, at a monthly rent of approximately RMB5,000. This surplus property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB4,000,000 (100% interest attributable to the SUD Group: RMB4,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (1998)010783 dated 28 September 1998, the land use rights and building ownership of the Property, comprising a gross floor area of 196.53 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e26.	Unit 302, No. 13 Dong'an 5th Village, Xuhui District, Shanghai, the PRC	The Property comprises a residential unit of a 6-storey residential building which was completed in 1989. The Property has a total gross floor area of 37.23 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is subject to a tenancy from 1 January 2011 to 30 December 2011, at a monthly rent of approximately RMB1,500. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB750,000 (100% interest attributable to the SUD Group: RMB750,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2005)018016 dated 12 May 2005, the building ownership of the Property, comprising a gross floor area of 37.23 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e27.	Unit 106, No. 1, Lane 111 Huarong Road, Xuhui District, Shanghai, the PRC	The Property comprises a residential unit of a 18-storey residential building which was completed in 1997. The Property has a total gross floor area of 63.09 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is subject to a tenancy from 10 September 2010 to 9 September 2011, at a monthly rent of approximately RMB2,300. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB1,200,000 (100% interest attributable to the SUD Group: RMB1,200,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2006)019039 dated 29 July 2006, the building ownership of the Property, comprising a gross floor area of 63.09 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e28.	2 residential units, Lanes 50 and 60 Yishan Road, Xuhui District, Shanghai, the PRC	The Property comprises 2 residential units of a 7-storey residential building which was completed in 1990s. The Property has a total gross floor area of 110.53 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is subject to various tenancies with the latest expiry date on 16 July 2012, at a monthly rent of approximately RMB3,000. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB2,350,000 (100% interest attributable to the SUD Group: RMB2,350,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to two Shanghai Certificates of Real Estate Ownership Nos. (2005)004900 and (2005)004902 all dated 24 January 2005, the building ownership of the Property, comprising a total gross floor area of 110.53 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司), the Property was acquired without cost.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e29.	Unit 505, No. 629 Guangyuan Road West, Xuhui District, Shanghai, the PRC	The Property comprises a residential unit of a residential building which was completed in 1995. The Property has a total gross floor area of 82.71 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is subject to a tenancy from 1 May 2011 to 30 April 2012, at a monthly rent of approximately RMB3,700. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB1,700,000 (100% interest attributable to the SUD Group: RMB1,700,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2005)020018 dated 25 May 2005, the land use rights and building ownership of the Property, comprising a gross floor area of 82.71 sq.m., have been allocated to in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified land use term for residential use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e30.	Unit 703, No. 204 Guanshengyuan Road, Xuhui District, Shanghai, the PRC	The Property comprises a residential unit of a 7-storey residential building which was completed in 1995. The Property has a total gross floor area of 55.81 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is currently vacant.	RMB900,000 (100% interest attributable to the SUD Group: RMB900,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2003)014983 dated 8 May 2003, the land use rights and building ownership of the Property, comprising a gross floor area of 55.81 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e31.	Unit 801, No. 21, Lane 45, Yude Road, Xuhui District, Shanghai, the PRC	The Property comprises a residential unit of a 17-storey residential building which was completed in 1995. The Property has a gross floor area of 89.33 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is subject to a tenancy from 20 September 2010 to 19 September 2012, at a monthly rent of approximately RMB2,500. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB1,700,000 (100% interest attributable to the SUD Group: RMB1,700,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2006)023293 dated 29 September 2006, the building ownership of the Property, comprising a gross floor area of 89.33 sq.m., has been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e32.	2 residential units, Lane 191 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	The Property comprises 2 residential units of a 18-storey residential building which was completed in 1991. The Property has a total gross floor area of 130.72 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is subject to various tenancies with the latest expiry date on 30 November 2012, at a total monthly rent of approximately RMB6,300. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB4,000,000 (100% interest attributable to the SUD Group: RMB4,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to two Shanghai Certificates of Real Estate Ownership Nos. (2005)030836 and (2005)030837 all dated 18 October 2005, the land use rights and building ownership of the Property, comprising a total gross floor area of 130.72 sq.m., have been allocated to Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) has right to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開（集團）有限公司) without return to the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e33.	Unit 102, No. 80 Changqiao 3rd Village, Xuhui District, Shanghai, the PRC	The Property comprises a shop of a 6-storey residential building which was completed in 1990s. The Property has a total gross floor area of 54.39 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is subject to a tenancy from 1 May 2011 to 30 April 2012 at a monthly rent of approximately RMB1,300. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB1,100,000 (100% interest attributable to the SUD Group: RMB1,100,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Building Ownership Certificate No. 20157 dated 23 August 1995, the building ownership of Nos. 46 to 52, 54 to 55, 58 to 63, 65 to 67, 70 to 76, 80 to 83, 125 to 131, 136, 137, 145 to 149 and 155 to 159, Changqiao 3rd Village, comprising a gross floor area of 30,986.25 sq.m., have been allocated to Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified term for residential use.

The Property is part of said gross floor area.

(2) According to aforesaid Building Ownership Certificate, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);

(iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(v) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(vi) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e34.	Unit 103, No. 1, Lane 14, Guilin Street West, Xuhui District, Shanghai, the PRC	The Property comprises a residential unit of a residential building which was completed in 1995. The Property has a total gross floor area of 55.83 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is currently vacant.	RMB1,200,000 (100% interest attributable to the SUD Group: RMB1,200,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Building Ownership Certificate No. 01227 dated 27 November 1995, the building ownership of the Property, comprising a gross floor area of 55.83 sq.m., have been allocated to Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified term for residential use.

(2) According to aforesaid Building Ownership Certificate, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);

(iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(v) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee; and

(vi) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e35.	5 residential units, Nos. 1-27, Lane 30, Guilin Street West, Xuhui District, Shanghai, the PRC	The Property comprises 5 residential units of a residential building which was completed in 1995. The Property has a total gross floor area of 121.82 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is currently vacant.	RMB2,500,000 (100% interest attributable to the SUD Group: RMB2,500,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Building Ownership Certificate No. 82750 dated 29 February 1996, the building ownership of Nos. 1-27, Lane 30, Guilin Street West, comprising a gross floor area of 22,894 sq.m., have been allocated to Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified term for residential use.

The Property is part of the said gross floor area.

(2) According to aforesaid Building Ownership Certificate, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);

(iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(v) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee; and

(vi) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e36.	2 shops, No. 30 Gao'an Road, Xuhui District, Shanghai, the PRC	The Property comprises 2 shops of a residential building which was completed in 1990s. The Property has a total gross floor area of 143.94 sq.m.. The land use rights of the Property have been allocated for an unspecified term.	The Property is currently vacant.	RMB6,000,000 (100% interest attributable to the SUD Group: RMB6,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Building Ownership Certificate No. 0080237 dated 29 February 1996, the building ownership of various units with a total gross floor area of approximately 4,021.7 sq.m., have been allocated to Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified term.

The Property is part of the said gross floor area.

(2) According to aforesaid Building Ownership Certificate, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);

(iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(v) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee; and

(vi) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e37.	Units 203 and 2403, No. 1, Lane 47 Gao'an Road, Xuhui District, Shanghai, the PRC	The Property comprises 2 residential units of a residential building which was completed in 1990s. The Property has a total gross floor area of 131.80 sq.m.. The land use rights of the Property have been allocated for an unspecified term.	The Property is subject to various tenancies with the latest expiry date on 30 November 2012, at a total monthly rent of approximately RMB5,550. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB3,000,000 (100% interest attributable to the SUD Group: RMB3,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Building Ownership Certificate No. 80238 dated 29 February 1996, the building ownership of various units with a total gross floor area of approximately 10,544.19 sq.m., have been allocated to Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified term.

The Property is part of the said gross floor area.

(2) According to aforesaid Building Ownership Certificate, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);

(iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(v) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(vi) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e38.	Nos. 3-4, Lane 393, Xiangyang Road South, Xuhui District, Shanghai, the PRC	The Property comprises an office building which was completed in 1990s. The Property has a total gross floor area of 576.00 sq.m.. The land use rights of the Property have been allocated for an unspecified term.	The Property is subject to a tenancy from 1 January 2006 to 31 October 2015 at a total monthly rent of approximately RMB17,625. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB17,000,000 (100% interest attributable to the SUD Group: RMB17,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Building Ownership Certificate No. 0080236 dated 29 February 1996, the building ownership of the Property with a total gross floor area of approximately 576.00 sq.m., have been allocated to Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified term.

(2) According to aforesaid Building Ownership Certificate, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);

(iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(v) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(vi) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e39.	7 residential units, Nos. 4 and 5, Yu Lan Hua Yuan, Caoxi Road North, Xuhui District, Shanghai, the PRC	The Property comprises 7 residential units of a residential development which was completed in 1992. The Property has a total gross floor area of 467.65 sq.m.. The land use rights of the Property have been allocated for an unspecified term.	Portion of the Property with a total lettable area of 391.68 sq.m. is subject to various tenancies with the latest expiry date on 9 March 2013, at a total monthly rent of approximately RMB11,000. The remaining portion is currently vacant. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB9,000,000 (100% interest attributable to the SUD Group: RMB9,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. 00421 dated 23 June 1994, the building ownership of various units situated at Nos. 4 and 5 Yu Lan Hua Yuan, Caoxi Road North, comprising a total gross floor area of 22,067.57 sq.m., have been allocated to Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司) for an unspecified term.

The Property is part of the said gross floor area.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the entire rights and interests of Shanghai Xuhui District Urban Construction Development Company (上海市徐匯區城市建設開發總公司);

(iv) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property;

(v) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) without return to the government; and

(vi) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e40.	Various units with use rights in Shanghai, the PRC	The Property comprises various units which were completed in 1990's. The Property has a total gross floor area of 11,185.76 sq.m..	Portion of the Property with a total lettable area of approximately 2,242.14 sq.m. is subject to various tenancies with the latest expiry date on 31 December 2013 at a total monthly rent of approximately RMB51,676. The remaining portion is currently vacant. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	No commercial value (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) As advised by the SUD Group, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained the use rights of the Property. The details of the Property are summarized as follows:

Location	Uses	Lettable Area *(sq.m.)*
Unit 24, No.10, Lane 230, Dong'an Road, Xuhui District, Shanghai	Residential	21.7
Unit 804, No. 383, Zhaojiabang Road, Xuhui District, Shanghai	Residential	16.1
Unit 101, No.11, Wannan 4th Village, Xuhui District, Shanghai	Residential	19.3
Unit 301, No.19 Tianlin 11th Village, Xuhui District, Shanghai	Residential	26.1
Various units located at Nos.50 to 53, Caoxi 2nd Village, Xuhui District, Shanghai	Residential	4,395.12
Various units located at Nos. 54 to 57, Caoxi 2nd Village, Xuhui District, Shanghai	Residential	4,395.12
Unit 1408, No.2, Lane 25, Leshan Road, Xuhui District, Shanghai	Residential	12.8
Unit 103, No.4, North Longchuan Road, Xuhui District, Shanghai	Residential	67

Location	Uses	Lettable Area (sq.m.)
Unit 605, No.82, Changqiao 4th Village, Xuhui District, Shanghai	Residential	42.12
Unit 806, No.82, Changqiao 4th Village, Xuhui District, Shanghai	Residential	41.56
Unit 201, No.1, Lane 25, Leshan Road, Xuhui District, Shanghai	Residential	53.18
Unit 202, No.1, Lane 25, Leshan Road, Xuhui District, Shanghai	Residential	72.16
Unit 101, No.2, Lane 25, Leshan Road, Xuhui District, Shanghai	Residential	53.18
Unit 1401, No.3, Lane 25, Leshan Road, Xuhui District, Shanghai	Residential	46.06
Unit 1408, No.3, Lane 25, Leshan Road, Xuhui District, Shanghai	Residential	46.06
Unit 201, No.3,Leshan Road, Xuhui District, Shanghai	Residential	53
Unit 202, No.3,Leshan Road, Xuhui District, Shanghai	Residential	72
Unit 203 to Unit 206 No.3,Leshan Road, Xuhui District, Shanghai	Residential	227
Unit 207, No.3,Leshan Road, Xuhui District, Shanghai	Residential	72
Unit 208, No.3,Leshan Road, Xuhui District, Shanghai	Residential	53
North Unit 201, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
North Unit 202, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
North Unit 301, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
North Unit 302, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
North Unit 401, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
North Unit 402, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
South Unit 201, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
South Unit 202, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
South Unit 203-1, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	26.99
South Unit 203-2, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	26.70
South Unit 204, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
South Unit 301, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
South Unit 302, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
South Unit 303, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99

Location	Uses	Lettable Area *(sq.m.)*
South Unit 304, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
South Unit 401, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
South Unit 402, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
South Unit 403, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.99
South Unit 404-1, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	26.99
South Unit 404-2, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	27
South Unit 501, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.71
South Unit 502, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.71
South Unit 503, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.71
South Unit 504, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.71
South Unit 601, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.71
South Unit 602, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.71
South Unit 603, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.71
South Unit 604, No.510, South Wanping Road, Xuhui District, Shanghai	Residential	53.71
	Total	**11,185.76**

(2) As at the date of valuation, Shanghai Certificate of Real Estate Ownership of the Property has not been obtained yet. However, on the assumption that the legal title of the Property has been obtained and the Property can be freely transferred, the Market Value of the Property in existing state as at 31 July 2011 would be RMB226,000,000 (100% interest attributable to the SUD Group: RMB226,000,000).

As advised by the SUD Group, the Shanghai Certificate of Real Estate Ownership of the Property is not able to be obtained.

(3) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established; and

(ii) According to List for Residential Exchange (單位住房調用單) or List for Residential Allocated (住房調配單), Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	No
List for Residential Exchange or List for Residential Allocated	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e41.	Blocks 1, 2 and 8, No. 776 Luoxiu Road, Xuhui District, Shanghai, the PRC	The Property comprises a 2-storey, a single storey and a 5-storey factories which were completed in 1965, 1968 and 1991 respectively. The Property has a total gross floor area of 6,735.92 sq.m.. The land use rights of the Property have been allocated for an unspecified term for industrial use.	The Property is subject to various tenancies with the latest expiry date on 31 December 2015, at a total monthly rent of approximately RMB207,567.11. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB13,000,000 (100% interest attributable to the SUD Group: RMB13,000,000) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2000)016188 dated 26 May 2000, the land use rights and building ownership of the Property, comprising a site area of 7,195.00 sq.m. and a gross floor area of 6,735.92 sq.m., have been allocated to Shanghai Carton 16th Factory (上海紙盒十六廠) for an unspecified land use term for industrial use.

(2) According to aforesaid Shanghai Certificate of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the property could be freely transferred.

(3) According to Business Licence No. 310104000001404 dated 24 July 2007, Shanghai Carton 16th Factory (上海紙盒十六廠) was established with registered capital of RMB826,000 for an unbounded operating period from 20 July 1981.

(4) According to the PRC legal opinion:

(i) Shanghai Carton 16th Factory (上海紙盒十六廠), a 100% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Carton 16th Factory (上海紙盒十六廠) has right to use the Property;

(iii) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee. The rental income can be retained by Shanghai Carton 16th Factory (上海紙盒十六廠) without return to the government; and

(iv) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e42.	Unit 602, No. 115, Block 7, Hongbao 1st Village, Xidu Town, Fengxian District, Shanghai, the PRC	The Property comprises a residential unit of a 6-storey residential building which was completed in 1994. The Property has a total gross floor area of 68.50 sq.m.. The land use rights of the Property have been granted for an unspecified term for residential use.	The Property is currently vacant.	RMB600,000 (51% interest attributable to the SUD Group: RMB306,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2003)016445 dated 18 September 2003, the building ownership of the Property, comprising a gross floor area of 68.50 sq.m., has been vested in Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) for an unspecified term for residential use.

(2) According to Business Licence No. 3101041003420 dated 18 March 1997, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established with registered capital of RMB10,000,000 for an operating period from 18 March 1997 to 17 March 2027.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司), a 51% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) has been entitled to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e43.	4 residential units, Xidu Town, Fengxian District, Shanghai, the PRC	The Property comprises 4 residential units of Xidu Town which was completed between 1994 and 1995. The Property has a total gross floor area of 297.41 sq.m.. The land use rights of the Property have been allocated for an unspecified term for residential use.	The Property is currently vacant.	RMB2,554,000 (51% interest attributable to the SUD Group: RMB1,302,540) (Please see Note (2)) (See Explanation on Page IVA-5)

Notes:

(1) According to four Shanghai Certificates of Real Estate Ownership, the land use rights and building ownership of the Property, comprising a total apportioned site area of 152.40 sq.m. and a total gross floor area of 297.41 sq.m., have been allocated to Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) for an unspecified term for residential use:

Certificate No.	Issuing Date	Address	Year of Completion	Apportioned Site Area *(sq.m.)*	Gross Floor Area *(sq.m.)*
(2003)015318	3 September 2003	Unit 502, No. 65, Block 16, Shuiza Sub-district	1994	36.50	70.75
(2003)015791	5 September 2003	Unit 502, No. 1, Block 1, Julong Taiwan City	1995	40.40	63.58
(2003)017251	29 September 2003	Unit 502, No. 326, Block 30 Hongbao 2nd Village	1995	50.30	79.03
(2003)017694	14 October 2003	Unit 602, No. 8, Block 3, Hongbao New Town	1995	25.20	84.05
			Total:	**152.40**	**297.41**

(2) According to aforesaid Shanghai Certificates of Real Estate Ownership, the land use rights of the Property are in allocation nature which are subject to approval from the government and extra land premium upon disposal. However, our valuation is prepared on the assumption that approval from the government has been obtained, extra land premium has been settled and the Property could be freely transferred.

(3) According to Business Licence No. 3101041003420 dated 18 March 1997, Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) was established with registered capital of RMB10,000,000 for an operating period from 18 March 1997 to 17 March 2027.

(4) According to the PRC legal opinion:

(i) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司), a 51% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development Residential Settlement Co., Ltd. (上海城開住宅安置有限公司) has been entitled to use the Property;

(iv) The land use rights are in allocation nature. The ownership transfer of the Property should be approved by relevant government and the land premium should be paid by the grantee; and

(v) The Property is not subject to any pledge.

(5) As advised by Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司), the Property was acquired in November 2003 at an acquisition cost of RMB1,435,238.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e44.	No. 267, Luoxiang Yuan, Xuhui District, Shanghai, the PRC	The Property comprises a shop which was completed in 2000s. The Property has a total gross floor area of 77.66 sq.m.. The land use rights of the Property have been granted for a term from 8 May 2002 to 7 May 2042 for commercial use.	The Property is currently vacant.	RMB3,100,000 (49% interest attributable to the SUD Group: RMB1,519,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2003)026816 dated 28 July 2003, the land use rights and building ownership of the Property comprising a gross floor area of 77.66 sq.m., have been vested in Shanghai Urban Development Real Estate Agent Co., Ltd. (上海城開房地產經紀有限公司) for a term from 8 May 2002 to 7 May 2042 for commercial use.

(2) According to Business Licence No. 310104000196258 dated 15 August 2001, Shanghai Urban Development Real Estate Agent Co., Ltd. (上海城開房地產經紀有限公司) was established with registered capital of RMB20,000,000 for an operating period from 15 August 2001 to 14 August 2031.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development Real Estate Agent Co., Ltd. (上海城開房地產經紀有限公司), a 49% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development Real Estate Agent Co., Ltd. (上海城開房地產經紀有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development Real Estate Agent Co., Ltd. (上海城開房地產經紀有限公司) has been entitled to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e45.	Nos. 4C & 4D, No.191, Nandan Road, Xuhui District, Shanghai, the PRC	The Property comprises 2 shops which were completed in 2000s. The Property has a total gross floor area of 291.09 sq.m.. The land use rights of the Property have been granted for a term from 8 May 2002 to 7 May 2042 for commercial use.	The Property is currently vacant.	RMB12,000,000 (49% interest attributable to the SUD Group: RMB5,880,000) (See Explanation on Page IVA-5)

Notes:

(1) According to two Shanghai Certificates of Real Estate Ownership Nos. (2003)026862 and (2003) 026861 all dated 28 July 2008, the land use rights and building ownership of the Property comprising a total gross floor area of 291.09 sq.m. have been vested in Shanghai Urban Development Real Estate Agent Co., Ltd. (上海城開房地產經紀有限公司) for a term from 8 May 2002 to 7 May 2042 for commercial use.

(2) According to Business Licence No. 310104000196258 dated 15 August 2001, Shanghai Urban Development Real Estate Agent Co., Ltd. (上海城開房地產經紀有限公司) was established with registered capital of RMB20,000,000 for an operating period from 15 August 2001 to 14 August 2031.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development Real Estate Agent Co., Ltd. (上海城開房地產經紀有限公司), a 49% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development Real Estate Agent Co., Ltd. (上海城開房地產經紀有限公司) is not the registered owner of the Property;

(iii) Shanghai Urban Development Real Estate Agent Co., Ltd. (上海城開房地產經紀有限公司) has not entitle to use, transfer, lease, pledge the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e46.	15 residential units, Lane 1375 Pingyang Road, Minhang District, Shanghai, the PRC	The Property comprises 15 residential units of a residential development which was completed in 2000s. The Property has a total gross floor area of 1,190.00 sq.m..	The Property is currently vacant.	No commercial value (Please see Note (1))

Notes:

(1) As at the date of valuation, Shanghai Certificate of Real Estate Ownership of the Property has not been obtained yet. However, on the assumption that the legal title of the Property has been obtained and the Property can be freely transferred, the Market Value of the Property in existing state as at 31 July 2011 would be RMB17,000,000 (90% interest attributable to the SUD Group: RMB15,300,000).

As advised by the SUD Group, the Shanghai Certificate of Real Estate Ownership of the Property is not able to be obtained.

(2) According to Business Licence No. 3101121030958 dated 17 May 1999, Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) was established a limited liability company with registered capital of RMB300,000,000 for a valid operation period from 17 May 1999 to 16 May 2014.

(3) According to the PRC legal opinion:

(i) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) is entitled to only use the Property for demolishment and resettlement. Due to no title documents obtained by the SUD Group, Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) is not entitled to transfer, lease and mortgage the land use rights and building ownership of the Property; and

(iii) According to Agreement for the Supply of Affordable Commodity Housing (配套商品房供應協議), Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has paid all the amount of the Property to Shanghai Chengtou Assets Operation Co., Ltd (上海城投資產經營有限公司) and transferred the Property to Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司).

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	No
Agreement for the Supply of Affordable Commodity Housing	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e47.	Unit 204, No. 2, Lane 25 Leshan Road, Xuhui District, Shanghai, the PRC	The Property comprises a residential unit of a residential development which was completed in 1990s. The Property has a total gross floor area of 64.74 sq.m.. The land use rights of the Property have been granted for residential use.	The Property is currently vacant.	RMB1,700,000 (60% interest attributable to the SUD Group: RMB1,020,000) (See Explanation on Page IVA-5)

Notes:-

(1) According to Shanghai Certificate of Real Estate Ownership No. (2010)012672, the building ownership of the Property, comprising a gross floor area of 64.74 sq.m., have been vested in Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) for residential use.

(2) As advised by Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司), the Property was acquired in March 2009 at an acquisition cost of RMB1,553,760.

(3) According to Business Licence No. 3100001007238 dated 30 December 2005, Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) was established a limited liability company with registered capital of RMB830,528,640 for a valid operation period from 17 May 1996 to 26 July 2054.

(4) According to the PRC legal opinion:

(i) Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司), a 60% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established; and

(ii) Shanghai Huanyu Urban Investment Development Co., Ltd. (上海寰宇城市投資發展有限公司) has the rights to use, transfer, lease and pledge the Property without paying extra land premium to the government.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e48.	Unit 602, No. 1, Lane 862 Baochun Road, Minghang District, Shanghai, the PRC	The Property comprises a residential unit of a 6-storey residential building which was completed in 1996. The Property has a total gross floor area of 62.84 sq.m.. The land use rights of the Property have been granted for an unspecified term for residential use.	The Property is currently vacant.	RMB1,130,000 (90% interest attributable to the SUD Group: RMB1,017,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2011)015631 dated 14 April 2011, the building ownership of the Property, comprising a gross floor area of 62.84 sq.m., has been vested in Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) for an unspecified term for residential use.

(2) According to Business Licence No. 3101121030958 dated 17 May 1999, Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) was established a limited liability company with registered capital of RMB300,000,000 for a valid operation period from 17 May 1999 to 16 May 2014.

(3) According to the PRC legal opinion:

(i) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司), a 90% owned subsidiary of the SUD Group, has obtained valid business licence and is legally established; and

(ii) Shanghai Wan Yuan Real Estate Development Co., Ltd. (上海萬源房地產開發有限公司) is the registered owner of the Property and has the rights to use, transfer, lease and pledge the Property without paying extra land premium to the government.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by SUD Group and the opinion of the PRC legal adviser are as follows:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Properties held by the SUD Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
e49.	Unit 1607, No. 503, Shimen 2nd Road, Xuhui District, Shanghai, the PRC	The Property comprises a residential unit which was completed in 2000s. The Property has a total gross floor area of 103.23 sq.m.. The land use rights of the Property have been granted for an unspecified term for residential use.	The Property is subject to a tenancy from 20 October 2010 to 19 October 2012 at a monthly rent of approximately RMB4,200. This surplus Property is not originally intended for investment purposes. To achieve the best benefit, it is currently leased out to avoid leaving them vacant.	RMB2,100,000 (100% interest attributable to the SUD Group: RMB2,100,000) (See Explanation on Page IVA-5)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2011)001374, the building ownership of the Property, comprising a gross floor area of 103.23 sq.m., have been vested in Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) for an unspecified term for residential use.

(2) According to Business Licence No. 310000000043933 dated 8 April 2011, Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) was established as a limited liability company with a registered capital of RMB3,200,000,000 for a valid operation period from 30 April 1996 to 30 July 2057.

