瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Joint Global Coordinators, Joint Bookrunners, Joint Sponsors and Joint Lead Managers

Deutsche Bank HSBC JPMorgan

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* *For identification purposes only*

IMPORTANT

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

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**: 1,158,746,000 Shares (subject to the Over-allotment Option)**
Number of Public Offer Shares	**: 115,875,000 Shares (subject to adjustment)**
Number of International Offer Shares	**: 1,042,871,000 (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**: HK$5.35 per Offer Share payable in full on application subject to refund on final pricing, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.005%**
Nominal value	**: US$0.0025 per Share**
Stock code	**: 272**

Joint Global Coordinators, Joint Bookrunners, Joint Sponsors and Joint Lead Managers

Deutsche Bank	HSBC	JPMorgan
Deutsche Bank AG, Hong Kong Branch	**The Hongkong and Shanghai Banking Corporation Limited**	**J.P. Morgan Securities (Asia Pacific) Limited**

A copy of this prospectus, having attached thereto the documents specified in "Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, the Stock Exchange and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around 27 September 2006 and, in any event, not later than 2 October 2006. The Offer Price will be not more than HK$5.35 per Offer Share and is currently expected to be not less than HK$4.80 per Offer Share. Applicants for Public Offer Shares are required to pay, on application, the Maximum Offer Price of HK$5.35 for each Public Offer Share together with 1% brokerage, 0.005% Stock Exchange trading fee and 0.005% SFC transaction levy, subject to refund if the Offer Price as finally determined is less than HK$5.35 per Offer Share.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the day that is the last day for lodging applications under the Public Offer, then even if the indicative Offer Price range and/or the number of Offer Shares is so reduced, such applications cannot be subsequently withdrawn. Further details are set out in the sections entitled "Structure of the Global Offering" and "How to Apply for Public Offer Shares".

Prospective investors should read the entire document carefully and, in particular, should consider the matters discussed in the section entitled "Risk Factors".

If, for any reason, we and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by 2 October 2006, the Global Offering (including the Public Offer) will not proceed and will lapse.

The Offer Shares have not been registered under the US Securities Act and may be offered or sold, pledged or transferred only (i) in the United States to QIBs, in reliance on Rule 144A under the US Securities Act and (ii) outside the United States in reliance on Regulation S under the US Securities Act.

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* *For identification purposes only*

20 September 2006

EXPECTED TIMETABLE(1)

Latest time to lodge **pink** Application Forms	5:00 p.m. on 22 September 2006
Latest time to lodge **white** and **yellow** Application Forms	12:00 noon on 25 September 2006
Application lists open(2)	11:45 a.m. on 25 September 2006
Latest time to give **electronic application instructions** to HKSCC(3)	12:00 noon on 25 September 2006
Application lists close	12:00 noon on 25 September 2006
Expected Price Determination Date	27 September 2006
Announcement of the Offer Price, the level of indication of interest in the International Offer and the application results and basis of allocation of the Public Offer Shares (with successful applicants' identification document numbers, where appropriate) to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	3 October 2006
Despatch of Share certificates in respect of wholly or partially successful applications on or before(4)	3 October 2006
Despatch of refund cheque(s) in respect of wholly or partially unsuccessful applications on or before(5)	3 October 2006
Dealings in Shares on the Stock Exchange expected to commence	9:30 a.m. on 4 October 2006

Notes:

(1) All times refer to Hong Kong local time.

(2) If there is a "black"' rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 25 September 2006, the application lists will not open on that day. See the section entitled "How to Apply for Public Offer Shares — When to Apply for Public Offer Shares — Effect of bad weather on the opening of the application lists".

(3) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section entitled "How to Apply for Public Offer Shares — How to apply by giving electronic instructions to HKSCC via CCASS".

(4) Share certificates will only become valid if the Global Offering becomes unconditional and neither of the Underwriting Agreements is terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be 4 October 2006. No dealing should take place in the Offer Shares prior to commencement of dealing in the Shares on the Stock Exchange. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

(5) Refund cheque(s) will be issued in respect of wholly and partially unsuccessful applications, and also in respect of successful applications in the event that the Offer Price as finally determined is less than the Offer Price per Offer Share initially paid on application.

For details of the structure of the Global Offering, including its conditions, see the section entitled “Structure of the Global Offering”.

CONTENTS

You should rely only on the information contained in this prospectus and the application forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Joint Sponsors and Joint Lead Managers, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Shares. There are risks associated with any investment. Some of the particular risks in investing in the Shares are set out in the section entitled "Risk Factors". You should read this section carefully before you decide to invest in the Shares.