(3) According to the PRC legal opinion:

(i) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has obtained valid business licence and is legally established;

(ii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) is the registered owner of the Property;

(iii) Shanghai Urban Development (Holdings) Co., Ltd. (上海城開(集團)有限公司) has right to use the Property; and

(iv) The Property is not subject to any pledge.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the SUD Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VI – Properties leased by the SUD Group in the PRC

	Property	Description and tenancy particulars	Market Value in existing state as at 31 July 2011
f1.	Portion of Levels 42-43, Tower 2, Grand Gateway Office Tower, No. 3 Hongqiao Road, Xuhui District, Shanghai, the PRC	The Property comprises office area on portion of levels 42-43 of a 50-storey office building which was completed in 2005. The Property has a total gross floor area of 3,687.44 sq.m.. The Property is leased to the SUD Group for office use for a term of 3 years from 22 June 2011 to 21 June 2014 at a monthly rent of RMB897,277 exclusive of utilities and management cost. According to the PRC legal opinion, the tenancy is legal, valid and binding.	No commercial value
f2.	Room F5/K2, No. 8 Baodao Villa, Zhaofeng Road, Kunshan, Jiangsu Province, the PRC	The Property comprises residential area which was completed in 2000s. The Property has a gross floor area of 425 sq.m.. The Property is leased to the SUD Group for staff quarter use for a term of 2 years from 3 November 2010 to 2 November 2012 at a monthly rent of RMB13,000 exclusive of utilities and management cost. According to the PRC legal opinion, the tenancy is legal, valid and binding.	No commercial value
f3.	Rooms 4601-4611, Tower 1, Grand Gateway Office Tower, No. 1 Hongqiao Road, Xuhui District, Shanghai, the PRC	The Property comprises 11 office units on level 46 of a 50-storey office building which was completed in 2005. The Property has a total gross floor area of 1,845.32 sq.m.. The Property is leased to the SUD Group for office use for a term of 2 years from 1 November 2010 to 31 October 2012 at a monthly rent of RMB505,156.35 exclusive of utilities and management cost. According to the PRC legal opinion, the tenancy is legal, valid and binding.	No commercial value

	Property	Description and tenancy particulars	Market Value in existing state as at 31 July 2011
f4.	Rooms 1401-1409 and 1501-1509, No. 1, Alley 7866, Humin Road, Minhang District, Shanghai, the PRC	The Property comprises 18 office units on levels 14 and 15 of a multi-storey office building which was completed in 2000s. The Property has a total gross floor area of 1,929.88 sq.m.. The Property is leased to the SUD Group for office use for a term of 3 years from 1 January 2011 to 31 December 2013 at a monthly rent of RMB223,062. According to the PRC legal opinion, the tenancy is legal, valid and binding.	No commercial value
f5.	Room 105, Block 2, No. 889, Qixin Road, Xinzhuang Town, Minhang District, Shanghai, the PRC	The Property comprises an office unit on level 1 of a multi-storey office building which was completed in 2000s. The Property has a total gross floor area of 50 sq.m.. The Property is leased to the SUD Group for office use for a term of 2 years from 1 September 2010 to 30 August 2012 at an annual rent of RMB73,000. According to the PRC legal opinion, the tenancy is legal, valid and binding.	No commercial value
f6.	Level 12, Yinhe Tower, Qianjin Mid Road, Kunshan, Jiangsu Province, the PRC	The Property comprises a floor of office area on level 12 of a multi-storey office building which was completed in 2000s. The Property has a total gross floor area of 562 sq.m.. The Property is leased to the SUD Group for office use for a term of 3 years from 15 September 2010 to 14 September 2013 at an annual rent of RMB154,550 exclusive of utilities cost. According to the PRC legal opinion, the tenancy is legal, valid and binding.	No commercial value

	Property	Description and tenancy particulars	Market Value in existing state as at 31 July 2011
f7.	Level 25, Phase 1 of Yatai Plaza, No. 18 Zhaofeng Road, Huaqiao Economic Development Zone, Kunshan, Jiangsu Province, the PRC	The Property comprises a floor of office area on level 25 of a multi-storey office building which was completed in 2009. The Property has a total gross floor area of 1,634.28 sq.m.. The Property is leased to the SUD Group for office use for a term of 3.5 years from 16 June 2008 to 31 December 2011 at an annual rent of RMB1,312,327 inclusive of management cost and leasing invoice tax. According to the PRC legal opinion, the tenancy is legal, valid and binding.	No commercial value
f8.	Level 18, Block 1 Huaren•Yijing International Tower, No. 2288 Taihu Avenue, Wuxi, Jiangsu Province, the PRC	The Property comprises a floor of office area on level 18 of a 20-storey office building which was completed in 2006. The Property has a total gross floor area of 1,380 sq.m.. The Property is leased to the SUD Group for office use for a term of 3 years from 2 March 2011 to 1 March 2014 at a monthly rent of RMB66,666.67 exclusive of utilities and management cost. According to the PRC legal opinion, the tenancy is legal, valid and binding.	No commercial value
f9.	Floor 2-3, Nos. 498 and 500, 388 Long Pubei Road, Xuhui District, Shanghai, the PRC	The Property comprises office area on levels 2-3 of a 3-storey office building which was completed in 2003. The Property has a total gross floor area of 2,394.52 sq.m.. The Property is leased to the SUD Group for office use for a term of 3 years from 1 January 2011 to 31 December 2013 at a monthly rent of RMB72,833.32 exclusive of utilities and management cost. According to the PRC legal opinion, the tenancy is legal, valid and binding.	No commercial value
f10.	No. 88 Nucheng Avenue, Xipeng Town, Jiulongpo District, Chongqing, the PRC	The Property has a total gross floor area of 30 sq.m.. The Property is leased to the SUD Group as a registration place for a term of 2 years from 18 February 2011 to 18 February 2013 at a nil consideration. According to the PRC legal opinion, the tenancy is legal, valid and binding.	No commercial value

	Property	Description and tenancy particulars	Market Value in existing state as at 31 July 2011
f11.	Two units, west side of Damennei Zhoupufaxintai, Shanghai the PRC	The Property comprises 2 units which were completed in 2000s. The Property has a total gross floor area of 80 sq.m.. The Property is leased to the SUD Group for temporary office use at a monthly rent of RMB2,000 inclusive of water and electricity fee. According to the PRC legal opinion, the tenancy is legal, valid and binding.	No commercial value
f12.	Rooms 1005-1006, No. 128 Nanmen Road, Chongming County, Shanghai the PRC	The Property comprises 2 office units which were completed in 2000s. The Property has a total gross floor area of 146 sq.m.. The Property is leased to the SUD Group for office use for a term of 2 years from 1 August 2010 to 31 July 2012 at an annual rent of RMB105,850 exclusive of utilities and management cost. According to the PRC legal opinion, the tenancy is legal, valid and binding.	No commercial value

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this circular received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market values of the Properties held by the Group in the PRC as at 31 July 2011.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

31 October 2011

The Board of Directors
Shanghai Industrial Urban Development Group Limited
Suites 3003–7
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Re: Property Valuation of the Group

Instructions, Purpose & Date of Valuation

In accordance with your instruction for us to carry out the valuation of the market value of the properties ("Properties") held by Shanghai Industrial Urban Development Group Limited ("the Company") and its subsidiaries (together "the Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market values in existing state of the Properties as at 31 July 2011 (the "date of valuation").

Definition of Market Value

Our valuation of each of the Properties represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Valuation Basis and Assumption

Our valuations of the Properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Properties situated in the PRC, we have prepared our valuation on the basis that transferable land use rights in respect of the Properties for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and the PRC legal opinion of the legal adviser, regarding the title to the Properties and the interests in the Properties. In valuing the Properties, we have prepared our valuation on the basis that the owners have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired terms as granted.

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

According to financial information of the Group, for indicate purpose and based on prevailing rules and information available as at the Latest Practicable Date, the potential tax liability which would arise on the disposal of the Properties in the PRC are PRC business tax (approximately 5%) and PRC land appreciation tax (approximately 30%-60% of the appreciation amount), if any. According to our established practice, in the course of our valuation, we have neither verified nor taken into account such tax liability. The precise tax implication will be subject to prevailing rules and regulation at the time of disposal.

The Properties in Group VII held by the Group for sale, a potential tax liability attributable to the Group estimated to be approximately RMB102,410,000 would arise if such Properties were to be sold at the amount of valuations. Depending on the sale status, there is likelihood of such liability referred to in above being crystallised. The Properties in Group VIII, IX, X and XI are held by the Group for investment, under development, future development and owner-occupation purposes respectively, the likelihood of the relevant tax liabilities being crystallized is remote in near future.

Method of Valuation

In valuing the Properties in Group VII and X, which are held by the Group for sale and future development in the PRC respectively, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market.

In valuing the properties in Group VIII, which are held by the Group for investment in the PRC, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market, and where appropriate, we have also valued the Properties by Income Approach by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the Properties.

In valuing the Properties in Group IX and XI, which are held by the Group under development and owner-occupation in the PRC respectively, we have valued them on the basis that they will be developed and completed in accordance with the Group's latest development proposal provided to us. In arriving at our opinion of value of the land, we have adopted the Direct Comparison Approach by making reference to comparable sales evidence as available in the relevant market and where appropriate, we have also taken into account the estimated total and expended construction costs.

In valuing the Properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Rule 11 of the Codes on Takeovers and Mergers and Share Repurchases issued by Securities and Futures Commission and The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institutes of Surveyors.

Source of Information

We have relied to a very considerable extent on the information given by the Group and the opinion of the PRC legal adviser of the Company, AllBright Law Offices (上海市錦天城律師事務所) dated 31 October 2011, as to PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, completion dates of building, construction cost, particulars of occupancy, development scheme, tenancy information, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

Title Investigation

We have been provided by the Group with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

Site Inspection

We have inspected the exterior, and wherever possible, the interior of the Properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not able to report whether the Properties are free of rot, infestation and any other structural defects; no tests were carried out to any of the services. Moreover, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We attach herewith a summary of valuations and valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip C Y Tsang
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc, MRICS, MHKIS
Director

Note: Mr. Philip C Y Tsang is Registered Professional Surveyor who has over 18 years' experience in the valuation of properties in the PRC.

Contributing PRC valuers of various DTZ PRC Offices with professional qualifications include, but not limited to, China Real Estate Appraiser, China Real Estate Valuer and MRICS.

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The Group's attributable interest *%*	Market Value in existing state as at 31 July 2011 attributable to the Group *RMB*
Group VII – Properties held by the Group for sales in the PRC				
g1.	The unsold portion of Phases 1 and 2 of West Diaoyutai, Lot No. 1, 2, West Diaoyutai Village, Haidian District, Beijing, the PRC	217,000,000	90	195,300,000
g2.	The unsold portion of Phases 1, 2 and 3 (land No. 2) of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing, the PRC	198,000,000	100	198,000,000
g3.	The unsold portion of American Rock, No. 16 Baiziwan Road, Chaoyang District, Beijing, the PRC	28,800,000	100	28,800,000
g4.	The unsold portion of Block 12 of Lot No. 9 and Lot No. 1 of Laochengxiang, Lao Cheng Xiang Area, Nankai District, Tianjin, the PRC	142,000,000	100	142,000,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The Group's attributable interest *%*	Market Value in existing state as at 31 July 2011 attributable to the Group *RMB*
g5.	The unsold portion of Lot No. A9, Phase 1 of Top City, No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	35,000,000	100	35,000,000
g6.	The unsold portion of Block 21 to 23 of Lot No. A6 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	98,000,000	71.5	70,070,000
g7.	The unsold portion of Phase 1 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai, the PRC	17,000,000	100	17,000,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The Group's attributable interest *%*	Market Value in existing state as at 31 July 2011 attributable to the Group *RMB*
g8.	The unsold portion of District A, B, C and E (Block 11, 13, 15 and 17-21) of Phase 1, Forest Garden, No. 140, Guoliang North Road, Gaotang Ling Town, Wangcheng District, Changsha, Hunan Province, the PRC	86,000,000	67	57,620,000
g9.	The unsold portion of Lot No. B2, (excluding unsold commercial portion and hotel portion of Lot No. B2), Phase 1 of Top City, No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	559,200,000	100	559,200,000
	Sub-total of Group VII in RMB:	**1,381,000,000**		**1,302,990,000**

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The Group's attributable interest *%*	Market Value in existing state as at 31 July 2011 attributable to the Group *RMB*
Group VIII – Properties held by the Group for investment in the PRC				
h1.	The unsold portion of Phoenix Tower, No. 2008, Shennan Road, Futian District, Shenzhen, Guangdong Province, the PRC	70,500,000	90.6	63,873,000
h2.	The unsold portion of Lot No. 11 of Laochengxiang, Lao Cheng Xiang Area, Nankai District, Tianjin, the PRC	852,000,000	100	852,000,000
h3.	The unsold commercial portion of Lot No. B2, Phase 1 of Top City, No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	1,888,000,000	100	1,888,000,000
h4.	The unsold portion of Phase 2 of Jiujiu Youth City, (excluding Block 10), No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai, the PRC	269,000,000	100	269,000,000
Sub-total of Group VIII in RMB:		**3,079,500,000**		**3,072,873,000**

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The Group's attributable interest *%*	Market Value in existing state as at 31 July 2011 attributable to the Group *RMB*
Group IX – Properties held by the Group under development in the PRC				
i1.	Phase 3 of Youngman Point, (excluding land No. 2 of Phase 3), No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing, the PRC	354,500,000	100	354,500,000
i2.	Jinfeng Building at Lot No. 4 of Laochengxiang, Lao Cheng Xiang Area, Nankai District, Tianjin, the PRC	587,000,000	100	587,000,000
i3.	Lot No. A10 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	978,000,000	71.5	699,270,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The Group's attributable interest *%*	Market Value in existing state as at 31 July 2011 attributable to the Group *RMB*
i4.	Lot No. A13 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	707,000,000	71.5	505,505,000
i5.	Lot No. A14 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	702,000,000	71.5	501,930,000
i6.	Lot No. A15 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	727,000,000	71.5	519,805,000
i7.	Lot No. A11 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	856,000,000	71.5	612,040,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The Group's attributable interest *%*	Market Value in existing state as at 31 July 2011 attributable to the Group *RMB*
i8.	District D and E (Block 8, 10, 12, 14, 16 and club house) of Phase 1, Forest Garden, No. 140, Guoliang North Road, Gaotang Ling Town, Wangcheng District, Changsha, Hunan Province, the PRC	175,000,000	67	117,250,000
i9.	Phase 1 of Park Avenue, No. 66, Qingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province, the PRC	831,000,000	100	831,000,000
i10.	Building No. 9 of Phase 2 Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai, the PRC	288,000,000	100	288,000,000
i11.	Lot No. A4 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	601,000,000	71.5	429,715,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The Group's attributable interest *%*	Market Value in existing state as at 31 July 2011 attributable to the Group *RMB*
i12.	Lot No. 2 of Laochengxiang, Lao Cheng Xiang Area, Nankai District, Tianjin, the PRC	386,000,000	100	386,000,000
i13	Hotel portion of Lot No. B2, Phase 1 of Top City, No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	540,000,000	100	540,000,000
	Sub-total of Group IX in RMB:	**7,732,500,000**		**6,372,015,000**

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The Group's attributable interest *%*	Market Value in existing state as at 31 July 2011 attributable to the Group *RMB*
Group X – Properties held by the Group for future development in the PRC				
j1.	Phase 3 of West Diaoyutai, Lot No. 1, 2, West Diaoyutai Village, Haidian District, Beijing, the PRC	773,000,000	90	695,700,000
j2.	Yanjiao, East of Yingbin South Road, Yanjiao Economic Technology Development Zone, Hebei Province, the PRC	670,000,000	100	670,000,000
j3.	The commercial portion of Lot No. 15 of Laochengxiang, Lao Cheng Xiang Area, Nankai District, Tianjin, the PRC	321,000,000	100	321,000,000
j4.	Beichen, Yixingfu Old Village, Beichen District, Tianjin, the PRC	1,317,000,000	40	526,800,000
j5.	Lot Nos. C1 and E4 Phase 2 of Top City, No. 1 Olympic Road, Yuanjiagong, Jiulongpo District, Chongqing, the PRC	320,000,000	100	320,000,000

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The Group's attributable interest *%*	Market Value in existing state as at 31 July 2011 attributable to the Group *RMB*
j6.	Lot Nos. A2 to A3 and A12 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	1,475,000,000	71.5	1,054,625,000
j7.	District F of Phase 1 and Phase 2 of Forest Garden, No. 140, Guoliang North Road, Gaotang Ling Town, Wangcheng District, Changsha, Hunan Province, the PRC	407,000,000	67	272,690,000
j8.	Phase 2 of Park Avenue, No. 66, Qingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province, the PRC	719,000,000	100	719,000,000
j9.	Tai Yuan Street, Taiyuan Business Avenue, Heping District, Shenyang, Liaoning Province, the PRC	870,000,000	80	696,000,000
j10.	Lot No. A0203001 of Qi Ao Island, Qi Ao Island, Tang Jia Gaoxin District, Zhuhai, Guangdong Province, the PRC	2,250,000,000	100	2,250,000,000
	Sub-total of Group X in RMB:	**9,122,000,000**		**7,525,815,000**

SUMMARY OF VALUATIONS

	Property	Market Value in existing state as at 31 July 2011 *RMB*	The Group's attributable interest *%*	Market Value in existing state as at 31 July 2011 attributable to the Group *RMB*
Group XI – Property held by the Group for owner-occupation in the PRC				
k1.	Lot No. A1 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	888,000,000	71.5	634,920,000
	Sub-total of Group XI in RMB:	**888,000,000**		**634,920,000**
	Grand total:	**22,203,000,000**		**18,908,613,000**

VALUATION CERTIFICATE

Group VII – Properties held by the Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
g1.	The unsold portion of Phases 1 and 2 of West Diaoyutai, Lot No. 1, 2, West Diaoyutai Village, Haidian District, Beijing, the PRC	West Diaoyutai is a large-scale residential and retail development erected upon two parcels of land Lot No. 1, 2 with a total site area of approximately 42,541.05 sq.m.. Phases 1 and 2 of West Diaoyutai are erected upon Lot No. 1 and portion of Lot No. 2 which were completed in 2006 and 2008 respectively. According to the information provided by the Group, the Property comprises unsold retail, residential and car park units of Phases 1 and 2 of West Diaoyutai with a total gross floor area of 6,459.39 sq.m. and together with 271 car parks. The land use rights of the Property have been granted for various terms due to expire on 18 February 2074, 18 February 2044 and 18 February 2054 for residential, ancillary facilities and car park uses respectively.	The Property is currently vacant.	RMB217,000,000 (90% interest attributable to the Group: RMB195,300,000)

Notes:

(1) According to Land Use Rights Certificate Nos. (2004)3026 and (2005)3487, the land use rights of the development with a total site area of approximately 42,541.05 sq.m. have been granted to Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) with details as follows:

Certificate No.	Location	Site Area *(sq.m.)*	Uses	Expiry Date
(2004) 3026	Lot No. 1, West Diaoyutai Village, Haidian District	15,452.81	Residential, ancillary facilities and car park	Residential: 18 February 2074 Ancillary facilities: 18 February 2044 Car park: 18 February 2054
(2005) 3487	Lot No. 2, West Diaoyutai Village, Haidian District	27,088.24	Residential, ancillary facilities and car park	Residential: 18 February 2074 Ancillary facilities: 18 February 2044 Car park: 18 February 2054
	Total	**42,541.05**		

(2) According to three Building Ownership Certificates, a total gross floor area of approximately 678.97 sq.m. is held by Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司):

Certificate No.	Building No.	Room No.	Gross Floor Area *(sq.m.)*
008237	1 (underground)	B102	78.41
008237	1 (underground)	B105	93.57
008237	1 (underground)	B106	102.49
014366	2	1801	355.67
018347	1 (underground)	1 car park	48.83
		Total	**678.97**

Note: We noted that the remaining portion of the Property has not been obtained Building Ownership Certificate, we are on the assumption that all relevant Building Ownership Certificates will be issued in due course and the related fees incurred have been fully paid and settled.

Note: Unit B101 of Building No. 1, units A01 and A02 of Building No. 9 of the Property, were sealed up by a Court Order. We have assigned no commercial value to the said 3 sealed up units.

(3) According to Business Licence No.1101080064387, Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) was established as a limited liability company on 15 August 2003 with a registered capital of RMB20,000,000 for a valid operation period from 15 August 2003 to 14 August 2023.

(4) According to the PRC legal opinion:

(i) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司), a 90% owned subsidiary of the Company, has legally obtained valid business licence and is legally established under the PRC law;

(ii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) has fully settled all the land premium and obtained Land Use Rights Certificate and partly Building Ownership Certificate;

(iii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) has right to transfer the Property;

(iv) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限責任公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit and Construction Work Commencement Permit. The permits have not been revoked or modified;

(v) Unit B101 of Building No. 1 and units A01 and A02 of Building No. 9 of the Property, were sealed up by a Court Order and cannot be transferred or disposal of or pledged; and

(vi) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes (partly)
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VII – Properties held by the Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
g2.	The unsold portion of Phases 1, 2 and 3 (land No. 2) of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing, the PRC	Youngman Point is a large-scale retail and residential development erected upon various parcels of land by 3 phases with a total site area of approximately 112,699.79 sq.m.. Phases 1 and 2 were completed in 2008. According to the information provided by the Group, the Property comprises unsold portion of Phases 1, 2 and 3 (land No. 2) of Youngman Point with a total gross floor area of approximately 4,283.44 sq.m. and together with 491 car parks. The land use rights of the Property have been granted for various terms. Details of land use rights, please see note (4).	The Property is currently vacant.	RMB198,000,000 (100% interest attributable to the Group: RMB198,000,000)

Notes:

(1) According to five Building Ownership Certificates, a total gross floor area of approximately 142,475.50 sq.m. of Phase 1 of Youngman Point is held by Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司):

Certificate No.	Location	Gross Floor Area (sq.m.)	Uses
06-00176	Buildings 2-5,8-10, Ganluyuan Zhongli, Chaoyang District	101,424.03	Residential and ancillary facilities
534178	Underground car park, Ganluyuan Zhongli, Chaoyang District	12,979.18	Car park
555067	Building 6, Ganluyuan Zhongli, Chaoyang District	14,622.76	Residential, ancillary facilities and public facilities
555068	Building 7, Ganluyuan Zhongli, Chaoyang District	12,012.74	Residential, ancillary facilities and public facilities
528560	Building 1, Ganluyuan Zhongli, Chaoyang District	1,436.79	Club
	Total	**142,475.50**	

The Property is part of the said gross floor area.

(2) According to two Building Ownership Certificates, a gross floor area of approximately 93,070.56 sq.m. of Phase 2 of Youngman Point is held by Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司):

Certificate No.	Location	Gross Floor Area (sq.m.)	Uses
625476	Two buildings in Gan Lu Yuan Zhong Li, Chaoyang District	45,167.31	Residential and commercial
625537	Buildings 106, 108, 110, 112 in Chaoyang North Street, Chaoyang District	47,903.25	Residential, commercial, car park and others
	Total	**93,070.56**	

The Property is part of the said gross floor area.

(3) According to Construction Work Completion Inspection Certificate No. 2010-146 dated 20 August 2010, the construction of portion of Phase 3 of Youngman Point with a total gross floor area of 47,800 sq.m. has been completed.

The Property is part of the said gross floor area.

(4) According to five Land Use Rights Certificates, the land use rights of Youngman Point, comprising a total site area of approximately 112,699.79 sq.m., have been granted to Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司):

Certificate No.	Location	Site Area *(sq.m.)*	Uses	Expiry Date
(2004)0232	Phase 1	40,917.30	Ancillary facilities, basement car park and residential	Ancillary facilities: 20 June 2043 Basement car park: 20 June 2053 Residential: 20 June 2073
(2004)0459	Phase 2	16,600	Residential, commercial, basement car park and storage	Residential: 5 February 2074 Commercial: 5 February 2044 Basement car park and storage: 5 February 2054
(2006)0262	Portion of Phase 2 and Phase 3	29,389.44	Residential, commercial, basement car park and storage	Residential: 30 August 2074 Commercial: 30 August 2044 Basement car park and storage: 30 August 2054
(2004)0460	Phase 3	12,128.50	Commercial	5 February 2044
(2004)0461	Phase 3	13,664.55	Residential, ancillary facilities and basement car parking	Residential: 5 February 2074 Ancillary facilities: 5 February 2044 Basement car parking: 5 February 2054
	Total	**112,699.79**		

(5) According to Business Licence No. 110000410267241, Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) was established as a limited liability company on 29 May 2000 with a registered capital of RMB190,000,000 for a valid operation period from 29 May 2000 to 17 August 2055.

(6) According to the PRC legal opinion:

(i) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has fully settled all the land premium and obtained Land Use Rights Certificate and Building Ownership Certificate;

(iii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;

(iv) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit and Construction Work Commencement Permit. The permits have not been revoked or modified; and

(v) The Property is not subject to any pledge.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Construction Work Completion Inspection Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VII – Properties held by the Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
g3.	The unsold portion of American Rock, No. 16 Baiziwan Road, Chaoyang District, Beijing, the PRC	American Rock is a large-scale residential and commercial development erected upon a land with a total site area of approximately 121,498.50 sq.m. which was completed in 2006. According to the information provided by the Group, the Property comprises 192 unsold car parks with a total gross floor area of approximately 8,319.92 sq.m.. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (2).	The Property is currently vacant.	RMB28,800,000 (100% interest attributable to the Group: RMB28,800,000)

Notes:

(1) According to two Building Ownership Certificates, a total gross floor area of approximately 8,319.92 sq.m. of the Property is held by Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司):

Certificate No.	Location	Gross Floor Area *(sq.m.)*	Uses
05-0088	car park space	6,293.76	Basement car park
584402	car park space	2,026.16	Basement car park
	Total	**8,319.92**	

(2) According to four Land Use Rights Certificates, the land use rights of American Rock with a total site area of approximately 121,498.50 sq.m. have been granted to Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司):

Certificate No.	Site Area (sq.m.)	Uses	Expiry Date
(2002) 0240	27,820.26	Residential, ancillary facilities, basement car park	Residential: 9 February 2072 Ancillary facilities: 9 February 2042 Basement car park: 9 February 2052
(2003) 0052	35,011.07	Residential and ancillary facilities	Residential: 14 January 2073 Ancillary facilities: 14 January 2043
(2003) 0125	22,922.77	Residential and basement car park	Residential: 8 February 2073 Basement car park: 8 February 2053
(2005) 0477	35,744.40	Residential and basement car park	Residential: 8 February 2073 Basement car park: 8 February 2053
Total	**121,498.50**		

(3) According to Business Licence No.110000410175777, Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司) was established as a limited liability company on 9 August 2000 with a registered capital of USD12,000,000 for a valid operation period from 9 August 2000 to 14 October 2022.

(4) According to the PRC legal opinion:

(i) Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司) has fully settled all the land premium and obtained Land Use Rights Certificate and Building Ownership Certificate;

(iii) Beijing Jin Ma Wen Hua Yuan Properties Development Co., Ltd. (北京金馬文華園房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit. The permits have not been revoked or modified; and

(iv) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VII – Properties held by the Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
g4.	The unsold portion of Block 12 of Lot No. 9 and Lot No. 1 of Laochengxiang, Lao Cheng Xiang Area, Nankai District, Tianjin, the PRC	Lot No. 9 of Laochengxiang is a residential development with 12 blocks erected upon a parcel of land with a site area of approximately 41,107.10 sq.m. which was completed in 2009. Lot No. 1 of Laochengxiang comprises a residential development erected upon a parcel of land with a site area of approximately 55,423.40 sq.m. which was completed in 2010. According to the information provided by the Group, the Property comprises the unsold office portion of Block 12 of Lot No. 9 of Laochengxiang with a total gross floor area of approximately 1,059.06 sq.m.. The Group has the operation rights of 496 car parks of Lot No. 9 of Laochengxiang and 694 mechanical car parks of Lot No. 1 of Laochengxiang. The land use rights of the Property have been granted for a term due to expire on 30 December 2076 for mixed residential use.	The office portion of the Property is currently vacant. 496 car parks of Lot No. 9 of Laochengxiang are licensed on hourly or monthly basis. 694 mechanical car parks of Lot No. 1 of Laochengxiang are authorized to third party to operate for 20 years and is currently under alteration.	RMB142,000,000 (100% interest attributable to the Group: RMB142,000,000)

Notes:

(1) According to Real Estate Title Certificate No. 060300000006 dated 1 December 2006, the land use rights of Lot No. 9 of Laochengxiang, with a site area of approximately 41,107.10 sq.m., have been granted to Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) for a term due to expire on 30 December 2076 for mixed residential use.

The Property is part of the said gross floor area.

(2) According to Land Use Rights Certificate No.060300000008, the land use rights of Lot No. 1 of Laochengxiang, comprising a site area of 55,423.40 sq.m., have been vested in Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) for a term due to expire on 30 December 2076 for mixed residential use.

(3) According to Construction Work Completion Inspection Certificate Nos. 2010-063 and 2010-064 all dated 22 April 2010, the construction of the Property with a total gross floor area of 50,850.18 sq.m. has been completed.

(4) According to Land Use Rights Grant Contract No. 2004-024 dated 6 September 2004 and its Supplement Contract for Lot No. 9 of Laochengxiang dated 29 September 2006:

(i)	Grantee	:	Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司)
(ii)	Site Area	:	799,285.20 sq.m. (in which 239,786 sq.m. for public facilities and 559,499.20 sq.m. for residential)
(iii)	Land Use	:	Residential and public facilities
(iv)	Planned Gross Floor Area	:	Not exceeding 172,362 sq.m. (in which 146,362 sq.m. for residential and ancillary public facilities, 26,000 sq.m. for office and service apartment)
(v)	Land Premium	:	RMB388,473,147.06

According to Land Use Rights Grant Contract No. 2004-024 dated 22 July 2005 and its Supplement Contract for Lot No. 1 of Laochengxiang dated 8 September 2006:

(i)	Grantee	:	Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司)
(ii)	Site Area	:	55,423.40 sq.m. to be developed by the Grantee
(iii)	Land Use	:	Residential, office and ancillary facilities
(iv)	Planned Gross Floor Area	:	Not exceeding 201,300 sq.m. above ground

According to the information provided by the Group, the land premium was approximately RMB463,500,000.

(5) According to Pre-sale Permit, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 26,164.76 sq.m..

(6) According to Business Licence No. 120000400078160, Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) was established as a limited liability company with a registered capital of RMB240,000,000 for a valid operation period from 3 June 2005 to 2 June 2025.

According to Business Licence No. 120000400078186, Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) was established as a limited liability company with a registered capital of RMB240,000,000 for a valid operation period from 3 June 2005 to 2 June 2025.

(7) According to the PRC legal opinion:

(i) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) and Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) and Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) has fully settled all the land premium of the Property and obtained Real Estate Title Certificate;

(iii) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(v) Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) has the right to operate 496 car parks of Lot No. 9 at Laochengxiang, the application of the title document is in process;

(vi) According to "Longtingjiayuan Project underground car parks leasing authority undertaking" entered into between Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) and Tianjin Bohua Property Management Co., Ltd. (天津博華物業管理有限公司), Tianjin Bohua Property Management Co., Ltd. (天津博華物業管理有限公司) has authorized to operate 496 car parks, Tianjin Bohua Property Management Co., Ltd. (天津博華物業管理有限公司) can get 60% of total rental income of car parks, whilst Tianjin Zhongxin Xinjie Real Estate Development Co., Ltd. (天津中新信捷房地產開發有限公司) can get 40% of total rental income of car parks;

(vii) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) has the right to operate 694 mechanical car parks of Lot No. 1 of Laochengxiang, the application of the title document is in process;

(viii) According to "Shangjiaxinyuan underground mechanical car parks construction and operation authority undertaking" entered into between Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) and Beijing Huijia Yihe Enterprise Management Co., Ltd. (北京匯嘉怡和企業管理有限公司), Beijing Huijia Yihe Enterprise Management Co., Ltd. (北京匯嘉怡和企業管理有限公司) has contributed to build underground mechanical car parks and has authorized to operate 694 mechanical car parks for 20 years. Within 20 years operation period, Beijing Huijia Yihe Enterprise Management Co., Ltd. (北京匯嘉怡和企業管理有限公司) has responsibility to manage, repair, maintain the car parks and all the operating income of the car parks are received by Beijing Huijia Yihe Enterprise Management Co., Ltd. (北京匯嘉怡和企業管理有限公司); and

(ix) Tianjin Zhongxin Huaan Real Estate Development Co., Ltd. (天津中新華安房地產開發有限公司) has paid the forfeit for breach of contract was RMB6,123,578.02 as at date of valuation. In the course of our valuation, we have not taken into account the said fee.

(8) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Real Estate Title Certificate	Yes
Construction Work Completion Inspection Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VII – Properties held by the Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
g5.	The unsold portion of Lot No. A9, Phase 1 of Top City, No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	Lot No. A9, Phase 1 of Top City is a commercial development erected upon a parcel of land with a site area of approximately 16,753.30 sq.m. which was completed in 2010. According to the information provided by the Group, the Property comprises the unsold portion of Lot No. A9, Phase 1 of Top City with a total gross floor area of approximately 3,051.97 sq.m. in which 50% of property interest of commercial portion 1,525.98 sq.m. has been owned by Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司). The land use rights of the Property have been granted for a term due to expire in February 2044 for commercial and February 2054 for residential uses	The Property is currently vacant.	RMB35,000,000 (100% interest attributable to the Group: RMB35,000,000) (Please see note (7)(ii))

Notes:

(1) We noted that no Real Estate Title Certificate has been obtained, we are on the assumption that all relevant Real Estate Title Certificates will be issued in due course and the related fees incurred have been fully paid and settled.

(2) According to Land Use Rights Certificate No. 114-2008-37441, the land use rights of Lot No. A9, with a site area of approximately 16,753.30 sq.m., have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for a term due to expire in February 2044 for commercial and February 2054 for residential uses.

(3) According to Construction Land Planning Permit No. (2004)0028 dated 17 September 2004, the construction site of a parcel of land with a total site area of approximately 16,741 sq.m. is in compliance with the requirements of urban planning requirement.

(4) According to Construction Work Planning Permit No. (2005)0005 dated 22 February 2005, the construction works of Lot No. A9, with a total gross floor area of approximately 31,967.55 sq.m. was in compliance with the requirement of urban planning and was permitted to be developed.

The Property is part of the said gross floor area.

(5) According to Construction Work Commencement Permit No. 510202200708240101 dated 24 August 2007, the construction works of Lot No. A9 was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 31,967.55 sq.m..

The Property is part of the said gross floor area.

(6) According to Business Licence No. 500901000052947, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28 May 2003 to 28 May 2023.

(7) According to the PRC legal opinion:

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has owned 50% of the property interest of commercial portion;

(iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Certificate;

(iv) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has the right to use, lease, transfer and pledge the land use rights of the Property;

(v) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit and Construction Work Commencement Permit. The permits have not been revoked or modified; and

(vi) According to Construction Work Planning Permit, the total gross floor area of the Property is 31,967.55 sq.m..

(8) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Real Estate Title Certificate	No
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VII – Properties held by the Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
g6.	The unsold portion of Block 21 to 23 of Lot No. A6 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	Lot No. A6 of Neo Water City is a composite residential/commercial development with 24 blocks erected upon a land with a site area of 153,404.5 sq.m. which was completed in 2009. According to the information provided by the Group, the Property comprises the unsold portion of Block 21 to 23 with a total gross floor area of approximately 3,711.97 sq.m.. The Property comprises pre-sold commercial portion with a total gross floor area of 4,377.84 sq.m.. The Group has the operation rights of 222 car parks of Lot No. A6 at Neo Water City. The land use rights of the Property have been granted for a term due to expire on 30 March 2076 for residential, 30 March 2056 for commercial public facilities, green area and water facilities uses.	The Property is currently vacant. The car parks are licensed on hourly or monthly basis.	RMB98,000,000 (71.5% interest attributable to the Group: RMB70,070,000)

Notes:

(1) We noted that no Real Estate Title Certificate has been obtained, we are on the assumption that all relevant Real Estate Title Certificates will be issued in due course and the related fees incurred have been fully paid and settled.

(2) According to Land Use Rights Certificate No. (2007)012 dated 21 September 2007, the land use rights of the Property, comprising a site area of approximately 153,404.5 sq.m., have been granted to Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) for a term due to expire on 30 March 2076 for residential, 30 March 2046 for commercial public facilities, 30 March 2056 for green area and water facilities uses.

(3) According to Land Use Rights Grant Contract No. (CB)0601 and (CB)0602 and its Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	**A6**
Grantee	Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司)
Supplement Contract No.	(CB)0718
Site Area	230 mu (153,333 sq.m.)
Land Use	Composite, residential
Plot Ratio	1.41

(4) According to Construction Land Planning Permit No. (2005)008 dated 5 April 2007, the construction site of a parcel of land with a total site area of 267.116 mu (178,077 sq.m.) is in compliance with urban planning requirements.

(5) According to Construction Work Planning Permit No. (2009)020 dated 27 August 2009, the construction works of Lot No. A6, with a total gross floor area of 232,800 sq.m. was in compliance with the requirement of urban planning and was permitted to be developed.

The Property is part of the said gross floor area.

(6) According to Construction Work Commencement Permit No. (2009)018 dated 3 June 2009, the construction works of Lot No. A6 was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 232,800 sq.m..

The Property is part of the said gross floor area.

(7) According to the information provided by the Group, the pre-sold commercial portion with a total gross floor area of 4,377.84 sq.m. has been pre-sold at a consideration of approximately RMB39,049,000 as at 31 July 2011. In the course of our valuation, we have taken into account the above said consideration.

(8) According to Business Licence No. 610100400004748, Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) was established as a limited liability company on 24 November 2004 with a registered capital of USD86,880,000 for a valid operation period from 24 November 2004 to 24 November 2024.

(9) According to the PRC legal opinion:

(i) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司), a 71.5% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Certificate;

(iii) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(iv) According to Construction Work Planning Permit, the total gross floor area of Lot No. A6 is 232,800 sq.m.; and

(v) Xian Chanba Construction Development Co., Ltd. (西安滻灞建設開發有限公司) has the right to operate 222 car parks of Lot No. A6 at Neo Water City.

(10) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Real Estate Title Certificate	No
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VII – Properties held by the Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
g7.	The unsold portion of Phase 1 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai, the PRC	Phase 1 of Jiujiu Youth City comprises a composite development erected upon a parcel of land with a site area of 16,782 sq.m. which was completed in 2009. According to the information provided by the Group, the Property comprises 166 unsold car parks with a total gross floor area of approximately 8,502.52 sq.m.. The land use rights of the Property have been granted for a term from 9 July 2005 to 8 July 2055 for composite use.	The Property is currently vacant.	RMB17,000,000 (100% interest attributable to the Group: RMB17,000,000)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2009)007490 dated 23 April 2009, the land use rights and building ownership of the Property, comprising a total site area of 16,782 sq.m. and a total gross floor area of 40,947.61 sq.m., have been vested in Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) for a term from 9 July 2005 to 8 July 2055 for composite use.

The Property is part of the said gross floor area.

(2) According to Business Licence No.310227000954132 dated 30 September 2003, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was established as a limited liability company with a registered capital of RMB226,160,000 for a valid operation period from 30 September 2003 to 29 September 2013.

(3) According to the PRC legal opinion:

(i) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has fully settled all the land premium of the Property and obtained Shanghai Certificate of Real Estate Ownership;

(iii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;

(iv) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit and Construction Work Commencement Permit. The permits have not been revoked or modified; and

(v) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has paid the forfeit for breach of contract was RMB1,361,893 as at date of valuation. In the course of our valuation, we have not taken into account the said fee.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VII – Properties held by the Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
g8.	The unsold portion of District A, B, C and E (Block 11, 13, 15 and 17-21) of Phase 1, Forest Garden, No. 140, Guoliang North Road, Gaotang Ling Town, Wangcheng District, Changsha, Hunan Province, the PRC	Forest Garden comprises a residential development erected upon two parcels of land with a total site area of approximately 186,393.97 sq.m. which was completed in between 2008 and 2011. According to the information provided by the Group, the Property comprises the unsold units with a total gross floor area of approximately 12,574.60 sq.m.. The Property comprises pre-sold residential and retail portion with a total gross floor area of 10,542.15 sq.m.. The land use rights of the Property have been granted for various terms. Details of land use rights, please see note (2).	The Property is currently vacant.	RMB86,000,000 (67% interest attributable to the Group: RMB57,620,000)

Notes:

(1) According to fifty-three Building Ownership Certificates of District A, B (Block 60, 62) C and E (Block 11, 13, 15, 17-21) of Phase 1, dated 6 May 2009, 29 June 2011, 30 November 2010, 2 December 2010 and 8 December 2010 respectively, a total gross floor area of approximately 151,818.83 sq.m. has been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for residential use.

The Property is part of the said gross floor area.

(2) According to Land Use Rights Certificate No. (2009)486 dated 26 June 2009, the land use rights of the land, comprising a total site area of 35,945.80 sq.m., have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for a term due to expire on 21 October 2075 for residential use. As advised, the said Land Use Rights Certificate No. (2009)486 is for District A.

According to Land Use Rights Certificate No. (2007)006 dated 10 January 2007, the land use rights of the Property, comprising a total site area of 150,448.17 sq.m., have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for a term due to expire on 27 November 2076 for residential use. As advised, the said Land Use Rights Certificate No. (2007)006 is for District B, C, D and E.

(3) According to Construction Land Planning Permit No. 200701004 dated 25 January 2007, the construction site of land (Phase 1) with a total site area of 456.318 mu (304,212 sq.m.) is in compliance with urban planning requirements.

(4) According to Construction Work Planning Permit No. 200710091 dated 16 October 2007, the construction works of District B, C, D and E of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 194,377.80 sq.m..

According to Construction Work Planning Permit No. 201101001-2 dated 6 January 2011, the construction work of Block 61 (the kindergarten) in District B of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 2,552.49 sq.m..

(5) According to Construction Work Commencement Permit No. 430109200801180401-1 dated 24 December 2010, the construction works of District B of Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 46,778.15 sq.m..

(6) According to sixteen Construction Work Completion Inspection Certificates, the construction works of District B (excluding Block 55 and 56) of Phase 1 was completed with a total gross floor area of 46,778.15 sq.m..

(7) According to sixty-eight Pre-sale Permits, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was permitted to pre-sale with a total gross floor area of 193,568.66 sq.m., which are included District A, B, C and E (Block 11, 13, 15 and 17-21).

(8) According to the information provided by the Group, the pre-sold residential and retail portion with a total gross floor area of 10,542.15 sq.m. has been pre-sold at a consideration of approximately RMB33,096,636 as at 31 July 2011. In the course of our valuation, we have taken into account the above said consideration.

(9) According to Business Licence No. 430122000003429, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was established as a limited liability company on 14 September 2005 with a registered capital of RMB30,000,000 for a valid operation period of 30 years from 14 September 2005 to 14 September 2035.

(10) According to the PRC legal opinion:

(i) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司), a 67% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has fully settled all land premium and obtained Building Ownership Certificate and Land Use Rights Certificate;

(iii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(v) The Property is not subject to any pledge; and

(vi) Hunan Qianshuiwan Xiangya Hot Spring Gardan Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has paid the forfeit for breach of contract was RMB124,906.73 as at date of valuation. In the course of our valuation, we have not taken into account the said fee.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VII – Properties held by the Group for sales in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
g9.	The unsold portion of Lot No. B2, (excluding unsold commercial portion and hotel portion of Lot No. B2), Phase 1 of Top City, No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	Lot No. B2, Phase 1 of Top City is a large-scale residential, office and commercial development erected upon a parcel of land with a total site area of approximately 61,397.70 sq.m. which was completed in between 2008 and 2009. According to the information provided by the Group, the Property comprises the unsold portion of Lot No. B2 (excluding unsold commercial portion and hotel portion of Lot No. B2), Phase 1 of Top City with a total gross floor area of approximately 100,625.18 sq.m.. The Property comprises pre-sold residential, commercial and car park portion with a total gross floor area of 3,816.04 sq.m.. The land use rights of the Property have been granted for various terms due to expire in February 2054 for residential use and February 2044 for commercial use.	The Property is currently vacant.	RMB559,200,000 (100% interest attributable to the Group: RMB559,200,000)

Notes:

(1) According to Land Use Rights Certificate No. 114-2008-046897, the land use rights of the Property, with a total site area of approximately 61,397.70 sq.m., have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for a term due to expire in February 2044 for commercial use and February 2054 for residential use.

(2) According to nine Real Estate Title Certificates, a total gross floor area of approximately 487,209.87 sq.m. of Lot No. B2, Phase 1 of Top City is held by Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司):

Certificate No.	Land Uses	Site Area (sq.m.)	Building Uses	Gross Floor Area (sq.m.)	Expiry Date
114-2008-046898	Commercial service	47,217.80	Non-residential	282,361.86	August 2043
114-2008-042041	Composite residential	945.70	Residential	20,868.35	Residential: February 2054
114-2008-042042	Composite residential	920.60	Residential	20,283.50	Residential: February 2054
114-2008-042043	Composite residential	15,127.80	Residential	20,013.66	Residential: February 2054
114-2008-042044	Composite residential	906.10	Residential	20,869.04	Residential: February 2054
114-2008-042085	Composite residential	907.90	Residential	20,286.60	Residential: February 2054
114-2008-042086	Composite residential	909.30	Residential	19,421.58	Residential: February 2054
114-2009-059344	Other commercial service	1,437.70	Hotel-type apartment	40,478.82	Commercial: 29 February 2044
114-2011-105692	Composite residential	1,028.83	Non-residential	42,626.46	Commercial: 29 February 2044 Residential: 29 February 2054
	Total	**69,401.73**		**487,209.87**	

The Property is part of the said gross floor area.

(3) According to the information provided by the Group, part of the total land premium was approximately RMB255,600,000.

(4) According to the information provided by the Group, the pre-sold residential, commercial and car park portion with a total gross floor area of 3,816.04 sq.m. has been pre-sold at a consideration of approximately RMB21,675,516 as at 31 July 2011. In the course of our valuation, we have taken into account the above said consideration.

(5) According to Business Licence No. 500901000052947, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28 May 2003 to 28 May 2023.

(6) According to the PRC legal opinion:

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Certificate and Real Estate Title Certificate;

(iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has right to use, lease, transfer and pledge the land use right of the Property;

(iv) Level 7 to 28 of building no. 5 of Lot No. B2 is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;

(v) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(vi) According to Construction Work Planning Permit, the total gross floor area of the Property is 616,026.16 sq.m.; and

(vii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has paid the forfeit for breach of contract was RMB1,075,208.64 as at date of valuation. In the course of our valuation, we have not taken into account the said fee.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Real Estate Title Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VIII – Properties held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
h1.	The unsold portion of Phoenix Tower, No. 2008, Shennan Road, Futian District, Shenzhen, Guangdong Province, the PRC	Phoenix Tower is a composite residential/ commercial development erected upon a land with a site area of approximately 11,038.40 sq.m. which was completed in 2006. According to the information provided by the Group, the Property comprises 4 unsold units of Phoenix Tower with a total gross floor area of approximately 1,048.17 sq.m. and the Group has the operation rights of 485 car parks of Phoenix Tower. The land use rights of the Property have been granted for a term of 50 years from 11 June 2001 to 10 June 2051 for office, business apartment and commercial uses.	Two unsold office units, with a total gross floor area of 614.72 sq.m., are currently occupied by the Group for office use. One unsold office unit, with a gross floor area of 242.53 sq.m., are currently used by Phoenix Tower management office. One unsold apartment unit, with a gross floor area of 190.92 sq.m., is currently vacant. The car parks are licensed on hourly or monthly basis.	RMB70,500,000 (90.6% interest attributable to the Group: RMB63,873,000)

Notes:

(1) According to four Real Estate Title Certificates, the land use rights of the Property for a term from 11 June 2001 to 10 June 2051 for office, business apartment and commercial uses and the building ownership rights of the Property have been granted to Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司):

Certificate No.	Unit	Uses	Gross Floor Area *(sq.m.)*
3000465350	19B, Tower 1, Phoenix Tower	Office	242.53
3000464951	25A, Tower 1, Phoenix Tower	Office	435.67
3000464953	25E, Tower 1, Phoenix Tower	Office	179.05
3000464954	24C, Tower 2, Phoenix Tower	Apartment	190.92
		Total	**1,048.17**

(2) According to Business Licence No. 440301501119818 dated 9 January 2002, Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司) was established as a limited liability company with a registered capital of USD10,000,000 for a valid operation period from 9 January 2002 to 9 January 2052.

(3) According to the PRC legal opinion:

(i) Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司), a 90.6% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司) has obtained Real Estate Title Certificates and has right to transfer, pledge and lease of the Property;

(iii) The Property is not subject to any pledge; and

(iv) Shenzhen Phoenix Real Estates Co., Ltd. (深圳鳳凰置業有限公司) has the right to operate 485 car parks of Phoenix Tower.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VIII – Properties held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
h2.	The unsold portion of Lot No. 11 of Laochengxiang, Lao Cheng Xiang Area, Nankai District, Tianjin, the PRC	Lot No. 11 of Laochengxiang is a composite development erected upon a parcel of land with a site area of approximately 62,866.60 sq.m. which was completed in 2007. According to the information provided by the Group, the Property comprises 148 unsold units of Lot No. 11 of Laochengxiang with a total gross floor area of approximately 36,862.61 sq.m.. The land use rights of the Property have been granted for a term due to expire on 29 March 2075 for residential use.	According to the information provided by the Group, portion of the Property, with a total gross floor area of 220 sq.m., is currently occupied by the Group as office use. Portion of the Property with a total gross floor area of 2,465.93 sq.m. is rented by third party for the latest expiry date on 1 June 2020 at a total rental of approximately RMB12,870,000 for office use, exclusive of management fee. The remaining portion of the Property, with a total gross floor area of 34,176.68 sq.m., is currently vacant.	RMB852,000,000 (100% interest attributable to the Group: RMB852,000,000)

Notes:

(1) According to one hundred and forty-eight Building Ownership Certificates, a total gross floor area of approximately 36,862.61 sq.m. is held by Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) for residential, non-residential, office and retail uses.

(2) According to Land Use Rights Certificate No. (2005)039, the land use rights of Lot No. 11 of Laochengxiang, comprising a site area of 62,866.60 sq.m., have been vested in Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) for a term due to expire on 29 March 2075 for residential use.

(3) According to the information provided by the Group, the land premium was approximately RMB193,500,000.

(4) According to Business Licence No. 120000400032528, Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) was established as a limited liability company with a registered capital of RMB80,000,000 for a valid operation period from 23 September 2004 to 2 July 2026.

(5) According to the PRC legal opinion:

(i) Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) According to Construction Work Planning Permit, the total gross floor area of the Property is 44,081.74 sq.m. (underground 9,757.07 sq.m.);

(iii) Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) has fully settled all land premium and obtained Building Ownership Certificates and Land Use Rights Certificate;

(iv) Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(v) 118 units of the Property are pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and

(vi) Tianjin Zhongxin Huacheng Real Estate Co., Ltd. (天津中新華城房地產有限公司) has obtained Building Ownership Certificates for another 13 protected historical units which could not be sold without government approval.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VIII – Properties held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
h3.	The unsold commercial portion of Lot No. B2, Phase 1 of Top City, No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	Lot No. B2, Phase 1 of Top City is a large-scale residential, office and commercial development erected upon a parcel of land with a site area of approximately 61,397.70 sq.m. which was completed in between 2008 and 2009. According to the information provided by the Group, the Property comprises the unsold commercial portion of Lot No. B2, Phase 1 of Top City with a total gross floor area of approximately 187,346.83 sq.m.. The Property comprises pre-sold commercial portion with a total gross floor area of 4,520.06 sq.m.. The land use rights of the Property have been granted for various terms due to expire in February 2054 for residential use and February 2044 for commercial use.	Portion of the Property with a total gross floor area of 155,008.10 sq.m. is rented by third party for the latest expiry date on 28 December 2030 at a total annual rental of approximately RMB59,860,000 for commercial use, exclusive of management fee. The remaining portion of the Property, with a total gross floor area of 32,338.73 sq.m., is currently vacant.	RMB1,888,000,000 (100% interest attributable to the Group: RMB1,888,000,000)

Notes:

(1) According to Land Use Rights Certificate No.114-2008-046897, the land use rights of the Property, with a site area of approximately 61,397.70 sq.m., have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for a term due to expire in February 2054 for residential use and February 2044 for commercial use.

The Property is part of the said land.

(2) According to Real Estate Title Certificate No. 114-2008-046898, a gross floor area of approximately 282,361.86 sq.m. of Lot No. B2, Phase 1 of Top City is held by Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for non-residential use.

The Property is part of the said gross floor area.

(3) According to the information provided by the Group, the pre-sold commercial portion with a total gross floor area of 4,520.06 sq.m. was pre-sold at a consideration of approximately RMB50,158,042. In the course of our valuation, we have taken into account the above said consideration.

(4) According to Business Licence No. 500901000052947, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28 May 2003 to 28 May 2023.

(5) According to the PRC legal opinion:

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Certificate and Real Estate Title Certificate;

(iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has right to use, lease, transfer and pledge the land use right of the Property;

(iv) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit and Construction Work Commencement Permit. The permits have not been revoked or modified; and

(v) According to Construction Work Planning Permit, the total gross floor area of Lot Nos. B1 and B2 is 616,026.16 sq.m..

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Real Estate Title Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VIII – Properties held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
h4.	The unsold portion of Phase 2 of Jiujiu Youth City, (excluding Block 10), No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai, the PRC	Phase 2 of Jiujiu Youth City comprises a composite development erected upon a parcel of land with a site area of 41,162 sq.m. which was completed in 2010. According to the information provided by the Group, the Property comprises the unsold portion of Phase 2 of Jiujiu Youth City (excluding Block 10) with a total gross floor area of approximately 17,770.55 sq.m.. The land use rights of the Property have been granted for a term from 9 July 2005 to 8 July 2055 for composite use.	The Property is currently vacant.	RMB269,000,000 (100% interest attributable to the Group: RMB269,000,000)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2010) 035523 dated 23 November 2010, the land use rights and building ownership of the Property, comprising a total site area of 41,162 sq.m. and a total gross floor area of 146,714.20 sq.m., have been vested in Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) for a term from 9 July 2005 to 8 July 2055 for composite use.

The Property is part of the said gross floor area.

(2) According to Business Licence No.310227000954132 dated 30 September 2003, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was established as a limited liability company with a registered capital of RMB226,160,000 for a valid operation period from 30 September 2003 to 29 September 2013.

(3) According to the PRC legal opinion:

(i) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has fully settled all the land premium of the Property and obtained Shanghai Certificate of Real Estate Ownership;

(iii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property; and

(iv) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit and Construction Work Commencement Permit. The permits have not been revoked or modified.

(4) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i1.	Phase 3 of Youngman Point, (excluding land No. 2 of Phase 3), No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing, the PRC	Youngman Point is a large-scale retail and residential development erected upon various parcels of land by 3 phases with a total site area of approximately 112,699.79 sq.m.. According to the information provided by the Group, the Property upon completion will have a planned total gross floor area of approximately 53,253.50 sq.m.. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).	The Property is under construction and scheduled to be completed in 2013.	RMB354,500,000 (100% interest attributable to the Group: RMB354,500,000)

Notes:

(1) According to five Land Use Rights Certificates, the land use rights of Youngman Point with a total site area of 112,699.79 sq.m. has been granted to Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司):

Certificate No.	Location	Site Area *(sq.m.)*	Uses	Expiry Date
(2004)0232	Phase 1	40,917.30	Ancillary facilities, basement car park and residential	Ancillary facilities: 20 June 2043 Basement car park: 20 June 2053 Residential: 20 June 2073
(2004)0459	Phase 2	16,600	Residential, commercial, basement car park and storage	Residential: 5 February 2074 Commercial: 5 February 2044 Basement car park and storage: 5 February 2054
(2006)0262	Portion of Phase 2 and Phase 3	29,389.44	Residential, commercial, basement car park and storage	Residential: 30 August 2074 Commercial: 30 August 2044 Basement car park and storage: 30 August 2054
(2004)0460	Phase 3	12,128.50	Commercial	5 February 2044
(2004)0461	Phase 3	13,664.55	Residential, ancillary facilities and basement car park	Residential: 5 February 2074 Ancillary facilities: 5 February 2044 Basement car park: 5 February 2054
	Total	**112,699.79**		

(2) According to three Land Use Rights Grant Contracts, the land use rights of the Property have been granted to Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) for residential, ancillary facilities, basement car park and commercial storage uses:

Contract No.	Site Area *(sq.m.)*	Land Premium *(RMB)*	Planned Gross Floor Area *(sq.m.)*
(2004) 135	9,685.71	9,637,100	25,290.00
(2004) 137	16,600.00	20,618,620	47,700.00
(2004) 0839	29,389.10	33,597,510	79,841.50
Total	**55,674.81**	**63,853,230**	**152,831.50**

(3) According to four Construction Work Planning Permits, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with the development scheme:

Permit No.	Issuing Date	Planned Gross Floor Area *(sq.m.)*
(2008)0317	1 December 2008	6,200.00
(2008)0320	2 December 2008	2,640.00
(2008)0352	31 December 2008	24,440.00
(2009)0020	27 February 2009	19,973.50
	Total	**53,253.50**

(4) According to Construction Work Commencement Permit No. (2009)0285 dated 28 September 2009, the construction works of part of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 19,973.50 sq.m..

(5) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB274,000,000; a construction cost of approximately RMB23,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the said expended construction cost.

(6) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB930,000,000.

(7) According to Business Licence No. 110000410267241 dated 29 May 2000, Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) was established as a limited liability company with a registered capital of RMB190,000,000 for a valid operation period from 29 May 2000 to 17 August 2055.

(8) According to the PRC legal opinion:

(i) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Certificate;

(iii) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;

(iv) According to the Construction Work Planning Permit, the planned total gross floor area of Phase 3 of Youngman Point is 101,054 sq.m.;

(v) Beijing New Shine Properties Development Co., Ltd. (北京新松房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(vi) There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government; and

(vii) The Property is not subject to any pledge.

(9) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i2.	Jinfeng Building at Lot No. 4 of Laochengxiang, Lao Cheng Xiang Area, Nankai District, Tianjin, the PRC	The Property comprises a composite residential/commercial development under construction erected upon a parcel of land with a site area of approximately 19,007.90 sq.m.. According to the information provided by the Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 71,846.40 sq.m.. The Group has the operation rights of 390 car parks of Jinfeng Building. The land use rights of the Property have been granted for a term due to expire on 30 January 2075 for mixed residential use.	The Property is currently under construction and scheduled to be completed in end 2011.	RMB587,000,000 (100% interest attributable to the Group: RMB587,000,000)

Notes:

(1) According to Real Estate Title Certificate No. 104050800076 dated 19 September 2008, a site area of approximately 19,007.90 sq.m. of the Property is held by the Tianjin Kaijin Real Estate Development Co., Ltd. (天津凱津房地產開發有限公司) for a term due to expire on 30 January 2075 for mixed residential use.

(2) According to Project Cooperation Agreement dated 23 July 2007, Tianjin Kaijin Real Estate Development Co., Ltd. (天津凱津房地產開發有限公司) had agreed to acquire the Property at a total consideration of RMB179,246,000.

(3) According to Land Use Rights Grant Contract No. 2004-111 dated 29 September 2004 and its Supplement Contract No. 1 dated 8 September 2006:

(i)	Site Area	:	19,007.90 sq.m.
(ii)	Land Use	:	Residential and public facilities
(iii)	Planned Gross Floor Area	:	32,000 sq.m. for residential 25,000 sq.m. for public facilities
(iv)	Building Covenant	:	To complete the construction before 31 December 2007
(v)	Land Premium	:	RMB120,329,348

(4) According to Construction Land Planning Permit No. (2008)0276 dated 27 August 2008, the construction site of a parcel of land with a total site area of 19,007.90 sq.m. is in compliance with the requirements of urban planning.

(5) According to Construction Work Planning Permit No. (2008)0008 dated 8 September 2008, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 71,846.40 sq.m. (including underground: 14,846.42 sq.m.).

(6) According to Construction Work Commencement Permit No. 12104021200809004 dated 26 September 2008, the construction works of the Property was in compliance with the requirement of works commencement and was permitted to be developed with a total gross floor area of approximately 71,846.40 sq.m. (public facilities: 24,999.99 sq.m. and residential: 31,999.99 sq.m.).

(7) According to the information provided by the Group, 55,460.84 sq.m. has been pre-sold at a total consideration of approximately RMB688,332,966 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB415,000,000; a construction cost of approximately RMB368,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the said expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB732,000,000.

(10) According to six Pre-sale Permits, Tianjin Kaijin Real Estate Development Co., Ltd. (天津凱津房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 55,996.49 sq.m..

(11) According to Business Licence No. 120104000003855, Tianjin Kaijin Real Estate Development Co., Ltd. (天津凱津房地產開發有限公司) was established as a limited liability company on 19 July 2007 with a registered capital of RMB210,000,000 for a valid operation period from 19 July 2007 to 18 July 2027.

(12) According to the PRC legal opinion:

(i) Tianjin Kaijin Real Estate Development Co., Ltd. (天津凱津房地產開發有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin Kaijin Real Estate Development Co., Ltd. (天津凱津房地產開發有限公司) has obtained Real Estate Title Certificate. Tianjin City Kaijin Real Estate Development Co., Ltd. (天津市凱津房地產開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;

(iii) Tianjin Kaijin Real Estate Development Co., Ltd. (天津凱津房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(iv) Tianjin Kaijin Real Estate Development Co., Ltd. (天津凱津房地產開發有限公司) has paid the forfeit for breach of contract was RMB4,539,459 as at date of valuation. In the course of our valuation, we have not taken into account the said fee; and

(v) Tianjin Kaijin Real Estate Development Co., Ltd. (天津凱津房地產開發有限公司) has the rights to operate 390 car parks of Jinfeng Building.

(13) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Real Estate Title Certificate	Yes
Project Cooperation Agreement	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i3.	Lot No. A10 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of approximately 106,940.60 sq.m.. According to the information provided by the Group, the Property will be developed into a composite building including commercial and residential development with a planned total gross floor area of approximately 323,650.00 sq.m.. The Group has the operation rights of 1,367 car parks of the Property. The land use rights of the Property have been granted for various terms. Details of the land use right, please see note (1).	The Property is currently under construction and scheduled to be completed in end 2012.	RMB978,000,000 (71.5% interest attributable to the Group: RMB699,270,000)

Notes:

(1) According to two Land Use Rights Certificates, the land use rights of the Property, comprising a site area of 106,940.60 sq.m., have been granted to Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司):

Certificate No.	Lot No.	Site Area *(sq.m.)*	Uses	Expiry Date
(2007)017	A10	89,427.70	Residential (Residential, commercial public construction, green area, water facilities)	Residential: 30 March 2076 Commercial public construction: 30 March 2046 Green area & water facilities: 30 March 2056

Certificate No.	Lot No.	Site Area (sq.m.)	Uses	Expiry Date
(2008)009	A10	17,512.90	Composite	Residential: 30 March 2076 Commercial public construction: 30 March 2046 Green area & Water facilities: 30 March 2056
	Total	**106,940.60**		

(2) According to Land Use Rights Grant Contract No. (CB)0601 and (CB)0602 and its Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	**A10**
Grantee	Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司)
Supplement Contract No.	(CB)0711
Site Area	160 mu (106,667 sq.m.)
Land Use	Composite, residential
Plot Ratio	2.65

According to the information provided by the Group, the land premium was approximately RMB38,200,000.

(3) According to Construction Land Planning Permit No. (2007)13 dated 10 September 2007, the construction site of a parcel of land with a total site area of 186.816 mu is in compliance with urban planning requirements.

Portion of site area is for the roads and other public facilities use which is not granted with Land Use Rights Certificate.

(4) According to Construction Work Planning Permit No. (2007)007 dated 20 December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 323,650.00 sq.m. (above ground: 283,900.00 sq.m. and underground: 39,750.00 sq.m.).

(5) According to Construction Work Commencement Permit No. (2010)022 dated 5 August 2010, the construction works of the Property was in compliance with the requirement of works commencement and was permitted to be developed with a total gross floor area of approximately 167,843.37 sq.m..

The Property is part of the said gross floor area.

(6) According to three Pre-sale Permits, Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 164,360 sq.m..

The Property is part of the said gross floor area.

(7) According to the information provided by the Group, 282,825.84 sq.m. has been pre-sold at a total consideration of approximately RMB1,169,948,100 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB944,000,000; a construction cost of approximately RMB841,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the said expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB1,274,000,000.

(10) According to Business Licence No. 610100400003735, Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) was established as a limited liability company on 2 July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2 July 2007 to 1 July 2037.

(11) According to the PRC legal opinion:

(i) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司), a 71.5% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has obtained Land Use Rights Certificate;

(iii) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has right to transfer, lease and pledge of the Property;

(iv) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) does not exist the risk of delay commencement and completion of the Property. As advised, Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has not been pursued the responsibilities of delay of development;

(v) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(vi) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has paid the forfeit for breach of contract was RMB22,429,400 as at date of valuation. In the course of our valuation, we have not taken into account the said fee; and

(vii) Xian Zhongxin Yongrong Real Estate Development Co., Ltd. (西安中新永榮房地產開發有限公司) has the rights to operate 1,367 car parks of the Property.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes (partly)
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i4.	Lot No. A13 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of approximately 118,077.40 sq.m.. According to the information provided by the Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 232,296 sq.m.. The Group has the operation rights of 805 car parks of the Property. The land use rights of the Property have been granted for a term due to expire on 30 March 2076 for residential use.	The Property is under construction and scheduled to be completed in end 2011.	RMB707,000,000 (71.5% interest attributable to the Group: RMB505,505,000)

Notes:

(1) According to Land Use Rights Certificate No. (2007)005 dated 25 September 2007, the land use rights of the Property, comprising a site area of 118,077.40 sq.m., have been granted to Xian Zhongxin Binhe Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) for a term due to expire on 30 March 2076 for residential use.

(2) According to Land Use Rights Grant Contract No. (CB)0601 and (CB)0602 and its Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	**A13**
Grantee	Xian Zhongxin Binhe Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司)
Supplement Contract No.	(CB)0714
Site Area	177 mu (118,000 sq.m.)
Land Use	Residential, composite
Plot Ratio	1.77

According to the information provided by the Group, the land premium was approximately RMB42,000,000.

(3) According to Construction Land Planning Permit No. (2007)16 dated 10 September 2007, the construction site of a parcel of land with a total site area of 204.674 mu is in compliance with the requirements of urban planning.

Portion of site area is for the roads and other public facilities use which is not granted with Land Use Rights Certificate.

(4) According to Construction Work Planning Permit No. (2007)008 dated 20 December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 232,296.00 sq.m. (aboveground: 209,700 sq.m. and underground: 22,596 sq.m.).

(5) According to Construction Work Commencement Permit No. (2008)020 dated 18 December 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 232,296.00 sq.m..

(6) According to six Pre-sale Permits, Xian Zhongxin Binhe Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 167,273 sq.m..

The Property is part of the said gross floor area.

(7) According to the information provided by the Group, 176,006.43 sq.m. has been pre-sold at a total consideration of approximately RMB898,408,000 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB900,000,000; a construction cost of approximately RMB474,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB1,250,000,000.

(10) According to Business Licence No. 610100400003778, Xian Zhongxin Binhe Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) was established as a limited liability company on 8 August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8 August 2007 to 7 August 2037.

(11) According to the PRC legal opinion:

(i) Xian Zhongxin Binhe Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司), a 71.5% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Zhongxin Binhe Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has fully settled the land premium and obtained Land Use Rights Certificate;

(iii) As advised, Xian Zhongxin Binhe Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has not likely been pursed the legal responsibilities of delay of commencement;

(iv) Xian Zhongxin Binhe Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(v) According to the Construction Work Planning Permit, the planned total gross floor area of the Property is 232,296 sq.m. (aboveground: 209,700 sq.m. and underground: 22,596 sq.m.); and

(vi) Xian Zhongxin Binhe Real Estate Development Co., Ltd. (西安中新濱河房地產開發有限公司) has the rights to operate 805 car parks of the Property.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i5.	Lot No. A14 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	The Property comprises a residential development under construction erected upon two parcels of land with a total site area of approximately 103,834.90 sq.m.. According to the information provided by the Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 231,500.20 sq.m.. The Group has the operation rights of 652 car parks of the Property. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).	The Property is under construction and scheduled to be completed in end 2011.	RMB702,000,000 (71.5% interest attributable to the Group: RMB501,930,000)

Notes:

(1) According to two Land Use Rights Certificates, the land use rights of the Property have been granted to Xian Zhongxin Yongjia Real Estate Development Co., Ltd. (西安中新永佳房地產開發有限公司):

Certificate No.	Lot No.	Site Area *(sq.m.)*	Uses	Expiry Date
(2007) 018	A14	63,214.60	Residential (Residential, green area)	Residential: 30 March 2076 Green area: 30 March 2056
(2008) 005	A14	40,620.30	Composite	Residential: 30 March 2076 Commercial public construction: 30 March 2046 Green area & water facilities: 30 March 2056
	Total	**103,834.90**		

(2) According to Land Use Rights Grant Contract No. (CB)0601 and (CB)0602 and its Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	**A14**
Grantee	Xian Zhongxin Yongjia Real Estate Development Co., Ltd. (西安中新永佳房地產開發有限公司)
Supplement Contract No.	(CB)0715
Site Area	157 mu (104,667 sq.m.)
Land Use	Composite, residential
Plot Ratio	2.17

According to the information provided by the Group, the land premium was approximately RMB41,100,000.

(3) According to Construction Land Planning Permit No. (2007)17 dated 10 September 2007, the construction site of a parcel of land with a total site area of 186.29 mu is in compliance with the requirements of urban planning.

Portion of site area is for the roads and other public facilities use which is not granted with Land Use Rights Certificate.

(4) According to Construction Work Planning Permit No. (2007)009 dated 20 December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 232,630.00 sq.m. (aboveground: 209,400 sq.m. and underground: 23,230 sq.m.).

The Property is part of the said gross floor area.

(5) According to Construction Work Commencement Permit No. (2008)009 dated 25 July 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 231,500.20 sq.m..

(6) According to three Pre-sale Permits, Xian Zhongxin Yongjia Real Estate Development Co., Ltd. (西安中新永佳房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 200,588 sq.m..

The Property is part of the said gross floor area.

(7) According to the information provided by the Group, 193,638.82 sq.m. has been pre-sold at a total consideration of approximately RMB887,978,872 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB886,000,000; a construction cost of approximately RMB592,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the said expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB1,141,000,000.

(10) According to Business Licence No. 610100400003743, Xian Zhongxin Yongjia Real Estate Development Co., Ltd. (西安中新永佳房地產開發有限公司) was established as a limited liability company on 8 August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8 August 2007 to 7 August 2037.

(11) According to the PRC legal opinion:

(i) Xian Zhongxin Yongjia Real Estate Development Co., Ltd. (西安中新永佳房地產開發有限公司), a 71.5% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Zhongxin Yongjia Real Estate Development Co., Ltd. (西安中新永佳房地產開發有限公司) has fully settled the land premium and obtained Land Use Rights Certificate;

(iii) As advised, Xian Zhongxin Yongjia Real Estate Development Co., Ltd. (西安中新永佳房地產開發有限公司) has not likely been pursed the legal responsibilities of delay of commencement;

(iv) Xian Zhongxin Yongjia Real Estate Development Co., Ltd. (西安中新永佳房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(v) According to the Construction Work Planning Permit, the planned total gross floor area of the Property is 232,630 sq.m. (aboveground: 209,400 sq.m. and underground: 23,230 sq.m.);

(vi) Xian Zhongxin Yongjia Real Estate Development Co., Ltd. (西安中新永佳房地產開發有限公司) has paid the forfeit for breach of contract was RMB597,200 as at day of valuation. In the course of our valuation, we have not taken into account the said fee; and

(vii) Xian Zhongxin Yongjia Real Estate Development Co., Ltd. (西安中新永佳房地產開發有限公司) has the rights to operate 652 car parks of the Property.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i6.	Lot No. A15 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of 92,119.40 sq.m.. According to the information provided by the Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 249,818.00 sq.m.. The Group has the operation rights of 453 car parks of the Property. The land use rights of the Property have been granted for various terms. Details of the land use rights, please see note (1).	The Property is under construction and scheduled to be completed in end 2011.	RMB727,000,000 (71.5% interest attributable to the Group: RMB519,805,000)

Notes:

(1) According to two Land Use Rights Certificates, the land use rights of the Property have been granted to Xian Zhongxin Jiayuan Real Estate Development Co., Ltd. (西安中新佳園房地產開發有限公司):

Certificate No.	Lot No.	Site Area *(sq.m.)*	Uses	Expiry Date
(2007) 019	A15	50,930.80	Residential (Residential, green area)	Residential: 30 March 2076 Green area: 30 March 2056
(2008) 008	A15	41,188.60	Composite	Residential: 30 March 2076 Commercial Public Construction: 30 March 2046 Green area & water facilities: 30 March 2056
	Total	**92,119.40**		

(2) According to Land Use Rights Grant Contract No. (CB)0601 and (CB)0602 and its Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	**A15**
Grantee	Xian Zhongxin Jiayuan Real Estate Development Co., Ltd. (西安中新佳園房地產開發有限公司)
Supplement Contract No.	(CB)0716
Site Area	138 mu (92,000 sq.m.)
Land Use	Composite
Plot Ratio	2.11

According to the information provided by the Group, the land premium was approximately RMB36,900,000.

(3) According to Construction Land Planning Permit No. (2007)18 dated 10 September 2007, the construction site of a parcel of land with a total site area of 161.269 mu is in compliance with the requirements of urban planning.

Portion of site area is for the roads and other public facilities use which is not granted with Land Use Rights Certificate.

(4) According to Construction Work Planning Permit No. (2007)010 dated 20 December 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 249,818.00 sq.m. (aboveground: 225,600 sq.m. and underground: 24,218.00 sq.m.).

(5) According to Construction Work Commencement Permit No. (2010)024 dated 5 August 2010, the construction works of part of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 129,818 sq.m..

(6) According to five Pre-sale Permits, Xian Zhongxin Jiayuan Real Estate Development Co., Ltd. (西安中新佳園房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 170,697 sq.m..

(7) According to the information provided by the Group, 226,230.01 sq.m. has been pre-sold at a total consideration of approximately RMB950,513,600 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB720,000,000; a construction cost of approximately RMB598,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the said expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB1,008,000,000.

(10) According to Business Licence No. 610100400003727, Xian Zhongxin Jiayuan Real Estate Development Co., Ltd. (西安中新佳園房地產開發有限公司) was established as a limited liability company on 8 August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8 August 2007 to 7 August 2037.

(11) According to the PRC legal opinion:

(i) Xian Zhongxin Jiayuan Real Estate Development Co., Ltd. (西安中新佳園房地產開發有限公司), a 71.5% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Zhongxin Jiayuan Real Estate Development Co., Ltd. (西安中新佳園房地產開發有限公司) has obtained Land Use Rights Certificate;

(iii) Xian Zhongxin Jiayuan Real Estate Development Co., Ltd. (西安中新佳園房地產開發有限公司) has right to transfer, lease and pledge of the Property;

(iv) Xian Zhongxin Jiayuan Real Estate Development Co., Ltd. (西安中新佳園房地產開發有限公司) does not exist the risk of delay commencement and completion of the Property. As advised, Xian Zhongxin Jiayuan Real Estate Development Co., Ltd. (西安中新佳園房地產開發有限公司) has not been pursued the responsibilities of delay of development;

(v) Xian Zhongxin Jiayuan Real Estate Development Co., Ltd. (西安中新佳園房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(vi) According to the Construction Work Planning Permit, the planned total gross floor area of the Property is 249,818 sq.m. (aboveground: 225,600 sq.m. and underground: 24,218 sq.m.);

(vii) Xian Zhongxin Jiayuan Real Estate Development Co., Ltd. (西安中新佳園房地產開發有限公司) has paid the forfeit for breach of contract was RMB10,049,400 as at day of valuation. In the course of our valuation, we have not taken into account the said fee; and

(viii) Xian Zhongxin Jiayuan Real Estate Development Co., Ltd. (西安中新住園房地產開發有限公司) has the rights to operate 453 car parks of the Property.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes (partly)
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i7.	Lot No. A11 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of 234,132.90 sq.m.. According to the information provided by the Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 353,664 sq.m.. The Group has the operation rights of 1,533 car parks of the Property. The land use rights of the Property have been granted for a term due to expire on 30 March 2076 for residential and 30 March 2056 for public facilities, green area & water facilities uses.	The Property is under construction and scheduled to be completed in 2012.	RMB856,000,000 (71.5% interest attributable to the Group: RMB612,040,000)

Notes:

(1) According to Land Use Rights Certificate No. (2007)011 dated 21 September 2007, the land use rights of the Property, comprising a site area of 234,132.90 sq.m., have been granted to Xian Zhongxin Rongjing Real Estate Development Co., Ltd. (西安中新榮景房地產開發有限公司) for a term due to expire on 30 March 2076 for residential and 30 March 2056 for green area & water facilities uses.

(2) According to Land Use Rights Grant Contract No. (CB)0601 and (CB)0602 and its Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	**A11**
Grantee	Xian Zhongxin Rongjing Real Estate Development Co., Ltd. (西安中新榮景房地產開發有限公司)
Supplement Contract No.	(CB)0712
Site Area	352 mu (234,667 sq.m.)
Land Use	Residential, composite
Plot Ratio	1.21

According to the information provided by the Group, the land premium was approximately RMB83,313,000.

(3) According to Construction Land Planning Permit No. (2007)14 dated 10 September 2007, the construction site of a parcel of land with a total site area of 383.769 mu is in compliance with the requirements of urban planning requirements.

Portion of site area is for the roads and other public facilities use which is not granted with Land Use Rights Certificate.

(4) According to Construction Work Planning Permit Nos. (2010)001 and (2010)002 dated 6 January 2010 and 8 January 2010 respectively, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 353,664 sq.m..

(5) According to two Construction Work Commencement Permits Nos. (2010)008 and (2010)009 all dated 12 April 2010, the construction works of part of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 342,183 sq.m..

(6) According to Pre-sale Permit, Xian Zhongxin Rongjing Real Estate Development Co., Ltd. (西安中新榮景房地產開發有限公司) was permitted to pre-sale part of the Property with a total gross floor area of 37,728 sq.m..

The Property is part of the said gross floor area.

(7) According to the information provided by the Group, 38,672.84 sq.m. has been pre-sold at a total consideration of approximately RMB324,550,400 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB1,269,000,000; a construction cost of approximately RMB478,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB2,489,000,000.

(10) According to Business Licence No. 610100400003809, Xian Zhongxin Rongjing Real Estate Development Co., Ltd. (西安中新榮景房地產開發有限公司) was established as a limited liability company on 2 July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2 July 2007 to 1 July 2037.

(11) According to the PRC legal opinion:

(i) Xian Zhongxin Rongjing Real Estate Development Co., Ltd. (西安中新榮景房地產開發有限公司), a 71.5% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law. Real Estate Development Enterprise Qualification Certificate of Xian Zhongxin Rongjing Real Estate Development Co., Ltd. (西安中新榮景房地產開發有限公司) has expired, Xian Zhongxin Rongjing Real Estate Development Co., Ltd. (西安中新榮景房地產開發有限公司) has submitted application to update the Real Estate Development Enterprise Qualification Certificate;

(ii) Xian Zhongxin Rongjing Real Estate Development Co., Ltd. (西安中新榮景房地產開發有限公司) has fully settled the land premium and obtained Land Use Right Certificate;

(iii) Xian Zhongxin Rongjing Real Estate Development Co., Ltd. (西安中新榮景房地產開發有限公司) does not exist the risk of delay commencement and completion of the Property. As advised, Xian Zhongxin Rongjing Real Estate Development Co., Ltd. (西安中新榮景房地產開發有限公司) has not been pursued the responsibilities of delay of development;

(iv) Xian Zhongxin Rongjing Real Estate Development Co., Ltd. (西安中新榮景房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(v) The Property is pledged to a bank. The transfer or further pledging of the Property is subject to the consent from the bank;

(vi) According to the Construction Work Planning Permit, the planned total gross floor area of the Property is 353,664 sq.m.; and

(vii) Xian Zhongxin Rongjing Real Estate Development Co., Ltd. (西安中新榮景房地產開發有限公司) has the rights to operate 1,533 car parks of the Property.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i8.	District D and E (Block 8, 10, 12, 14, 16 and club house) of Phase 1, Forest Garden, No. 140, Guoliang North Road, Gaotang Ling Town, Wangcheng District, Changsha, Hunan Province, the PRC	The Property comprises a residential development under construction erected upon a parcel of land with a total site area of approximately 150,448.17 sq.m. (the said site area including District B, C, D and E). According to the information provided by the Group, the Property will be developed into various blocks of residential building and villa with a planned total gross floor area of approximately 50,870.25 sq.m.. The land use rights of the Property have been granted for a term due to expire on 27 November 2076 for residential use.	The Property is under construction and scheduled to be completed in end of 2011 and 2012.	RMB175,000,000 (67% interest attributable to the Group: RMB117,250,000)

Notes:

(1) According to Land Use Rights Certificate No. (2007)006 dated 10 January 2007, the land use rights of the Property, comprising a total site area of 150,448.17 sq.m., have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for a term due to expire on 27 November 2076 for residential use. As advised, the said Land Use Rights Certificate No. (2007)006 is included District B, C, D and E.

(2) According to Land Use Rights Grant Contract dated 27 November 2006:

(i)	Grantee	:	Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司)
(ii)	Site Area	:	150,448 sq.m.
(iii)	Land Use	:	Residential
(iv)	Plot Ratio	:	1.5
(v)	Land Premium	:	RMB7,612,269
(vi)	Land Use Term	:	70 years for residential

(3) According to Construction Land Planning Permit No. 200701004 dated 25 January 2007, the construction site of land (Phase 1) with a total site area of 456.318 mu (304,212 sq.m.) is in compliance with urban planning requirements.

(4) According to Construction Work Planning Permit No. 200710091 dated 16 October 2007, the construction works of District B, C, D and E of Forest Garden was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 194,377.80 sq.m..

According to Construction Work Planning Permit No. 201101001-1 dated 6 January 2011, the construction works of District E (Block 8, 10, 12, 14 and 16) of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 20,959.77 sq.m..

The Property is part of the said gross floor area.

(5) According to Construction Work Commencement Permit No. 430109201101280201 dated 28 January 2011, the construction works of District D of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 32,953.14 sq.m..

According to Construction Work Commencement Permit No. 430109201103310801 dated 31 March 2011, the construction works of District E (Block 8, 10, 12, 14 and 16) of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 20,959.77 sq.m..

The Property is part of the said gross floor area.

(6) According to thirty-five Pre-sale Permits, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was permitted to pre-sale the Property with a total planned gross floor area of 50,870.25 sq.m., which are included District D and E (Block 8, 10, 12, 14 and 16).

(7) According to the information provided by the Group, 19,702.93 sq.m. has been pre-sold at a total consideration of approximately RMB73,118,250 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB79,000,000; a construction cost of approximately RMB64,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB232,000,000.

(10) According to Business Licence No. 430122000003429, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was established as a limited liability company on 14 September 2005 with a registered capital of RMB30,000,000 for a valid operation period of 30 years from 14 September 2005 to 14 September 2035.

(11) According to the PRC legal opinion:

(i) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司), a 67% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has fully settled all land premium of the Property and has obtained Land Use Rights Certificate;

(iii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has right to use, lease, transfer and pledge the land use right of the Property;

(iv) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit;

(v) The Property is not subject to any pledge; and

(vi) Hunan Qianshuiwan Xiangya Hot Spring Gardan Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has paid the forfeit for breach of contract was RMB854,446.35. In the course of our valuation, we have not taken into account the said fee.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes (partly)
Construction Work Commencement Permit	Yes (partly)
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i9.	Phase 1 of Park Avenue, No. 66, Qingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province, the PRC	The Property comprises a composite development under construction erected upon a parcel of land with a total site area of approximately 79,013.33 sq.m.. According to the information provided by the Group, the Property will be developed into various blocks of residential and commercial buildings with a planned total gross floor area of approximately 304,715.55 sq.m.. The Group has the operation rights of 1,294 mechanical car parks of the Property. The land use rights of the Property have been granted for a term due to expire on 17 December 2076 for residential and 17 December 2046 for commercial uses.	The Property is under construction and scheduled to be completed in end of 2012.	RMB831,000,000 (100% interest attributable to the Group: RMB831,000,000)

Notes:

(1) According to Land Use Rights Certificate No. (2007)243 dated 16 February 2007, the land use rights of the Property, comprising a total site area of 79,013.33 sq.m., have been vested in Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) for a term due to expire on 17 December 2076 for residential and due to expire on 17 December 2046 for commercial uses.

(2) According to Land Use Rights Grant Contract No. (2007)21 dated 18 December 2006 and its Supplements dated 2 March 2007:

(i)	Grantee	:	Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司)
(ii)	Site Area	:	79,013.33 sq.m.
(iii)	Land Use	:	Commercial and residential
(iv)	Plot Ratio	:	Not less than 2.2
(v)	Land Premium	:	RMB270,225,600
(vi)	Land Use Term	:	40 years for commercial and 70 years for residential

(3) According to Construction Land Planning Permit No. (2007)011 dated 14 March 2007, the construction sites of land with a site area of 118.52 mu (79,013 sq.m.) are in compliance with urban planning requirements.

(4) According to two Construction Work Planning Permits, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with the development scheme:

Permit No.	**Planned Gross Floor Area** *(sq.m.)*	**Issuing Date**
(2007)035	143,023.46	4 September 2007
510115200830007	161,692.09 (aboveground: 135,161.93 sq.m. underground: 26,530.16 sq.m.)	3 March 2008
Total	**304,715.55**	

(5) According to three Construction Work Commencement Permits:

Permit No.	**Planned Gross Floor Area** *(sq.m.)*	**Issuing Date**
510123200912160101	143,023.46	16 December 2009
510123201101140201	108,758.49	14 January 2011
510123201101140101	52,933.6	14 January 2011
Total	**304,715.55**	

(6) According to nine Pre-sale Permits, Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) was permitted to pre-sale the Property with a total planned gross floor area of 217,245.25 sq.m..

The Property is part of the said gross floor area.

(7) According to the information provided by the Group, 200,821.53 sq.m. has been pre-sold at a total consideration of approximately RMB891,723,598 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB941,000,000; a construction cost of approximately RMB622,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB1,304,000,000.

(10) According to Business Licence No. 510100400014692, Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) was established as a limited liability company on 30 January 2007 with a registered capital of RMB200,000,000 for a valid operation period from 30 January 2007 to 29 January 2027.

(11) According to the PRC legal opinion:

(i) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) has fully settled all the land premium and obtained Land Use Rights Certificate;

(iii) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(v) According to the Construction Work Planning Permit, the planned total gross floor area of the Property is 304,715.55 sq.m.;

(vi) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) has paid the forfeit for breach of contract was RMB2,720,000 as at date of valuation. In the course of our valuation, we have not taken into account the said fee; and

(vii) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) has the rights to operate 1,294 mechanical car parks of the Property.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i10.	Building No. 9 of Phase 2 Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai, the PRC	Phase 2 of Jiujiu Youth City comprises a composite development under construction erected upon a parcel of land with a total site area of approximately 41,162.00 sq.m.. According to the information provided by the Group, the Property will be developed into a composite development with a planned total gross floor area of approximately 20,868.44 sq.m.. The land use rights of the Property have been granted for a term from 9 July 2005 to 8 July 2055 for composite (commercial, office and hotel-type apartment) uses.	The Property is currently under construction and scheduled to be completed in end 2011.	RMB288,000,000 (100% interest attributable to the Group: RMB288,000,000)

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2007)032278 dated 26 October 2007, the land use rights of the Property, comprising a site area of 41,162.00 sq.m., have been vested in Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) for a term from 9 July 2005 to 8 July 2055 for composite (commercial, office and hotel-type apartment) uses.

(2) According to Land Use Rights Grant Contract No. (2005)122 and its Ancillary Facilities Contract No. (2005)007 both dated 9 May 2005:

(i)	Grantee	:	Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司)
(ii)	Site Area	:	57,944 sq.m.
(iii)	Land Use	:	Composite (commercial, office and hotel-type apartment)
(iv)	Land Use Term	:	50 years
(v)	Land Grant Premium	:	RMB73,749,000
(vi)	Demolishment and Resettlement Fee	:	RMB172,081,000
(vii)	Plot Ratio	:	Not greater than 2.8

(3) According to Construction Land Planning Permit No. (2006)17060707E01192 dated 7 July 2006, the construction land of Youth Plaza was in compliance with the requirement of urban planning and was permitted to be developed with a total site area of approximately 57,944 sq.m..

(4) According to Construction Work Planning Permit No. (2007)17070917F02610 dated 17 September 2007, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 172,460 sq.m..

The Property is part of the said gross floor area.

(5) According to Construction Work Commencement Permit No. 0601SJ0015D02 dated 26 October 2007, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 172,460 sq.m..

The Property is part of the said gross floor area.

(6) According to Pre-sale Permit Nos. (2010)0000755 dated 4 January 2011, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 20,868.44 sq.m..

(7) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB146,000,000; a construction cost of approximately RMB128,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the said expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB360,000,000.

(9) According to the information provided by the Group, 909.46 sq.m. has been pre-sold at a total consideration of approximately RMB18,869,965 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(10) According to Business Licence No. 310227000954132, Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) was established as a limited liability company on 30 September 2003 with a registered Market of RMB226,160,000 for a valid operation period from 30 September 2003 to 29 September 2013.

(11) According to the PRC legal opinion:

(i) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has fully settled all the land premium of the Property and obtained Shanghai Certificate of Real Estate Ownership;

(iii) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;

(iv) Shanghai Jiu Jiu Plaza Investment and Development Co., Ltd. (上海九久廣場投資開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified; and

(v) The Property is pledged to a bank. The transfer or further pledging of the Property is subject to the consent from the bank.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Shanghai Certificate of Real Estate Ownership	Yes (land only)
Land Use Rights Grant Contract and its Ancillary Facilities Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i11.	Lot No. A4 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	The Property comprises a composite residential/commercial development under construction erected upon a parcel of land with a site area of approximately 113,551.70 sq.m.. According to the information provided by the Group, the Property will be developed into a composite residential/commercial development with a planned total gross floor area of approximately 212,296.00 sq.m.. The Group has the operation rights of 969 car parks of the Property. The land use rights of the Property have been granted for a term due to expire on 30 March 2076 for residential use.	The Property is currently under construction and scheduled to be completed in 2012.	RMB601,000,000 (71.5% interest attributable to the Group: RMB429,715,000)

Notes:

(1) According to Land Use Rights Certificate No. (2007)009, the land use rights of the Property, comprising a site area of approximately 113,551.70 sq.m., have been granted to Xian Zhongxin Liuyu Real Estate Development Co., Ltd. (西安中新柳域房地產開發有限公司) for a term due to expire on 30 March 2076 for residential use.

(2) According to Land Use Rights Grant Contract No. (CB)0601 and (CB)0602 and its Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	**A4**
Grantee	Xian Zhongxin Liuyu Real Estate Development Co., Ltd. (西安中新柳域房地產開發有限公司)
Supplement Contract No.	(CB)0710
Site Area	57 mu (38,000 sq.m.)
Land Use	Residential, composite
Plot Ratio	1.62

According to the information provided by the Group, the land premium was approximately RMB60,900,000.

(3) According to Construction Land Planning Permit No. (2007)12 dated 10 September 2007, the construction site of a parcel of land of 197.866 mu (131,911 sq.m.) is in compliance with urban planning requirements.

(4) According to Construction Work Planning Permit No. (2009)019 dated 20 August 2009, the construction works of Lot No. A4 was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 212,296 sq.m..

(5) According to Construction Work Commencement Permit No. (2009)032 dated 27 October 2009, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 188,000 sq.m..

The Property is part of the said gross floor area.

(6) According to four Pre-sale Permits, Xian Zhongxin Liuyu Real Estate Development Co., Ltd. (西安中新柳域房地產開發有限公司) was permitted to pre-sale the Property with a total gross floor area of 186,655 sq.m..

The Property is part of the said gross floor area.

(7) According to the information provided by the Group, 177,396.55 sq.m. has been pre-sold at a total consideration of approximately RMB954,378,700 as at 31 July 2011. In the course of our valuation, we have taken into account the said pre-sold consideration.

(8) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB712,000,000; a construction cost of approximately RMB432,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the said expended construction cost.

(9) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB1,102,000,000.

(10) According to Business Licence No. 610100400003786, Xian Zhongxin Liuyu Real Estate Development Co., Ltd. (西安中新柳域房地產開發有限公司) was established as a limited liability company on 2 July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2 July 2007 to 1 July 2037.

(11) According to the PRC legal opinion:

(i) Xian Zhongxin Liuyu Real Estate Development Co., Ltd. (西安中新柳域房地產開發有限公司), a 71.5% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law. Real Estate Development Enterprise Qualification Certificate of Xian Zhongxin Liuyu Real Estate Development Co., Ltd. (西安中新柳域房地產開發有限公司) has expired, Xian Zhongxin Liuyu Real Estate Development Co., Ltd. (西安中新柳域房地產開發有限公司) has submitted application to update the Real Estate Development Enterprise Qualification Certificate;

(ii) Xian Zhongxin Liuyu Real Estate Development Co., Ltd. (西安中新柳域房地產開發有限公司) has fully settled the land premium and obtained Land Use Rights Certificate;

(iii) Xian Zhongxin Liuyu Real Estate Development Co., Ltd. (西安中新柳域房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Pre-sale Permit. The permits have not been revoked or modified;

(iv) Xian Zhongxin Liuyu Real Estate Development Co., Ltd. (西安中新柳域房地產開發有限公司) does not exist the risk of delay commencement and completion of the Property;

(v) According to the Construction Work Planning Permit, the planned total gross floor area of the Property is 212,296 sq.m.; and

(vi) Xian Zhongxin Liuyu Real Estate Development Co., Ltd. (西安中新柳域房地產開發有限公司) has the rights to operate 969 car parks of the Property.

(12) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Pre-sale Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i12.	Lot No. 2 of Laochengxiang, Lao Cheng Xiang Area, Nankai District, Tianjin, the PRC	The Property comprises a commercial development under construction erected upon a parcel of land with a total site area of approximately 27,552.10 sq.m.. According to the information provided by the Group, the Property will developed into a commercial development with a planned total gross floor area of approximately 46,502.00 sq.m.. The land use rights of the Property have been granted for a term due to expire on 17 April 2048 for commercial use.	The Property is under construction and scheduled to be completed in end 2012.	RMB386,000,000 (100% interest attributable to the Group: RMB386,000,000)

Notes:

(1) According to Real Estate Title Certificate No. 104050800066, the land use rights of the Property, comprising a total site area of 27,552.10 sq.m., have been vested in Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) for a term due to expire on 17 April 2048 for commercial use. The Property should commence construction before 30 December 2004 and to complete construction before 30 December 2009. This Certificate is valid till 30 March 2010. As advised, application of extension of Real Estate Title Certificate is being applied.

(2) According to Land Use Rights Grant Contract No. 2004-024 dated 6 September 2004 and its Supplement Contract for Lot No. 2 dated 22 July 2005:

(i)	Grantee	:	Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司)
(ii)	Site Area	:	77,155.9 sq.m. (As advised, 27,552.10 sq.m. to be developed by the Grantee for commercial use)
(iii)	Land Use	:	Commercial and public services facilities
(iv)	Planned Gross Floor Area	:	Not more than 72,400 sq.m. (39,600 sq.m. for public services facilities use; 32,800 sq.m. for commercial use)

According to the information provided by the Group, the land premium was approximately RMB218,000,000.

(3) According to Construction Land Planning Permit No. (2008)0240 dated 6 June 2008, the construction site of a parcel of land with a total site area of 27,552.10 sq.m. is in compliance with urban planning requirement.

(4) According to Construction Work Planning Permit No. (2008)0027 dated 22 August 2008, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a gross floor area of approximately 32,800 sq.m. (underground gross floor area of 13,702 sq.m.).

The Property is part of the said gross floor area.

(5) According to Construction Work Commencement Permit No. 12104071200809003 dated 26 September 2008, the construction works of the Property was in compliance with the requirement of work commencement and was permitted to be developed with a total gross floor area of approximately 46,502 sq.m. (public facilities: 32,800 sq.m. and underground: 13,702 sq.m.).

(6) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB197,000,000; a construction cost of approximately RMB23,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(7) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB875,000,000.

(8) According to Business Licence No. 120000400021876, Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) was established as a limited liability company with a registered capital of HKD100,000,000 for a valid operation period from 9 December 2004 to 8 December 2024.

(9) According to the PRC legal opinion:

(i) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Grant Contract;

(iii) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has right to use, lease, transfer and pledge of the Property;

(iv) Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit and Real Estate Title Certificate;

(v) According to the Construction Work Planning Permit, the planned total gross floor area of the Property is 32,800 sq.m. (underground 13,702 sq.m.);

(vi) According to Construction Work Commencement Permit, the Property should commence construction on 26 September 2008 and Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) has not applied the Permits for extension. The Construction Work Commencement Permit had lapsed on 25 December 2008;

(vii) The Property is not subject to any pledge; and

(viii) According to Real Estate Title Certificate, the Property should commence construction before 30 December 2004 and to complete construction before 30 December 2009. This Certificate is valid till 30 March 2010. Application of extension of Real Estate Title Certificate is being applied, therefore, Tianjin Zhongxin Binhai Real Estate Development Co., Ltd. (天津中新濱海房地產開發有限公司) will not lose the land use rights of the Property. There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government.

(10) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Real Estate Title Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes**
Business Licence	Yes

** *Lapsed. Our valuation is prepared on the basis that such extension will be approved in due course.*

VALUATION CERTIFICATE

Group IX – Properties held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
i13.	Hotel portion of Lot No. B2, Phase 1 of Top City, No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	The Property comprises a hotel/office development under construction erected upon a parcel of land with a site area of approximately 61,397.70 sq.m.. According to the information provided by the Group, the Property will be developed into a hotel/office development with a planned total gross floor area of approximately 44,395.51 sq.m.. The land use rights of the Property have been granted for various terms due to expire in February 2054 for residential use and February 2044 commercial use.	The Property is under construction and scheduled to be completed in 2012.	RMB540,000,000 (100% interest attributable to the Group: RMB540,000,000)

Notes:

(1) According to Land Use Rights Certificate No. 114-2008-046897, the land use rights of the Property, with a total site area of approximately 61,397.70 sq.m., have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) for a term due to expire in February 2044 for commercial use and February 2054 for residential use.

(2) According to Land Use Rights Grant Contract No. 203 dated 24 October 2008:

(i)	Grantee	:	Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司)
(ii)	Site Area	:	144,433.2 sq.m.
(iii)	Land Use	:	Commercial and residential
(iv)	Land Premium	:	RMB240,349,420,000
(v)	Land Use Term	:	40 years for commercial use and 50 years for residential use

(3) According to Construction Land Planning Permit No. 0027 dated 17 September 2004, the construction site of a parcel of land with a total site area of 77,854.8 sq.m. is in compliance with urban planning requirements.

(4) According to Construction Work Planning Permit No. 0015 dated 30 April 2005, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed with a total gross floor area of approximately 616,026.16 sq.m..

The Property is part of the said gross floor area.

(5) According to Construction Work Commencement Permit No. 510202200508160201 dated 16 August 2005, the construction works of the Property was in compliance with the requirement of works commencement and was permitted to be developed with a total gross floor area of approximately 616,026.16 sq.m..

The Property is part of the said gross floor area.

(6) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB590,000,000; a construction cost of approximately RMB531,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the said expended construction cost.

(7) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB613,000,000.

(8) According to Business Licence No. 500901000052947, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28 May 2003 to 28 May 2023.

(9) According to the PRC legal opinion:

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Certificate;

(iii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has right to use, lease, transfer and pledge the land use right of the Property;

(iv) Level 29 to 42 of building no. 5 of Lot No. B2 is pledged to a bank. The transfer or further pledging is subject to the consent from the bank; and

(v) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Construction Land Planning Permit, Construction Work Planning Permit and Construction Work Commencement Permit. The permits have not been revoked or modified.

(10) The status of the title and grant of major approvals and licence in accordance with the information provided by SIUD Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
j1.	Phase 3 of West Diaoyutai, Lot No. 1, 2, West Diaoyutai Village, Haidian District, Beijing, the PRC	West Diaoyutai is a large-scale composite residential/retail development erected upon two parcels of land Lot No. 1, 2 with a total site area of approximately 42,541.05 sq.m.. The Property comprises Phase 3 of West Diaoyutai to be erected upon portion of Lot No. 2, the total site area of Lot No. 2 is of approximately 27,088.24 sq.m.. According to the information provided by the Group, the Property will be developed into a composite residential/retail development with a planned total gross floor area of approximately 49,345.44 sq.m.. The land use rights of the Property have been granted for various terms due to expire on 18 February 2074 for residential, 18 February 2044 for ancillary facilities and 18 February 2054 for car park uses.	The Property is currently vacant pending development.	RMB773,000,000 (90% interest attributable to the Group: RMB695,700,000)

Notes:

(1) According to Land Use Rights Certificate No. (2005)3487 dated 29 September 2005, the land use rights of the Lot No. 2, comprising a total site area of approximately 27,088.24 sq.m., have been granted to Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限公司) for various terms due to expire on 18 February 2074 for residential, 18 February 2044 for ancillary facilities and 18 February 2054 for car park uses.

(2) According to Land Use Rights Grant Contract No. (2004)173 dated 19 February 2004:

(i)	Grantee	:	Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限公司)
(ii)	Site Area	:	27,088.24 sq.m.
(iii)	Land Use	:	Commercial service uses
(iv)	Planned Gross Floor Area	:	146,996 sq.m. (97,650.56 sq.m. for Phase 2; 49,345.44 sq.m. for Phase 3)

(3) According to Business Licence No. 110108006064387 dated 15 August 2003, Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限公司) was established as a limited liability company with a registered capital of RMB20,000,000 for a valid operation period from 15 August 2003 to 14 August 2023.

(4) According to the PRC legal opinion:

(i) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限公司), a 90% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限公司) has fully settled the land premium and obtained Land Use Rights Certificate;

(iii) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Beijing Yu Shui Yuan Properties Development Co., Ltd. (北京市御水苑房地產開發有限公司) has obtained Construction Land Planning Permit;

(v) There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government; and

(vi) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
j2.	Yanjiao, East of Yingbin South Road, Yanjiao Economic Technology Development Zone, Hebei Province, the PRC	The Property comprises a parcel of land with a site area of approximately 333,333 sq.m.. According to the information provided by the Group, the Property will be developed into a composite development including commercial, residential, office, hotel, exhibition centre and ancillary facilities with a planned total gross floor area of approximately 666,600 sq.m.. The land use rights of the Property have been granted for a term due to expire on 21 June 2056 for composite use.	The Property is currently vacant pending development.	RMB670,000,000 (100% interest attributable to the Group: RMB670,000,000)

Note:

(1) According to Land Use Rights Certificate No. (2006) 024 dated 28 June 2006, the land use rights of the Property, comprising a site area of approximately 333,333 sq.m., have been granted to Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) for a term due to expire on 21 June 2056 for composite use.

(2) According to Land Use Rights Grant Contract dated 31 March 2006:

(i)	Grantee	:	Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司)
(ii)	Site Area	:	333,333 sq.m.
(iii)	Land Use	:	Composite
(iv)	Plot Ratio	:	Greater than or equal to 1.3
(v)	Land Premium	:	RMB76,000,000
(vi)	Land Use Term	:	50 years
(vii)	Building Covenant	:	Commence construction before end of October 2006 and complete construction before end of Year 2008

(3) According to Business Licence No. 131082400000363, Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) was established as a limited liability company with a registered capital of RMB100,000,000 for a valid operation period from 7 April 2006 to 6 April 2026.

(4) According to the PRC legal opinion:

(i) Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Certificate;

(iii) Zhong Ou Cheng Kai Co., Ltd. (中歐城開有限公司) has right to use, transfer, lease and pledge the land use rights of the Property;

(iv) There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government; and

(v) The Property is not subject to any pledge.

(5) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
j3.	The commercial portion of Lot No. 15 of Laochengxiang, Lao Cheng Xiang Area, Nankai District, Tianjin, the PRC	Lot No. 15 of Laochengxiang is planned as a composite residential/commercial development to be erected upon a parcel of land with a site area of approximately 38,295.10 sq.m.. The Property comprises the commercial portion of Lot No. 15 of Laochengxiang. According to the information provided by the Group, the Property will be developed into commercial development with a planned total gross floor area of approximately 30,000.00 sq.m. above ground. The land use rights of the Property have been granted for a term due to expire on 22 August 2075 for residential and ancillary facilities and 22 August 2045 for commercial uses.	The Property is currently vacant pending development.	RMB321,000,000 (100% interest attributable to the Group RMB321,000,000)

Notes:

(1) According to Land Use Rights Certificate No. (2006)005 dated 23 January 2006, the land use rights of a parcel of land with a site area of approximately 38,295.10 sq.m. have been granted to Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) for a term due to expire on 22 August 2075 for residential and ancillary facilities and 22 August 2045 for commercial uses. (Heyuan Xinju Blocks 1 to 6 with basement car park erected upon a land has been registered separately on 28 July 2008.)

(2) According to Land Use Rights Grant Contract and its Supplement Contract for Lot No. 15 of Laochengxiang dated 22 July 2005:

(i)	Grantee	:	Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司)
(ii)	Site Area	:	38,295.10 sq.m.
(iii)	Land Use	:	Residential and commercial service
(iv)	Planned Gross Floor Area	:	Not more than 107,744 sq.m. (in which 77,744 sq.m. for residential and ancillary public facilities, 30,000 sq.m. for commercial)
(v)	Land Premium	:	RMB264,135,812

(3) According to Construction Land Planning Permit No. (2005)0130 dated 20 September 2005, the construction site of a parcel of land with a total site area of 38,295.10 sq.m. is in compliance with urban planning requirement.

(4) According to Business Licence No. 120000400084090, Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) was established as a limited liability company with a registered capital of RMB120,000,000 for a valid operation period from 3 June 2005 to 2 June 2025.

(5) According to the PRC legal opinion:

(i) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Certificate;

(iii) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) has right to transfer, lease and pledge the land use rights of the Property;

(iv) Tianjin Zhongxin Jiaye Real Estate Development Co., Ltd. (天津中新嘉業房地產開發有限公司) has obtained Construction Land Planning Permit. The permit has not been revoked or modified; and

(v) There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
j4.	Beichen, Yixingfu Old Village, Beichen District, Tianjin, the PRC	The Property comprises a parcel of land with a site area of approximately 1,115,476.40 sq.m.. According to the information provided by the Group, the Property will be developed into a composite residential/commercial development with a planned total gross floor area of approximately 2,042,750 sq.m. (Please see note (5) below). The land use rights of the Property are agreed to be granted for a term of 70 year for residential, 50 years for office and 40 years for commercial use.	There is some old bungalows erected upon the site which is under demolition.	RMB1,317,000,000 (40% interest attributable to the Group: RMB526,800,000)

Notes:

(1) According to Land Use Rights Grant Contract No. 2004-063 dated 18 October 2004 and its Supplement Contracts dated 14 November 2007:

(i)	Grantee	:	Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司)
(ii)	Site Area	:	1,115,476.40 sq.m. (in which 1,007,008 sq.m. for residential, 73,347.50 sq.m. for office and 35,120.90 sq.m. for commercial)
(iii)	Land Use	:	Residential, commercial and office
(iv)	Planned Gross Floor Area	:	2,042,750 sq.m. (in which 1,664,810 sq.m. for residential and 377,940 sq.m. for commercial and office)
(v)	Land Premium	:	RMB1,228,115,902
(vi)	Building covenant	:	To commence construction within 1 year and to complete construction within 6 years.

(2) According to Construction Land Planning Permit No. (2005)0004 dated 6 January 2005, the construction site of a parcel of land with site area of 1,115,476.40 sq.m. is in compliance with urban planning requirement.

(3) According to Housing Demolition and Relocation Entrust Contract (房屋拆遷委托合同) in April 2007 and Housing Demolition Certificate No. (2007) 130 dated 28 April 2007, Tianjin Chenyuan Property Management Co., Ltd. (天津辰原房地產管理有限公司) was appointed to carry out the demolition and resettlement works:

(i)	Total Demolition Floor Area	:	1,110,000 sq.m. (in which 810,00 sq.m. for residential use and 300,000 sq.m. for non-residential use)
(ii)	Demolition and Resettlement Fee	:	RMB4,391,785,512
(iii)	Handing Over Cleared Site	:	On 30 July 2007

(4) According to the information provided by the Group, the expended demolition and resettlement fee was RMB409,200,000 while the outstanding resettlement fee to be expended as at the date of valuation was RMB4,045,582,512. In the course of our valuation, we have taken into account the above demolition and resettlement fee.

(5) According to the Interim Report of the Company dated 29 August 2011, the Property is planned with a total gross floor area of 2,263,000 sq.m.. However, we are only provided with certain title document for 2,042,750 sq.m. gross floor area; we thus value the Property based on 2,042,750 sq.m. with approval reference.

(6) According to Business Licence No.120113000031751, Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司) was established as a limited liability company on 18 April 2003 with a registered capital of RMB38,000,000 for a valid operation period from 18 April 2003 to 17 April 2033.

(7) According to the PRC legal opinion:

(i) Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司), a 40% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Grant Contract and its Supplement Contract;

(iii) Tianjin City Yijiahe Real Estate Development Co., Ltd. (天津市億嘉合置業有限公司) has obtained Construction Land Planning Permit; and

(iv) The demolition process is in progress, the problem of recovery and idle land does not exist.

(8) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group:

Land Use Rights Certificate	No
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Housing Demolition and Relocation Entrust Contract	Yes
Housing Demolition Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
j5.	Lot Nos. C1 and E4 Phase 2 of Top City, No. 1 Olympic Road, Yuanjiagong, Jiulongpo District, Chongqing, the PRC	The Property comprises two parcels of land with a total site area of approximately 25,374.50 sq.m.. According to the information provided by the Group, the Property will be developed into a composite residential/commercial development with a planned total gross floor area of approximately 131,576.31 sq.m.. The land use rights of the Property have been granted for terms due to expire in August 2053 and February 2054 for residential and August 2043 and February 2044 for commercial uses.	The Property is currently vacant pending development.	RMB320,000,000 (100% interest attributable to the Group: RMB320,000,000)

Notes:

(1) According to Land Use Rights Certificate No. (2003)0919 and Real Estate Title Certificate No. 100-2005-639, the land use rights of the Property have been granted to Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司):

Certificate No.	Location	Site Area *(sq.m.)*	Uses	Expiry Date
(2003) 0919	Yuanjiagang Sport Centre Lot No. C1	11,479.50	Composite	Commercial: August 2043 Residential: August 2053
100-2005-639	Yuanjiagang Sport Centre Lot No. E4	13,895.00	Mixed residential	Commercial: February 2044 Residential: February 2054
	Total	**25,374.50**		

(2) According to Land Use Rights Grant Contract No. (2003)203 dated 29 August 2003 and its Supplement Contracts dated 3 November 2004 and 24 October 2008:

(i)	Grantee	:	Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司)
(ii)	Lot No.	:	Lot Nos. B1, B2, C1, E4, A9
(iii)	Site Area	:	120,014.30 sq.m.
(iv)	Total Land Premium	:	RMB255,604,150 for all 5 land lots
(v)	Plot Ratio	:	Lot No. C1 – Less than or equal to 8.5 for commercial and residential Lot No. E4 – Not exceeding 3 for commercial and residential

(3) According to two Construction Land Planning Permits, the construction land of the Property was in compliance with the requirement of urban planning and was permitted to be developed:

Permit No.	Site Area *(sq.m.)*	Issuing Date
500138200800128	11,448.90	7 July 2008
500138200800068	13,899.00	25 March 2008
Total	**25,347.90**	

(4) According to three Construction Work Planning Permits, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed:

Permit No.	Planned Gross Floor Area *(sq.m.)*	Issuing Date
(2007)0302	3,759.96*	16 January 2007
500138200900017	89,880.41	26 June 2009
500138200800035	41,695.90	7 August 2008
Total	**135,336.27**	

* As advised, temporary office with a total gross floor area of 3,759.96 sq.m. will demolish when the Property has been completed. We have disregarded it in our Valuation.

(5) According to Business Licence No. 500901000052947, Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) was established as a limited liability company with a registered capital of RMB200,000,000 for a valid operation period from 28 May 2003 to 28 May 2023.

(6) According to the PRC legal opinion:

(i) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Certificate;

(iii) The Property is pledged to a bank. The transfer or further pledging is subject to the consent from the bank;

(iv) Chongqing Chinese Enterprises Real Estate Development Co., Ltd. (重慶中華企業房地產發展有限公司) has obtained Construction Land Planning Permit and Construction Work Planning Permit;

(v) Temporary office with a total gross floor area of 3,759.96 sq.m. will demolish when the Property has been completed; and

(vi) There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
j6.	Lot Nos. A2 to A3 and A12 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	The Property comprises four parcels of land with a total site area of approximately 853,703.70 sq.m.. According to the information provided by the Group, the Property will be developed into a composite residential/commercial development with a planned total gross floor area of approximately 1,331,700 sq.m.. The land use rights of the Property have been granted for a term due to expire on 30 March 2076 for residential and 30 March 2056 for public facilities, green area & water facilities uses.	The Property is currently vacant pending development.	RMB1,475,000,000 (71.5% interest attributable to the Group: RMB1,054,625,000)

Notes:

(1) According to three Land Use Rights Certificates, the land use rights of the Property have been granted to Xian Zhongxiu Qinyuan Real Estate Development Co., Ltd. (西安中新沁園房地產開發有限公司) for Lot No. A2, Xian Zhongxin Huasheng Real Estate Development Co., Ltd. (西安中新華勝房地產開發有限公司) for Lot No. A3, and Xian Zhongxin Yongjing Development Co., Ltd. (西安中新永景房地產開發有限公司) for Lot No. A12:

Certificate No.	Lot No.	Site Area *(sq.m.)*	Uses	Expiry Date
(2007) 007	A2	163,106.10	Residential	30 March 2076
(2007) 016	A3	642,740.60	Residential (residential, public facilities, green area, water facilities)	Residential: 30 March 2076 Public facilities, Green area & Water facilities: 30 March 2056
(2007) 006	A12	47,857.00	Residential	30 March 2076
	Total	**853,703.70**		

(2) According to Land Use Rights Grant Contracts Nos. (CB)0601 and (CB)0602 and its Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	**A2**	**A3**
Grantee	Xian Zhongxin Qinyuan Real Estate Development Co., Ltd. (西安中新沁園房地產開發有限公司)	Xian Zhongxin Huasheng Real Estate Development Co., Ltd. (西安中新華勝房地產開發有限公司)
Supplement Contract No.	(CB)0708	(CB)0709
Site Area	245 mu (234,667 sq.m.)	724 mu (482,667 sq.m.)
Land Use	Residential	Composite, residential
Plot Ratio	2.18	1.19

Lot No.	**A12**
Grantee	Xian Zhongxin Yongjing Real Estate Development Co., Ltd. (西安中新永景房地產開發有限公司)
Supplement Contract No.	(CB)0713
Site Area	71 mu (47,334 sq.m.)
Land Use	Residential
Plot Ratio	1.66

According to the information provided by the Group, the land premium of the Property was approximately RMB326,852,000.

(3) According to three Construction Land Planning Permits, the construction sites of three parcels of land are in compliance with the requirements of urban planning requirement:

Lot No.	**A2**	**A3**	**A12**
Permit No.	(2007)10	(2007)11	(2007)15
Site Area	279.494 mu (186,329 sq.m.)	1,064.079 mu (709,386 sq.m.)	87.765 mu (58,510 sq.m.)

Portion of site area is for the roads and other public facilities use which is not granted with Land Use Rights Certificate.

(4) According to Business Licence No. 610100400003751, Xian Zhongxin Qinyuan Real Estate Development Co., Ltd. (西安中新沁園房地產開發有限公司) was established as a limited liability company on 15 June 2007 with a registered capital of RMB10,000,000 for a valid operation period from 15 June 2007 to 31 December 2024.

According to Business Licence No. 610100400003794, Xian Zhongxin Huasheng Real Estate Development Co., Ltd. (西安中新華勝房地產開發有限公司) was established as a limited liability company on 2 July 2007 with a registered capital of RMB10,000,000 for a valid operation period from 2 July 2007 to 1 July 2037.

According to Business Licence No. 610100400003760, Xian Zhongxin Yongjing Real Estate Development Co., Ltd. (西安中新永景房地產開發有限公司) was established as a limited liability company on 8 August 2007 with a registered capital of RMB10,000,000 for a valid operation period from 8 August 2007 to 7 August 2037.

(5) According to the PRC legal opinion:

(i) Xian Zhongxin Qinyuan Real Estate Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Zhongxin Huasheng Real Estate Development Co., Ltd. (西安中新華勝房地產開發有限公司) and Xian Zhongxin Yongjing Real Estate Development Co., Ltd. (西安中新永景房地產開發有限公司) all are a 71.5% owned subsidiary of the Company, have obtained valid business licence and is legally established under the PRC law. Real Estate Development Enterprise Qualification Certificate of Xian Zhongxin Qinyuan Real Estate Development Co., Ltd. (西安中新沁園房地產開發有限公司) has expired, Xian Zhongxin Qinyuan Real Estate Development Co., Ltd. (西安中新沁園房地產開發有限公司) has submitted application to update the Real Estate Development Enterprise Qualification Certificate. Xian Zhongxin Huasheng Real Estate Development Co., Ltd. (西安中新華勝房地產開發有限公司) has validated the Real Estate Development Enterprise Qualification Certificate. Xian Zhongxin Yongjing Real Estate Development Co., Ltd. (西安中新永景房地產開發有限公司) has not obtained Real Estate Development Enterprise Qualification Certificate, Xian Zhongxin Yongjing Real Estate Development Co., Ltd. (西安中新永景房地產開發有限公司) has applied for the Real Estate Development Enterprise Qualification Certificate;

(ii) Xian Zhongxin Qinyuan Real Estate Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Zhongxin Huasheng Real Estate Development Co., Ltd. (西安中新華勝房地產開發有限公司) and Xian Zhongxin Yongjing Real Estate Development Co., Ltd. (西安中新永景房地產開發有限公司) have fully settled the land premium and obtained Land Use Rights Certificate;

(iii) Upon fulfilling the relevant stipulation in the Land Use Rights Contract, Xian Zhongxin Qinyuan Real Estate Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Zhongxin Huasheng Real Estate Development Co., Ltd. (西安中新華勝房地產開發有限公司) and Xian Zhongxin Yongjing Real Estate Development Co., Ltd. (西安中新永景房地產開發有限公司) have right to transfer, lease and pledge of the Property respectively;

(iv) As advised, there is no risk of recovering the land temporary, it is recommended to start as soon as possible; and

(v) Xian Zhongxin Qinyuan Real Estate Development Co., Ltd. (西安中新沁園房地產開發有限公司), Xian Zhongxin Huasheng Real Estate Development Co., Ltd. (西安中新華勝房地產開發有限公司) and Xian Zhongxin Yongjing Real Estate Development Co., Ltd. (西安中新永景房地產開發有限公司) have obtained Construction Land Planning Permit. The permits have not been revoked or modified.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	No
Business Licence	Yes

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
j7.	District F of Phase 1 and Phase 2 of Forest Garden, No. 140, Guoliang North Road, Gaotang Ling Town, Wangcheng District, Changsha, Hunan Province, the PRC	The Property comprises four parcels of land with a total site area of approximately 481,355.4171 sq.m.. According to the information provided by the Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 635,969 sq.m.. The land use rights of the Property have been granted for respective terms of 70 years due to expire on 21 October 2075 and 27 November 2076 for residential use.	The Property is currently vacant pending development.	RMB407,000,000 (67% interest attributable to the Group: RMB272,690,000)

Notes:

(1) According to four Land Use Rights Certificates, the land use rights of the Property comprising a total site area of 481,355.4171 sq.m. have been vested in Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司):

Certificate No.	Uses	Expiry Date	Site Area *(sq.m.)*
(2007)004	Residential	27 November 2076	88,880.90
(2007)005	Residential	27 November 2076	146,461.70
(2007)032	Residential	21 October 2075	186,544.00
(2009)487	Residential	21 October 2075	59,468.8171
		Total	**481,355.4171**

(2) According to four Land Use Rights Grant Contracts, the land use rights of the Property have been granted to Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) for residential use:–

Issuing Date	Site Area *(sq.m.)*	Land Premium *(RMB)*	Plot Ratio
22 October 2005	95,414.61	4,961,560	1.5
22 October 2005	186,990.00	8,508,045	1.5
26 November 2006	88,881.33	4,586,277	1.5
27 November 2006	146,460.67	7,557,371	1.5
Total	**517,746.61**		

(3) According to Construction Land Planning Permit No. 200701004 dated 25 January 2007, the construction site of land (Phase 1) with a site area of 456.318 mu (304,212 sq.m.) is in compliance with urban planning requirements.

According to Construction Land Planning Permit No. 200701005 dated 25 January 2007, the construction site of land (Phase 2) with a site area of 633.498 mu (422,332 sq.m.) is in compliance with urban planning requirements.

(4) According to Business Licence No. 430122000003429, Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) was established as a limited liability company on 14 September 2005 with a registered capital of RMB30,000,000 for a valid operation period of 30 years from 14 September 2005 to 14 September 2035.

(5) According to the PRC legal opinion:

(i) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司), a 67% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has fully settled all land premium of the Property and obtained Land Use Rights Certificate;

(iii) Hunan Qianshuiwan Xiangya Hot Spring Garden Co., Ltd. (湖南淺水灣湘雅溫泉花園有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) The Property is not subject to any pledge; and

(v) Phase 2 of Forest Garden is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government.

(6) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contracts	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	No
Business Licence	Yes

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
j8.	Phase 2 of Park Avenue, No. 66, Qingquan North Street, Yongquan Town, Wenjiang District, Chengdu, Sichuan Province, the PRC	The Property comprises three parcels of land with a total site area of approximately 149,093.3 sq.m.. According to the information provided by the Group, the Property will be developed into a residential development with a planned total gross floor area of approximately 277,738 sq.m. (including basement). The land use rights of the Property have been granted for a term from 20 June 2006 to 17 December 2076 for residential use and from 20 June 2006 to 17 December 2046 for commercial use.	The Property is currently vacant pending development.	RMB719,000,000 (100% interest attributable to the Group: RMB719,000,000)

Notes:

(1) According to three Land Use Rights Certificates, the land use rights of the Property, comprising a total site area of 149,093.3 sq.m., have been vested in Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司):

Certificate No.	Uses	Expiry Date	Site Area *(sq.m.)*
(2010)1506	Commercial and residential	Commercial: 17 December 2046 Residential: 17 December 2076	71,856.3
(2010)1507	Commercial and residential	Commercial: 17 December 2046 Residential: 17 December 2076	46,540.3
(2010)1508	Commercial and residential	Commercial: 17 December 2046 Residential: 17 December 2076	30,696.7
		Total	**149,093.3**

(2) According to Land Use Rights Grant Contract No. (2007)22 dated 16 December 2006 and its Supplement Contracts dated 2 March 2007 and 28 July 2009:

(i)	Grantee	:	Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司)
(ii)	Site Area	:	149,186.66 sq.m.
(iii)	Land Use	:	Commercial, residential
(iv)	Plot Ratio	:	Not less than 2.0
(v)	Land Premium	:	RMB521,407,400
(vi)	Land Use Term	:	40 years for commercial and 70 years for residential
(vii)	Building Covenant	:	Commence construction within 30 days of handing over the land

(3) According to Construction Land Planning Permit No. 510115200820045 dated 6 June 2008, the construction site of a parcel of land with a site area of 223.64 mu (149,093 sq.m.) is in compliance with urban planning requirements.

(4) According to two Construction Work Planning Permits, the construction works of the Property was in compliance with the requirement of urban planning and was permitted to be developed:

Permit No.	**Gross Floor Area** *(sq.m.)*
510115200930068	213,158
510115200930069	64,580
Total	**277,738**

(5) According to Business Licence No. 510100400014692, Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) was established as a limited liability company on 30 January 2007 with a registered capital of RMB200,000,000 for a valid operation period from 30 January 2007 to 29 January 2027.

(6) According to the PRC legal opinion:

(i) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Certificate;

(iii) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) Chengdu Zhongxin Jintai Real Estate Development Co., Ltd. (成都中新錦泰房地產開發有限公司) has obtained Construction Land Planning Permit and Construction Work Planning Permit. The permits have not been revoked or modified; and

(v) The demolition process is in progress, the risk identification of idle land and the legal risk of recovery or levy the idle land charge by the government does not exist.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
j9.	Tai Yuan Street, Taiyuan Business Avenue, Heping District, Shenyang, Liaoning Province, the PRC	The Property comprises five parcels of land with a total site area of approximately 25,669.20 sq.m.. According to the information provided by the Group, the Property will be developed into a composite commercial development with a planned total gross floor area of approximately 190,178 sq.m. (including basement) (Please see note (4) below). The land use rights of the Property have been granted for a term of 40 years due to expire on 11 January 2048 and 2 February 2050 for commercial service uses.	The Property is currently vacant pending development.	RMB870,000,000 (80% interest attributable to the Group: RMB696,000,000)

Notes:

(1) According to five Land Use Rights Certificates, the land use rights of the Property, comprising a total site area of 25,669.20 sq.m., have been vested in Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) for commercial service uses:

Certificate No.	Lot No.	Site Area *(sq.m.)*	Expiry Date
(2008)0006	012278101-2	7,708.40	11 January 2048
(2008)0007	012278101-1	7,114.30	11 January 2048
(2008)0050	012279302-1	879.80	2 February 2050
(2008)0049	012278101-3	2,138.10	2 February 2050
(2008)0085	012279302	7,828.60	11 January 2048
	Total	**25,669.20**	

(2) According to three Land Use Rights Grant Contracts, the land use rights of the Property with a total site area of 25,669.20 sq.m. have been granted to Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) for a term of 40 years from 11 January 2008 to 11 January 2048 for commercial service use:

Contract No.	Land Use Term	Lot No.	Site Area *(sq.m.)*	Land Premium *(RMB)*	Plot Ratio
(2008) 0005	Commercial: 11 January 2008 to 11 January 2048	012278101-1 & 012278101-2	14,822.70	311,291,522.70	Not more than 8
(2008) 0045	Commercial: 11 January 2008 to 11 January 2048	012279302	7,828.60	164,408,428	Not more than 8
2101012010A0009	Commercial: 40 years from 2 February 2010	DX2009-002	3,017.90	4,798,189.40	Underground -1F:3,024.6 -2F:3,024.6 -3F:2,921.5
		Total	**25,669.20**		

(3) According to two Construction Land Planning Permits, the Property has been permitted for the construction with the development scheme as follows:

Permit No.	Project Name	Planned Gross Floor Area *(sq.m.)*	Issuing Date
2007(0127)	Commercial	181,208	9 July 2007
210100201000040	Commerical (basement)	8,970	30 March 2010
	Total	**190,178**	

(4) According to the Interim Report of the Company dated 29 August 2011, the Property is planned with a total gross floor area of 239,651 sq.m.. However, we are only provided with certain title document for 190,178 sq.m. gross floor area; we thus value the Property based on 190,178 sq.m. with approval reference.

(5) According to Business Licence No.210100400003294(1-1), Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) was established as a limited liability company on 9 February 2007 with a registered capital of USD63,750,000 for a valid operation period from 9 February 2007 to 8 February 2017.

(6) According to the PRC legal opinion:

(i) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司), a 80% owned subsidiary of the Company, has obtained a valid business licence and is legally established under the PRC law;

(ii) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) has fully settled all the land premium of the Property and obtained Land Use Rights Certificate;

(iii) Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) has right to use, lease, transfer and pledge the land use rights of the Property;

(iv) The Property is not subject to any pledge; and

(v) Shenyang Planning and Land Resources Bureau Heping Branch required Shenyang Xiangming Changyi Estates Co., Ltd. (瀋陽向明長益置業有限公司) to commence the construction before 16 May 2012, otherwise, Shenyang Planning and Land Resources Bureau Heping Branch will follow the "Idle Land Disposal Methods" to dispose the land, thus, there is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government.

(7) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Planning Permit	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group X – Properties held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
j10.	Lot No. A0203001 of Qi Ao Island, Qi Ao Island, Tang Jia Gaoxin District, Zhuhai, Guangdong Province, the PRC	The Property comprises a parcel of land with a site area of 2,215,516.28 sq.m.. According to the information provided by the Group, the Property will be developed into a composite residential/tourism development with a total gross floor area of 1,090,000 sq.m. in which saleable gross floor area of approximately 770,000 sq.m. for real estate ancillary development (Please see note (8) below). The land use rights of the Property have been granted for various terms due to expire on 30 November 2074 for residential use and 30 November 2044 for tourism use.	The Property is currently vacant pending development.	RMB2,250,000,000 (100% interest attributable to the Group: RMB2,250,000,000)

Notes:

(1) The Property comprises site area of 2,215,516.28 sq.m.; of which a site area of 2,015,131.23 sq.m. is registered in the Real Estate Title Certificate; whilst the remaining land of 200,385.05 sq.m. site area which is currently occupied by army and villagers would be further registered after the related process has been completed. In the course of our valuation, we have valued on the basis that the Real Estate Title Certificate of the 200,385.05 sq.m. site area will be issued to Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) in due course.

(2) According to Real Estate Title Certificate No. C4701761, the land use rights of the Property, comprising a site area of 2,015,131.23 sq.m. (Under red-line plan, the site area is 2,215,516.28 sq.m.. A site area of 2,015,131.23 sq.m. is registered, but the remaining land 200,385.05 sq.m. site area which is currently occupied by army and villagers would be further registered after the related process has been completed.), have been vested in Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) for terms due to expire on 30 November 2074 for residential use and 30 November 2044 for tourism use.

(3) According to Construction Land Approval Letter No. (2006)113 dated 8 September 2006, the land nature of the construction sites of land with a site area of 2,215,516.28 sq.m. is granted and the land premium is RMB227,500,000.

(4) According to Construction Land Planning Permit No. (2006)086 dated 6 September 2006, the construction site of a parcel of land with a site area of 2,215,516.28 sq.m. is in compliance with urban planning requirements.

(5) According to Zhuhai City Land Resources Bureau Letter No. (2003)396 dated 15 December 2003, the plot ratio for real estate ancillary development is less than or equal to 2 on the 20% site area designated for real estate ancillary development.

(6) According to Zhuhai City Land Resources Bureau Letter No. (2005)30 dated 11 March 2005, consent was given to designate 20% site within the 2.2 sq.km. (2,200,000 sq.m.) for real estate ancillary development without extra land premium.

(7) According to Zhuhai City Land Management Leading Group Reply Letter No. (2005)184 dated 18 November 2005, 110,000 sq.m. gross floor area quota was transferred to the other land.

(8) According to the Interim Report of the Company dated 29 August 2011, the Property is planned with a total gross floor area of 1,090,000 sq.m. in which 770,000 sq.m. is saleable gross floor area. However, we are only provided with certain government approval letters for 770,000 sq.m. saleable gross floor area; we thus value the Property based on 770,000 sq.m. with approval reference.

(9) According to Business Licence No. 440400400007208, Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) was established as a limited liability company on 13 December 1995 with a registered capital of RMB90,000,000 (with a paid-up capital of RMB90,000,000) for a valid operation period from 13 December 1995 to 6 November 2036.

(10) According to the PRC legal opinion:

(i) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司), a 100% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Zhuhai City Yuzhuo Hongji Group Ltd. (珠海市裕卓虹基集團有限公司) (the former shareholder of Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) has fully settled all land premium of the Property and obtained Land Use Rights Grant Contract;

(iii) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) has right to use, transfer, lease and mortgage the land use rights of the Property. Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) possesses the land Lot No. A0203001 with a site area of 2,215,516.28 sq.m. and obtained the Real Estate Title Certificate with a registered site area of 2,015,131.23 sq.m.; the remaining land 200,385.05 sq.m. site area which is currently occupied by army and villagers would be further registered after the related process has been completed;

(iv) Zhuhai City Qi Zhou Island Movie Town Co., Ltd. (珠海市淇洲島影視城有限公司) has obtained Construction Land Planning Permit, but has not obtained Construction Work Planning Permit and Construction Work Commencement Permit; and

(v) According to the Reply Letter of the problem of not identifying as idle land of Neo-China Qiao Project (關於中新淇澳項目用地不認定土地閑置問題的復函) as approved by Land Resources Bureau, the Property is temporarily not identified as idle land. Supplemental Land Use Rights Grant Contract should be further entered into to make clear the building covenant. There is not exist the risk of identification of idle land and the legal risk of recovery or levy the idle land charge by the government.

(11) The status of title and grant of major approvals and Licence in accordance with the information provided by the Group and the PRC legal opinion is as follows:

Real Estate Title Certificate	Yes
Land Use Rights Grant Contract	Yes
Construction Land Approval Letter	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	No
Construction Work Commencement Permit	No
Business Licence	Yes

VALUATION CERTIFICATE

Group XI – Property held by the Group for owner-occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2011
k1.	Lot No. A1 of Neo Water City, Chan-Ba Avenue, Chan-Ba Ecological District, Xian, Shaanxi Province, the PRC	The Property comprises a hotel and convention centre development erected upon a parcel of land with a site area of approximately 209,177.30 sq.m.. According to the information provided by the Group, the Property will be developed into a 5-storey plus basement hotel, six villas and a convention centre with a planned total gross floor area of approximately 84,290.82 sq.m.. The land use rights of the Property have been granted for a term due to expire on 30 March 2056 for composite use.	The hotel was put into operation in 2008 and the remaining portion of the Property is under construction and scheduled to be completed in the end of 2012.	RMB888,000,000 (71.5% interest attributable to the Group: RMB634,920,000)

Notes:

(1) According to Land Use Rights Certificate No. (2007) 010 dated 28 August 2007, the land use rights of the Property, comprising a site area of 209,177.30 sq.m., have been granted to Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) for a term due to expire on 30 March 2056 for composite use.

(2) According to Building Ownership Certificate No. 1175116018-1-1~1 dated 20 December 2007, the building ownership of a commercial service use building, with a total gross floor area of 68,745.82 sq.m., has been vested in Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司).

(3) According to Land Use Rights Grant Contract Nos. (CB)0601 and (CB)0602 and its Supplement Contract Nos. (CB)0705 and (CB)0706:

Lot No.	**A1**
Grantee	Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司)
Supplement Contract No.	(CB)0707
Site Area	313 mu (208,667 sq.m.)
Land Use	Composite
Plot Ratio	0.39

According to the information provided by the Group, the land premium and resettlement compensation was approximately RMB63,100,000.

(4) According to Construction Land Planning Permit No. (2007) 9 dated 3 September 2007, the construction site of a parcel of land with a site area of 323.946 mu is in compliance with urban planning requirements.

(5) According to Construction Work Planning Permit, six villas and a convention centre have been permitted for the construction with the development scheme as follows:

Permit No.	Planned Gross Floor Area *(sq.m.)*	Issuing Date
(2009) 007	15,545.00	28 February 2009

(6) According to Construction Work Commencement Permit, the construction works of six villas and a convention centre were in compliance with the requirement of urban planning and were permitted to be developed:

Permit No.	Planned Gross Floor Area *(sq.m.)*	Issuing Date
(2009) 008	15,545.00	13 March 2009

(7) According to the information provided by the Group, the estimated total construction cost to complete the development is approximately RMB891,000,000, a construction cost of approximately RMB864,000,000 has been expended for the development of the Property as at 31 July 2011. In the course of our valuation, we have taken into account the above expended construction cost.

(8) The Estimated Market Value as if completed of the proposed development as at 31 July 2011 was approximately RMB971,000,000.

(9) According to Business Licence No. 610100100021048, Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) was established as a limited liability company on 31 August 2007 with a registered capital of RMB50,000,000 for a valid operation period from 31 August 2007 to 28 December 2024.

(10) According to the PRC legal opinion:

(i) Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司), a 71.5% owned subsidiary of the Company, has obtained valid business licence and is legally established under the PRC law;

(ii) Xian Zhongxin Chanba Ouya Development Co., Ltd. (西安中新滻灞歐亞酒店發展有限公司) has obtained Land Use Rights Certificate, Construction Land Planning Permit, Construction Work Planning Permit and Construction Work Commencement Permit. The permits have not been revoked or modified; and

(iii) The hotel has been completed and under operation.

(11) The status of the title and grant of major approvals and licence in accordance with the information provided by the Group and the opinion of the PRC legal adviser:

Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes (partly)
Land Use Rights Grant Contract and its Supplement Contract	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Business Licence	Yes

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

Set out below is a summary of certain provisions of the memorandum of association (the "Memorandum of Association") and bye-laws (the "Bye-laws") of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed, including acting as a holding and investment company, and its powers, including the powers set out in the First Schedule to the Companies Act, excluding paragraphs 1 and 8 thereof. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the "board") upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws were adopted on 29 December 1992 and amended at the general meetings held on 23 September 1996, 24 October 2000, 12 August 2004, 12 September 2005, 25 September 2006 and 10 September 2009. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed "Bermuda Company Law" in this Appendix.

(v) Financial assistance to purchase shares of the Company

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one-third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed by the board shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

(v) change the currency denomination of its share capital;

(vi) make provision for the issue and allotment of shares which do not carry any voting rights; and

(vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designed Stock Exchange (as defined in the Bye-laws), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the

Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by Members without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' and not less than ten (10) clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

(i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(ii) in writing off:

(aa) the preliminary expenses of the company; or

(bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or

(iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares;

and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarised financial statements instead. The summarised financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarised financial statements sent to the company's members must be accompanied by an auditor's report on the summarised financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarised financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as "resident" for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28 March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarised financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarised financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. RESPONSIBILITY STATEMENTS

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of SIH jointly and severally accept full responsibility for the accuracy of the information contained in this circular (in respect of SIH, its associates and parties acting in concert with it, and the Target Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (in respect of SIH, its associates and parties acting in concert with it, and the Target Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

B. FURTHER INFORMATION ABOUT THE ENLARGED GROUP

1. Incorporation

The Company was incorporated in Bermuda under the Companies Act of Bermuda as an exempted company with limited liability on 15 December 1992. The Company has established a place of business in Hong Kong at Suites 3003-7, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong and was registered in Hong Kong under Part XI of the Hong Kong Companies Ordinance on 11 May 1993. Mr. Chan Kin Chu, Harry has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company at the address of the Company's place of business in Hong Kong.

As the Company was incorporated in Bermuda, it operates subject to the relevant law of Bermuda and its constitution which comprises a memorandum of association and the Bye-laws. A summary of certain relevant provisions of its constitution and certain relevant aspects of the Bermuda company law is set out in Appendix V to this circular.

2. Changes in share capital of the Company

On 24 June 2010, the Company allotted and issued 683,692,000 Shares to Novel Good Limited, a wholly-owned subsidiary of SIH, at a price of HK$2.32 per Share in cash. The proceeds of the subscription were HK$1,586 million. The proceeds were used to repay the Group's borrowings and to service its interest payments. These new Shares rank pari passu with other Shares in issue in all respects.

Save as disclosed above, there has been no alternation in the share capital of the Company during the two years immediately preceding the date of this circular.

3. Changes in share capital of members of the Target Group

The following are the changes in the share capital of the members of the Target Group that took place during the two years immediately preceding the date of this circular:

(a) on 13 April 2011, the registered capital of Shanghai Urban Development was increased from RMB301.3 million to RMB3,200.0 million. The increase was funded as to RMB694 million by capital injection in cash by SIH and Xuhui SAAC in proportion to their respective interests in Shanghai Urban Development and as to RMB2,204.7 million by capitalising an equivalent amount in the capital reserve (資本公積金) of Shanghai Urban Development;

(b) on 13 September 2010, the registered capital of SUD Chongqing Depu was increased from RMB180 million to RMB230 million by capitalising an equivalent amount of the shareholder's loans due to the shareholders;

(c) on 24 May 2010, the registered capital of Kunshan Urban Development was increased from RMB100 million to RMB167 million. The increase was funded by Shanghai Urban Development and the other shareholder of Kunshan Urban Development injecting cash in proportion to their respective interests in Kunshan Urban Development; and

(d) on 22 March 2010, the registered capital of SUD Wuxi was increased from RMB300 million to RMB500 million. The increase was funded by Shanghai Urban Development, being the sole shareholder of SUD Wuxi, injecting RMB200 million cash in SUD Wuxi.

Save as disclosed above, (a) no members of the Target Group had altered their share capital within the two years immediately preceding the date of this circular; and (b) no share or loan capital of any member of the Target Group had been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

4. Intellectual property rights of the Enlarged Group

(a) Trademarks

As at the Latest Practicable Date, Shanghai Urban Development had registered the following trademarks in the PRC which are or may be material for the business of the Target Group:

Trademark	Class	Registration number	Valid period
	19	4502666	7 July 2008 – 6 July 2018
	37	4502665	28 September 2008 – 27 September 2018
	39	4502664	28 September 2008 – 27 September 2018
	41	4502663	28 September 2008 – 27 September 2018
	42	4502662	28 September 2008 – 27 September 2018
	43	4502661	7 October 2008 – 6 October 2018
城开	19	4502660	7 July 2008 – 6 July 2018
城开	36	1667893	14 November 2001 – 13 November 2011
城开	37	4502659	21 February 2009 – 20 February 2019
城开	39	4502658	7 September 2008 – 6 September 2018
城开	41	4502657	7 September 2008 – 6 September 2018
城开	43	4502487	7 September 2008 – 6 September 2018
城开会	14	7230837	21 July 2010 – 20 July 2020
城开会	16	7230836	28 July 2010 – 27 July 2020

Trademark	Class	Registration number	Valid period
城开会	18	7230835	7 October 2010 – 6 October 2020
城开会	21	7230834	28 July 2010 – 27 July 2020
城开会	25	7230833	28 September 2010 – 27 September 2020
城开会	35	7230832	21 December 2010 – 20 December 2020
城开会	36	7230831	14 January 2011 – 13 January 2021
城开会	37	7230830	7 October 2010 – 6 October 2020
城开会	41	7230829	21 February 2011 – 20 February 2021
城开会	42	7230828	21 February 2011 – 20 February 2021
城开会	14	7224416	21 August 2010 – 20 August 2020
城开会	16	7224415	21 August 2010 – 20 August 2020
城开会	18	7224414	14 October 2010 – 13 October 2020
城开会	21	7224413	21 August 2010 – 20 August 2020
城开会	25	7224412	14 September 2010 – 13 September 2020
城开会	35	7224411	14 January 2011 – 13 January 2021

Trademark	Class	Registration number	Valid period
城开会	36	7224410	7 March 2011 – 6 March 2021
城开会	37	7224409	7 October 2010 – 6 October 2020
城开会	41	7224408	21 November 2010 – 20 November 2020
城开会	42	7224407	14 March 2011 – 13 March 2021
城开会	14	7224406	21 July 2010 – 20 July 2020
優享家	16	7224405	28 July 2010 – 27 July 2020
優享家	18	7224404	21 September 2010 – 20 September 2020
優享家	21	7224403	21 July 2010 – 20 July 2020
優享家	25	7224402	14 September 2010 – 13 September 2020
優享家	35	7224401	14 September 2010 – 13 September 2020
優享家	36	7224400	28 February 2011 – 27 February 2021
優享家	37	7224399	7 October 2010 – 6 October 2020
優享家	41	7224398	21 November 2010 – 20 November 2020
優享家	42	7224397	21 November 2010 – 20 November 2020

As at the Latest Practicable Date, Shanghai Urban Development had applied for the registration of the following trademarks in the PRC:

Trademark	Class	Application number	Date of application
	36	8629285	1 September 2010
	37	8629400	1 September 2010
城 开	36	8629210	1 September 2010

As at the Latest Practicable Date, the Company had applied for the registration of the following trademarks in Hong Kong:

Trademark	Class	Application number	Date of application
	19, 35, 36, 37, 39, 41, 42, 43	301990846	1 August 2011
	19, 35, 36, 37, 39, 41, 42, 43	301990846	1 August 2011

(b) Domain names

As at the Latest Practicable Date, the Group and the Target Group had registered the following domain names:

Registered holder	Domain name	Expiry date
The Company	siud.com	6 January 2013
Shanghai Urban Development	udcn.com	24 January 2014

C. FURTHER INFORMATION RELATING TO THE COMPANY AND THE WHITEWASH WAIVER

1. The Company

As at the Latest Practicable Date:

(a) the Company did not have any interests in any securities, shares, options, warrants, derivatives or convertible securities of SIH;

(b) save as disclosed in the paragraph headed "Disclosure of interests" in this appendix, none of the Directors had any interests in the securities, shares, options, warrants, derivatives or convertible securities of the Company or SIH;

(c) except as disclosed below, none of the subsidiaries of the Company, nor pension funds of the Company or of a subsidiary of the Company nor advisers to the Company as specified in class (2) of the definition of "associate" in the Takeovers Code but excluding persons enjoying exempt principal trader or exempt fund manager status under the Takeovers Code, owned or controlled any securities, shares, options, warrants, derivatives or convertible securities of the Company:

Deutsche Bank AG was interested in 21,478 Shares. Deutsche Bank AG was also a holder of a warrant issued by the Company with an expiry date of 22 July 2012, pursuant to which Deutsche Bank AG was entitled to purchase 27,383,000 Shares at an exercise price of HK$6.72 per Share. Oppenheim Asset Management Services S.a.r.l., which is an indirect wholly-owned subsidiary of Deutsche Bank AG, was a holder of a warrant issued by the Company with an expiry date of 22 July 2012, pursuant to which Oppenheim Asset Management Services S.a.r.l. was entitled to purchase 2,715,000 Shares at an exercise price of HK$6.72 per Share. Deutsche Bank AG returned 1,000,000 Shares to its counterparty on 27 July 2011 pursuant to pre-existing contracts of stock borrowing made prior to the date of Announcement. Such return of Shares was conducted in the capacity of an entity of Deutsche Bank AG holding exempt principal trader status under the Takeovers Code. As a result, as at the Latest Practicable Date, Deutsche Bank AG had a long and short position of 35,000,000 Shares as a result of stock borrowings involving Shares. Deutsche Bank AG also had a short position in 1,248 Shares;

(d) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code;

(e) there were no shareholdings in the Company which were managed on a discretionary basis by fund managers (other than fund managers enjoying exempt fund manager status) connected with the Company; and

(f) none of the Directors or the Company had borrowed or lent any shares, warrants, options, convertible securities or derivatives of the Company or SIH.

2. Dealings in securities

None of the Directors or the Company had dealt in any securities, shares, options, warrants, derivatives or convertible securities of the Company and of SIH during the period between 15 October 2010, being the date six months prior to 14 April 2011, which is the date of the Announcement and the date of commencement of the offer period for the purpose of the Takeovers Code, and up to and including the Latest Practicable Date.

None of the persons referred to in paragraphs 1(c), (d) and (e) above had dealt for value in the Shares or any other securities, shares, options, warrants, derivatives or convertible securities of the Company during the period between 15 October 2010, being the date six months prior to 14 April 2011, which is the date of the Announcement and the date of commencement of the offer period for the purpose of the Takeovers Code, and up to and including the Latest Practicable Date.

None of SIH, the directors of SIH and parties acting in concert with SIH and the Directors had dealt in any Shares or other securities, shares, options, warrants, derivatives or convertible securities of the Company during the period between 15 October 2010, being the date six months prior to 14 April 2011, which is the date of the Announcement and the date of commencement of the offer period for the purpose of the Takeovers Code, and up to and including the Latest Practicable Date, save that a subsidiary of SIIC, the controlling shareholder of SIH, bought 300,000 Shares in cash at an average price of HK$3.50 per share on 19 November 2010, and sold the same number of Shares for cash at an average price of HK$3.5085 per share on the same date, both of which were unrelated to SIH and occurred prior to the negotiation, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the Transactions. The Executive has confirmed that the abovementioned transaction does not constitute disqualifying transactions under paragraph 3(a) of Schedule VI to the Takeovers Code.

D. DISCLOSURE OF INTERESTS

1. Interests and/or short positions of Directors in the shares, underlying shares or debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and/or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules (the "Model Code") or as required to be disclosed under the Takeovers Code are as follows:

Name of Director	Name of corporation	Capacity	Number of underlying shares subject to options granted	Approximate % of interest in the corporation as at the Latest Practicable Date
Mr. Cai Yu Tian	the Company	Beneficial owner	9,000,000 *(Note)*	0.34%
Mr. Ni Jianda	the Company	Beneficial owner	8,000,000 *(Note)*	0.30%
Mr. Qian Shizheng	the Company	Beneficial owner	7,000,000 *(Note)*	0.27%
Mr. Zhou Jun	the Company	Beneficial owner	7,000,000 *(Note)*	0.27%
Mr. Yang Biao	the Company	Beneficial owner	7,000,000 *(Note)*	0.27%
Mr. Chen Anmin	the Company	Beneficial owner	7,000,000 *(Note)*	0.27%
Mr. Jia Bowei	the Company	Beneficial owner	7,000,000 *(Note)*	0.27%
Mr. Doo Wai-Hoi, William	the Company	Beneficial owner	1,000,000 *(Note)*	0.04%
Dr. Wong Ying Ho, Kennedy	the Company	Beneficial owner	1,000,000 *(Note)*	0.04%
Mr. Fan Ren Da, Anthony	the Company	Beneficial owner	1,000,000 *(Note)*	0.04%
Mr. Li Ka Fai, David	the Company	Beneficial owner	1,000,000 *(Note)*	0.04%

Note: These options were granted by the Company under the Share Option Scheme.

Save for those disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, or required to be disclosed by the Takeovers Code.

2. Interests and/or short positions of substantial shareholders in the shares and underlying shares of the Company

As at the Latest Practicable Date, other persons' interests and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange are set out below:

Name of substantial shareholder	Long/short position	Capacity	Number of Shares interested	Approximate % of the Company's issued share capital
SIH	Long	Held by controlled corporation	3,415,883,000 *(notes (1), (4) and (6))*	129.9%
SIIC	Long	Held by controlled corporation	3,415,883,000 *(notes (1), (4), (5) and (6))*	129.9%
Mr. Li Song Xiao	Long	Held by controlled corporation	189,766,995 *(note (2))*	7.2%
	Long	Beneficial owner	2,407,500	0.1%
	Short	Beneficial owner	50,000,000 *(notes (2) and (4))*	1.9%
Invest Gain Limited	Long	Beneficial owner	189,766,995	7.2%
	Short	Beneficial owner	50,000,000 *(note (4))*	1.9%

Name of substantial shareholder	Long/short position	Capacity	Number of Shares interested	Approximate % of the Company's issued share capital
Ms. Liu Hui	Long	Held by spouse	192,174,495 *(note (3))*	7.3%
	Short	Held by spouse	50,000,000 *(notes (3) and (4))*	1.9%

Notes:

(1) These Shares are held by Novel Good Limited, a wholly-owned subsidiary of SIH.

(2) These Shares are held by Invest Gain Limited, a wholly-owned subsidiary of Mr. Li Song Xiao.

(3) Ms. Liu Hui is deemed to be interested in the Shares in which her spouse, Mr. Li Song Xiao, is interested.

(4) These 50,000,000 Shares (short position) held by Invest Gain Limited are pledged to Novel Good Limited. Therefore, SIH and SIIC are deemed or taken to be interested in these 50,000,000 Shares.

(5) SIIC through its subsidiaries, namely SIH, SIIC Capital (B.V.I.) Ltd., SIIC Treasury (B.V.I.) Ltd., Shanghai Industrial Financial (Holdings) Co., Ltd., South Pacific International Trading Ltd., The Tien Chu Ve-Tsin (Hong Kong) Co., Ltd., SIIC Trading Co., Ltd., SIIC CM Development Funds Ltd., Billion More Investments Ltd. and SIIC CM Development Ltd., holds approximately 56.35% of the shares of SIH. Therefore, SIIC is deemed or taken to be interested in the Shares in which SIH is interested for the purpose of the SFO.

(6) These Shares include 2,182,191,000 Consideration Shares to be allotted and issued by the Company to SIH to settle the consideration for the sale and purchase of the Sale Share and the Shareholder's Loan, and the assignment of the Dividend Receivable.

Except as disclosed above, as at the Latest Practicable Date, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

3. Directors' remuneration

The following table summarises the directors' remuneration of the Company for the years ended 30 April 2008 and 2009, for the eight months ended 31 December 2009 and for the year ended 31 December 2010, respectively:

	For the 12 months ended 30 April 2008 *HK$'000*	For the 12 months ended 30 April 2009 *HK$'000*	For the eight months ended 31 December 2009 *HK$'000*	For the 12 months ended 31 December 2010 *HK$'000*
Executive Directors:				
Fees	–	–	–	–
Other emoluments:				
– Salaries and other benefits	7,205	12,812	10,830	15,523
– Retirement benefit scheme contributions	–	11	8	8
– Share-based payments	23,827	9,558	3,857	29,729
Non-executive Director and independent non-executive Directors:				
– Fees	–	–	–	760
– Share-based payments	–	–	–	2,288
Total:	31,032	22,381	14,695	48,308

Note: Share-based payments represent the fair value of share options granted to the Directors under the Share Option Scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment.

Except as disclosed above, no other payments have been paid or are payable, or any benefits in kind granted, in respect of the two years ended 30 April 2008 and 2009, the eight months ended 31 December 2009 and the year ended 31 December 2010, by the Company or any of its subsidiaries to the Directors.

The aggregate remuneration currently estimated to be payable to the Directors for the year ending 31 December 2011 is approximately HK$38.2 million.

4. Employees' remuneration

The five highest paid individuals in the Group in the year ended 31 December 2010 were all Directors and details of their emoluments are included in the paragraph headed "Directors' remuneration" above.

5. Employee retirement benefits

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for those employees who are eligible to participate in the MPF Scheme in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employee's relevant income to the MPF Scheme subject to a cap of monthly relevant income of HK$20,000, which contribution is matched by employees.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement schemes organised by the relevant local government authorities whereby the Group is required to make contributions to the schemes at rates ranging from 18% to 22% of the eligible employees' 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 post-retirement benefits beyond the contributions described above.

E. MARKET PRICES

The table below shows the closing prices of the Shares as recorded on the Stock Exchange on (i) the last day on which dealings took place in each of the calendar month during the period commencing from 15 October 2010, being six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date; (ii) 13 April 2011, being the Last Trading Date; and (iii) 28 October 2011, being the Latest Practicable Date.

	Closing price of Shares *HK$*
29 October 2010	4.0200
30 November 2010	3.2000
31 December 2010	2.9200
31 January 2011	2.9800
28 February 2011	2.5800
31 March 2011	2.7200
13 April 2011, Last Trading Date	2.9100
29 April 2011	2.7300
31 May 2011	2.5600
30 June 2011	2.4300
29 July 2011	2.1000
31 August 2011	1.6300
30 September 2011	1.1500
Latest Practicable Date	1.4900

The highest and lowest closing prices of the Shares as recorded on the Stock Exchange during the period between 15 October 2010, being the date six months prior to the date of the Announcement, and ending on the Latest Practicable Date, were HK$4.2600 on 1 November 2010 and HK$0.9700 on 4 October 2011, respectively.

F. SUMMARY OF MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) carried on/intended to be carried on by the Group have been entered into by members of the Enlarged Group after the date two years preceding the date of the Announcement and are or may be material:

(a) the Agreement, together with the supplemental agreement dated 30 September 2011 extending the long stop date to 31 December 2011;

(b) the Deed;

(c) an equity transfer agreement dated 30 March 2011 and entered into between SIH and Joy Century whereby SIH agreed to transfer its 59% equity interest in Shanghai Urban Development to Joy Century for an amount in HK dollars which is equivalent to RMB4,108,827,700;

(d) a sale and purchase agreement dated 25 March 2011 and entered into between Shanghai Urban Development and 淮南市毛集佳貝商貿有限公司 (Huainan City Maoji Jiabei Commerce Co., Ltd.) pursuant to which Shanghai Urban Development agreed to sell its 100% equity interests in SUD Hefei and assign a shareholder's loan of RMB239 million to 淮南市毛集佳貝商貿有限公司 (Huainan City Maoji Jiabei Commerce Co., Ltd.) for an aggregate consideration of RMB500 million;

(e) an equity interest transfer agreement dated 7 April 2011 and entered into between Shanghai Urban Development, 中鐵信託有限責任公司 (China Railway Trust Co., Ltd.) ("China Railway") and 喜神（天津）股權投資基金管理有限公司 (Xishen (Tianjin) Equity Investment Fund Management Co., Ltd.) ("Xishen Fund Management") in relation to put and call options over China Railway's interest in Green Carbon Fund (as amended and supplemented by a supplementary agreement dated 7 April 2011). The put option is exercisable by China Railway after 22 months from 16 February 2011 and the call option is exercisable by Shanghai Urban Development after 24 months from 16 February 2011; and the consideration for the transfer will be calculated on the basis of the investment injected by China Railway together with an interest calculated at a rate of 9.55% per annum from the date of the investment injection, after deducting all the dividends declared and paid to China Railway during the period;

(f) a shareholders' agreement entered into between Shanghai Urban Development, Green Carbon Fund and Power Tact Investment Limited in January 2011 governing various matters in relation to the operation of上海城開集團龍城置業有限公司(Shanghai Urban Development Group Longcheng Real Estate Co., Ltd.);

(g) an agreement dated 19 November 2010 and entered into between Shanghai Urban Development, China Railway and Xishen Fund Management in relation to the establishment of Green Carbon Fund, pursuant to which Xishen Fund Management will participate in the fund by injecting RMB1,000 million as the general partner, Shanghai Urban Development agrees to participate in the fund by injecting RMB1,500 million as a limited partner and China Railway agrees to participate as a limited partner in the fund by injecting RMB1,500 million subject to the actual amount of funds raised for this purpose;

(h) a limited partnership agreement dated 24 November 2010 and entered into between Shanghai Urban Development, China Railway and Xishen Fund Management governing various matters in relation to the operation of Green Carbon Fund;

(i) a Sino-foreign joint venture agreement dated 1 November 2010 and entered into between Shanghai Urban Development, Green Carbon Fund and Power Tact Investment Limited in relation to the establishment and operation of Shanghai Urban Development Group Longcheng Real Estate Co., Ltd.;

(j) an agreement dated 11 May 2010 and entered into between the Company and Turbo Wise Limited in relation to the termination of the Qi Ao Agreement (as defined below);

(k) a supplemental agreement dated 11 May 2010 and entered into between the Company, Novel Good Limited, Invest Gain Limited and Mr. Li Song Xiao to supplement, amend and waive certain terms and conditions of (i) the sale and purchase agreement dated 19 January 2010 and entered into between Invest Gain Limited, Novel Good Limited and Mr. Li Song Xiao in relation to the acquisition by Novel Good Limited of the 500,000,000 Shares, legally and beneficially owned by Invest Gain Limited, from Invest Gain Limited and (ii) the Subscription Agreement (as defined below);

(l) a subscription agreement dated 19 January 2010 and entered into between the Company and Novel Good Limited in relation to the subscription of 683,692,000 Shares by Novel Good Limited for an aggregate consideration of HK$1,586,165,440, equivalent to HK$2.32 per subscribed Shares (as supplemented and amended by a supplemental agreement dated 11 May 2010 and entered into between the Company, Novel Good Limited, Invest Gain Limited and Mr. Li Song Xiao) (the "Subscription Agreement");

(m) an agreement dated 19 January 2010 and entered into between Turbo Wise Limited, a company incorporated in the BVI and wholly owned by Mr. Li Song Xiao and the Company relating to the sale and purchase of the Group's interest in all that plot of land situated at Lot No. A0203001 at east of Qi Ao East Line Road, Wangchiling Hills, Qi Ao Island, Zhuhai, Guangdong Province of the PRC occupying an area of approximately 2.2 million sq.m. ("Qi Ao Island Project") and the related shareholders' loans for a consideration of HK$2,500,000,000 ("Qi Ao Agreement"); and

(n) a second amendment agreement dated 2 December 2009 and entered into between, among others, the Company as sponsor and Oceana Assets Corp. as lender in relation to a RMB1,500,000,000 equivalent term loan agreement dated 29 November 2007 in relation to the financing of the Qi Ao Island Project between Moral Luck Group Limited (運德集團有限公司), Rich Win Investments Limited (富勝投資有限公司), both of which are wholly-owned subsidiaries of the Company, and Oceana Assets Corp.

G. LEGAL PROCEEDINGS OF THE GROUP

Chengdu Jintai case

According to an amended statement of claim filed at the High Court of Hong Kong by a third party (the "plaintiff") on 30 July 2010, the plaintiff alleges that 中置(北京)企業管理有限公司 (Zhongzhi (Beijing) Enterprise Management Co., Ltd.) ("Zhongzhi (Beijing)"), a wholly-owned subsidiary of the Company, was in breach of a share transfer agreement. According to this agreement, the plaintiff agreed to transfer its 30% equity interest in 成都中新錦泰房地產開發有限公司 (Chengdu Zhongxin Jintai Real Estate Development Co., Ltd.) ("Chengdu Jintai"), a subsidiary of the Company, to Zhongzhi (Beijing) at the consideration of RMB160,000,000. The Company has agreed to guarantee the performance of Zhongzhi (Beijing)'s obligations under the share transfer agreement. The plaintiff alleges that the Company, as primary obligor, has agreed to guarantee the performance by Zhongzhi (Beijing) of its obligations under the share transfer agreement. The plaintiff further alleges that Zhongzhi (Beijing) had failed to pay on time the consideration for the acquisition of the 30% equity interest in Chengdu Jintai. The Company, through its legal advisers, is vigorously defending such claims.

The Company, having obtained legal advice, is of the view that the above claims are based on unreasonable and unfounded grounds because all relevant parties being the Company, the plaintiff, Zhongzhi (Beijing) and Chengdu Jintai had prior to 24 April 2009 reached a settlement agreement to settle all disputes between them and such settlement has been executed thereby obliterating any such claims by the plaintiff. Therefore, no provision has been made in respect of this claim in the financial statements of the Group. According to Peter K. S. Chan & Co., the legal advisers of the Company, if the Company is found to be liable, the total monetary sum payable by the Company may amount to approximately RMB72,000,000 (equivalent to approximately HK$85,531,005), which comprises the outstanding consideration of RMB40,000,000 (equivalent to approximately HK$47,517,225) and a compensation of RMB32,000,000 (equivalent to approximately HK$38,013,780), plus interest and legal cost. The Directors are of the opinion that the result of this litigation case will not materially affect the development or sale of the relevant properties and would not have any material impact on the results of operations of the Group or the Enlarged Group (after Completion). As at the Latest Practicable Date, the case is pending hearing at the High Court of Hong Kong.

Qianshuiwan case

In 2005, 湖南淺水灣湘雅溫泉花園有限公司 (Hunan Qianshuiwan Xiangya Garden Co., Ltd.) ("Hunan Qianshuiwan"), a 67% owned subsidiary of the Company, entered into a number of agreements with 中南大學湘雅醫學院 (The Xiangya School of Medicine of the Central South University) ("XY School") and 湖南上地置業有限公司 (Hunan Land and Property Co., Ltd.) ("Hunan Land") in relation to the development and sale of a property development project in Changsha, Hunan Province (the "Agreements"). Pursuant to the Agreements, (a) Hunan Qianshuiwan shall develop a piece of land of 1,089 mu (equivalent to approximately 725,274 sq.m.) in accordance with the requirements of XY School and Hunan Land; (b) XY School and Hunan Land shall procure that Hunan Qianshuiwan acquire a piece of land of 1,089 mu for a total consideration of RMB250 million; (c) Hunan Qianshuiwan and its majority shareholder, 北京新松投資集團有限公司(Beijing Xinsong Investment Group Co., Ltd.) ("Beijing Xinsong"), shall be responsible for the development cost for this project; (d) XY School and Hunan Land shall be responsible for the sale of the developed properties; (e) Hunan Qianshuiwan would be entitled to a profit of RMB300 per sq.m. of the developed properties guaranteed by XY School and Hunan Land; and (f) XY School and Hunan Land shall provide a surety deposit of RMB90 million for phase 1 of this project occupying a piece of land of 456 mu (equivalent to approximately 303,969 sq.m.) and Hunan Qianshuiwan shall pay a deposit of RMB20 million. On 15 January 2008, Hunan Qianshuiwan brought a lawsuit against 中南大學 (The Central South University) ("CS University"), XY School and Hunan Land (collectively, the "Defendants") at 湖南望城縣人民法院 (The People's Court of Wangcheng County of Hunan Province) and alleged that the Defendants failed to pay the whole amount of the surety deposit and failed to confirm the sale of the developed properties for phase 1 of this project. Pursuant to the claims, Hunan Qianshuiwan asked the court to order (i) for the termination of the Agreements; (ii) the Defendants to repay the deposit in the amount of RMB20 million (equivalent to approximately HK$23,758,612); (iii) the Defendants to pay a compensation in the amount of RMB20,294,725 (equivalent to approximately HK$24,108,725); and (iv) the Defendants to bear the cost of this litigation case.

At the same time, the Defendants counterclaimed against Hunan Qianshuiwan and alleged that (a) Hunan Qianshuiwan failed to develop the project in accordance with the requirements of the Defendants; and (b) Beijing Xinsong and Hunan Qianshuiwan did not pay the land premium in full in accordance with the Agreements. The Defendants requested the court to order (i) for the termination of the Agreements; (ii) Hunan Qianshuiwan to return the land use right in relation a piece of land of 633 mu (equivalent to approximately 400,689 sq.m.) by paying such amount of money calculated on the basis of RMB118,500 (equivalent to approximately HK$140,770) per mu of land; (iii) Hunan Qianshuiwan to return a surety deposit in the amount of RMB10 million (equivalent to approximately HK$11,879,306); (iv) Hunan Qianshuiwan and Beijing Xinsong to pay an outstanding land premium in the amount of RMB50,660,000 (equivalent to approximately HK$60,180,565) regarding a piece of land of 456 mu (equivalent to approximately 288,648 sq.m.); (v) Hunan Qianshuiwan to compensate the

Defendants' loss incurred in the amount of RMB77,700,000 (equivalent to approximately HK$92,302,210), representing the difference between the land premium and the market price in relation to the piece of land of 456 mu; (vi) Hunan Qianshuiwan to pay damage and compensation to XY School and Hunan Land in an aggregate amount of RMB41,230,000 (equivalent to approximately HK$48,978,380); and (vii) Hunan Qianshuiwan to bear the costs of this litigation case. The total monetary claim of the counterclaim was RMB104,580,000 (equivalent to approximately HK$124,233,785).

On 26 December 2010, 湖南望城縣人民法院 (The People's Court of Wangcheng County of Hunan Province) handed down a judgement and ordered (i) the termination of the Agreements with effect from 6 January 2009; (ii) Hunan Qianshuiwan to return the land use right in relation the piece of land of 633 mu (equivalent to approximately 400,689 sq.m.) to Hunan Land within 30 days from the effective date of the judgement; (iii) Hunan Qianshuiwan to pay (a) an amount of RMB13,655,300 (equivalent to approximately HK$16,221,549) to Hunan Land and CS University and (b) the surety deposit of RMB10 million (equivalent to approximately HK$11,879,306) to Hunan Land within 10 days from the effective date of the judgement; and (iv) that Beijing Xinsong shall be jointly liable for Hunan Qianshuiwan's liabilities under order (iii) above.

Hunan Qianshuiwan, Beijing Xinsong, Hunan Land and CS University have appealed to 長沙市中級人民法院 (Intermediate People's Court of Changsha City). As at the Latest Practicable Date, the proceedings were still on-going.

湖南金州律師事務所 (Hunan Jinzhou Law Firm), the PRC litigation attorney advising Hunan Qianshuiwan on this litigation case, is of the opinion that (a) 湖南望城縣人民法院 (The People's Court of Wangcheng County of Hunan Province) was wrong in terms of the question of facts as well as the application of law; (b) the Defendants had been in material breach of the Agreements which entitled Hunan Qianshuiwan to terminate the Agreements and ask for the repayment of the deposit in the amount of RMB20 million (equivalent to approximately HK$23,758,612) and a damage in the amount of RMB20,294,725 (equivalent to approximately HK$24,108,725); and (c) the outcome of this litigation case will not materially affect the development or sale of the relevant properties. On the above basis, the Directors are of the opinion that no provisions are required to be made to the financial statements of the Group in respect of this litigation case and that the result of this litigation case would not have any material impact on the results of operations of the Group or the Enlarged Group (after Completion). According to the PRC litigation attorney, if Hunan Qianshuiwan is found to be liable, it may be ordered to pay a maximum monetary amount of RMB10 million, being the surety deposits previously paid by the Defendants.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

H. QUALIFICATIONS AND CONSENTS OF EXPERTS

Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, AllBright Law Offices, Conyers Dill & Pearman, KBC Bank N.V. Hong Kong Branch, Yuan Tai Law Offices, 上海徐曉青律師事務所 (Shanghai Xuxiaoqing Law Firm), Peter K. S. Chan & Co. and 湖南金州律師事務所 (Hunan Jinzhou Law Firm) have each given and have not withdrawn their respective written consents to the issue of this circular with copies of their reports, valuation certificates, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included. The qualifications of the experts who have given opinions in this circular are as follows:

Name	Qualification
Deloitte Touche Tohmatsu	Certified public accountants
DTZ Debenham Tie Leung Limited	Property valuer
AllBright Law Offices	PRC lawyers
Conyers Dill & Pearman	Bermuda attorneys-at-law
KBC Bank N.V. Hong Kong Branch	KBC Bank N.V., acting through its Hong Kong branch, a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution registered for Type 6 (advising on corporate finance) regulated activities under the SFO
Yuan Tai Law Offices	PRC lawyers
Shanghai Xuxiaoqing Law Firm	PRC lawyers
Peter K. S. Chan & Co.	Hong Kong Solicitors
Hunan Jinzhou Law Firm	PRC lawyers

J.P. Morgan, being the financial adviser to the Company in respect of the Transactions, has given and has not withdrawn its consent to the publication of its name in this circular.

I. SERVICE CONTRACTS

The Company has entered into directors' service contracts with Mr. Ni Jianda, Mr. Yang Biao, Mr. Chen Anmin, Mr. Jia Bowei, Mr. Doo Wai-Hoi, William, Dr.Wong Ying Ho, Kennedy, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David, all of which will expire on 4 July 2013. Such Directors are entitled to a fixed annual remuneration of an aggregate amount of HK$10,970,000 and none of them are entitled to any variable remuneration under the relevant service contracts.

As at the Latest Practicable Date, other than the service contracts set out above, none of the Directors had:

(a) entered into or amended any service contracts (including both continuous and fixed term contracts) with the Company or any of its subsidiaries or any of its associated companies within six months before the date of the Announcement;

(b) any continuous service contracts with the Company or any of its subsidiaries or associated companies with a notice period of 12 months or more; or

(c) any fixed term service contracts with the Company or any of its subsidiaries or associated companies with more than 12 months to run irrespective of the notice period.

J. TOTAL EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, printing and other expenses relating to the Transactions, are estimated to be HK$49.0 million to HK$53.2 million.

K. INFORMATION RELATED TO NOVEL GOOD LIMITED, SIH AND SIIC

(a) The registered address of Novel Good Limited is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and the correspondence address of Novel Good Limited in Hong Kong is at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong. Novel Good Limited is wholly owned by SIH.

(b) The registered address of SIH is at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

(c) SIIC, whose registered office is at 27th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong, is the ultimate parent company of Novel Good Limited and is indirectly holding an approximately 56.35% interest in Novel Good Limited.

The directors of SIIC are Mr. Teng Yi Long, Mr. Wang Rong Feng, Mr. Cai Yu Tian, Mr. Zhang Zhi Qun, Ms. Ge Ai Ning, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Yang Xi Sheng, Mr. Lu Shen, Mr. Su Lin and Mr. Zhu Wan Yi.

The directors of SIH are Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Qian Shizheng, Mr. Zhou Jun, Mr. Qian Yi, Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis.

The directors of Novel Good Limited are Mr. Cai Yu Tian, Mr. Zhou Jie, Mr. Qian Shizheng and Mr. Zhou Jun.

(d) The office address of Deutsche Bank AG, Hong Kong Branch in Hong Kong is Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

L. MISCELLANEOUS

Except as disclosed in this circular:

(a) within the two years preceding the date of this circular, no commissions, discounts, brokerages or other special terms had been granted by any members of the Group in connection with the issue or sale of any capital of the Company or any of its subsidiaries;

(b) other than the Warrants and the options granted under the Share Option Scheme, no share or loan capital of the Company or any of its subsidiaries is under option or has been agreed conditionally or unconditionally to be put under option;

(c) none of the persons whose names are listed in the paragraph headed "Qualifications and consents of experts" in this appendix to this circular had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(d) neither the Company nor any of its subsidiaries had issued or agreed to issue any founder shares, management shares, deferred shares or any debentures;

(e) the Shares are accepted as eligible securities of The Central Cleaning and Settlement System established and carried on by Hong Kong Securities Cleaning Company Limited;

(f) other than the US$400 million 9.75% Senior Notes Due 2014 of the Company which are listed on the Singapore Exchange Securities Trading Limited, none of the Company's equity or debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Qualifications and consents of experts" in this appendix to this circular is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this circular been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(h) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the Company's website at www.siud.com and on the SFC's website at www.sfc.hk. The documents are also available for inspection at the office of the Company at Suites 3003–7, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong during 9:30 a.m. to 5:30 p.m., Monday to Friday (other than public holidays) from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association of the Company and the Bye-laws;

(b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(d) the letter of advice from KBC Bank N.V. Hong Kong Branch to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(e) the annual reports of the Company for each of the two years ended 30 April 2009, for the eight months ended 31 December 2009 and for the year ended 31 December 2010, and the interim report of the Company for the six months ended 30 June 2011;

(f) the accountants' report on the Target Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this circular, together with the related statement of adjustments;

(g) the report from Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(h) the letter, summary of valuations and valuation certificates relating to the values of property interests of the Target Group prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix IVA to this circular;

(i) the letter, summary of valuations and valuation certificates relating to the values of property interests of the Group prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix IVB to this circular;

(j) the letter summarising certain aspects of Bermuda company law prepared by Conyers Dill & Pearman referred to in Appendix V to this circular;

(k) the PRC legal opinion issued by AllBright Law Offices, the PRC legal advisers of the Company;

(l) the PRC legal opinion issued by Yuan Tai Law Offices, the PRC legal advisers of SIH;

(m) the PRC legal opinion issued by上海徐曉青律師事務所 (Shanghai Xuxiaoqing Law Firm), the PRC litigation attorney of Shanghai Wan Yuan advising Shanghai Urban Development on the litigation case of Shanghai Wan Yuan;

(n) the legal opinion issued by Peter K. S. Chan & Co., the legal advisers of the Company advising on the Chengdu Jintai case referred to in the paragraph headed "Legal proceedings of the Group" in Appendix VI to this circular;

(o) the PRC legal opinion issued by 湖南金州律師事務所 (Hunan Jinzhou Law Firm), the legal advisers of the Company advising on the Qianshuiwan case referred to in the paragraph headed "Legal proceedings of the Group" in Appendix VI to this circular;

(p) the contracts referred to in the section headed "Issues Arising Prior to SIH's Acquisition of a Controlling Interest in the Company";

(q) the material contracts referred to in the paragraph headed "Summary of the material contracts" in Appendix VI to this circular;

(r) the written letters of consent referred to in the paragraph headed "Qualifications and consents of experts" in Appendix VI to this circular;

(s) the directors' service contracts referred to in the paragraph headed "Service contracts" in Appendix VI to this circular; and

(t) the Companies Act 1981 of Bermuda.

上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
(incorporated in Bermuda with limited liability)
(Stock code: 563)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Shanghai Industrial Urban Development Group Limited (the "**Company**") will be held at Salon 1-3, JW Marriott Ballroom (Level 3), JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 17 November 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions of the Company with or without amendment:

1. "**THAT**:

   (a) a sale and purchase agreement (the "**Agreement**") dated 14 April 2011 entered into between the Company and Shanghai Industrial Holdings Limited ("**SIH**") in relation to the sale and purchase of the Sale Share (as defined in the circular of the Company dated 31 October 2011 (the "**Circular**")) and the Shareholder's Loan (as defined in the Circular), a copy of which is marked "A" and tabled before the Meeting and initialled by the chairman of the Meeting for identification purposes, and the transactions contemplated under it and all other incidental transactions be and are hereby authorised, approved, ratified and confirmed;

   (b) a deed of assignment (the "**Deed**") dated 14 April 2011 entered into between the Company and SIH in relation to the assignment of the Dividend Receivable (as defined in the Circular), a copy of which is marked "B" and tabled before the Meeting and initialled by the chairman of the Meeting for identification purposes, and the transactions contemplated under it and all other incidental transactions be and are hereby authorised, approved, ratified and confirmed;

   (c) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and the permission to deal in, the Consideration Shares (as defined in the Circular), the grant of a specific mandate to the directors of the Company (the "**Directors**") to exercise all the powers of the Company to allot and issue the Consideration Shares to SIH or such other persons it may direct be and is hereby approved; and

(d) any one or more of the Directors be and is/are hereby authorised to sign and execute all such documents, instruments and agreements, and to do all such acts and things, as he/they may consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the paragraphs (a) to (c) of this ordinary resolution and all transactions contemplated thereunder; and to agree to any amendment to any of the terms of such agreements which in the opinion of the Director(s) is/are in the interests of the Company."

2. "**THAT**:

(a) subject to the Executive (as defined in the Circular) granting to SIH and parties acting in concert with it (within the meaning of the Takeovers Code) the Whitewash Waiver (as defined in the Circular) and the satisfaction of any condition(s) attached to the Whitewash Waiver imposed by the Executive, the waiver pursuant to Note 1 on dispensations from Rule 26 of the Code on Takeovers and Mergers (the "**Takeovers Code**"), waiving any obligation on SIH and parties acting in concert with it (within the meaning of the Takeovers Code) to make a mandatory general offer for (i) all the shares of the Company, and (ii) all the outstanding Warrants (as defined in the Circular) and share options of the Company, that are not already owed or agreed to be acquired by them, as a result of the Company allotting and issuing the Consideration Shares to SIH be and is hereby approved; and

(b) any one or more of the Directors be and is/are hereby authorised to sign and execute all such documents, instruments and agreements, and to do all such acts and things, as he/they may consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the paragraph (a) of this ordinary resolution and all transactions contemplated thereunder; and to agree to any amendment to any of the term of such agreements which in the opinion of the Director(s) is/are in the interests of the Company."

By order of the Board
Shanghai Industrial Urban Development Group Limited
Cai Yu Tian
Chairman

31 October 2011, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

3. The instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of that power or authority, must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

5. The votes to be taken at the Meeting for the resolutions will be by way of poll.

As at the date of this notice, the board of directors of the Company comprises Mr. Cai Yu Tian, Mr. Ni Jianda, Mr. Qian Shizheng, Mr. Zhou Jun, Mr. Yang Biao, Mr. Chen Anmin and Mr. Jia Bowei as executive Directors and Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as independent non-executive Directors.