OUR COMPANY AND OUR BUSINESS

We are one of the leading property developers in the PRC and the flagship property company of the Shui On Group. We engage principally in the development, sale, leasing, management and the long term ownership of high quality residential, office, retail, entertainment and cultural properties in the PRC, utilising our proven expertise and successful track record in developing large-scale integrated property projects based on master plans that we have developed in conjunction with the local governments. We believe our projects are characterised by the redevelopment and transformation of the neighbourhoods and communities of the cities in which our projects are located. We strategically retain long term ownership of certain commercial properties that we have developed, and are committed to enhancing the value of the projects on a continuing basis through comprehensive property management. Our successes include the internationally acclaimed restoration project which created one of the leading landmarks in Shanghai, known as Shanghai Xintiandi.

We trace our origins to the Shui On Group, a Hong Kong-based privately-held diversified group that is primarily engaged in real estate development, construction contracting and construction materials businesses. Under the leadership of our Chairman, Mr. Vincent H.S. Lo, the Shui On Group has over 20 years of experience in property development in the Chinese mainland and over 30 years of property related experience in Hong Kong.

To date, our business has been supported by a number of internationally renowned investors, including HSBC, ERGO AG, Metro Holdings Limited, Citigroup Venture Capital International (through Co-Investment Limited Partnership V (SOL)), Ocean Equity Holdings Limited, Value Partners Funds, Standard Chartered Bank (Hong Kong) Limited, Shanghai Hotel Investments Limited, and Jebsen and Company Limited, or their subsidiaries or affiliates.

We focus on large-scale projects, primarily of the following two types:

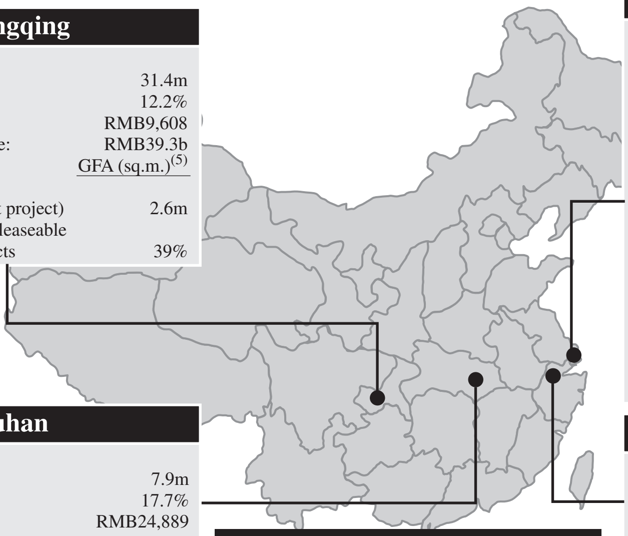
- **City-core development projects**: Strategically located, large-scale and multi-phase developments typically consisting of residential, office, retail, entertainment and cultural properties with a blend of historic restoration and modern architecture. Our aim is to make each of these projects a focal point for the entire city in which it is located; and

- **Integrated residential development projects**: Large-scale, multi-phase urban residential developments targeted at China's growing middle and upper-middle classes, and which offer high-quality living conditions in convenient urban locations with easy access to transport facilities. Our integrated residential development projects typically comprise residential accommodation, a school, and commercial, retail and recreation areas.

China's plan for continuing rapid economic development will continue to further transform and develop its cities (approximately 20 of which have a population of more than five million people). The continued redevelopment of its cities will in turn generate significant economic value for China and opportunities for well capitalised and proven property companies. As China's cities are built into modern commercial and service centres, we believe they will become economic hubs to their hinterlands, which will be increasingly connected by modern transportation infrastructure. An integral part of the transformation of these cities is efficient and innovative master planning of land utilisation. We believe that our business model, built upon large scale master planned city-core and integrated residential development projects, will position us to benefit from the expected emergence of modern cities in China. Moreover, as mass urbanisation in China continues, we believe that development of premium integrated residential and commercial properties such as those we undertake will be a significant element in determining which cities emerge as economic hubs for their hinterlands.

As at the Valuation Date, we had access to over 8.1 million square metres of GFA and open areas and other public facilities under our land use rights certificates, land grant contracts and legally binding master agreements with district governments. These land parcels fall under our six major multi-phase projects with an aggregate estimated leasable and saleable GFA of approximately 6.7 million square metres and approximately 1.4 million square metres of open areas and other public facilities.

The following map shows the locations of our projects and certain related information as at the Valuation Date (except as otherwise indicated):



Chongqing

City information[1]	
Population:	31.4m
GDP growth:	12.2%
Per capita GDP:	RMB9,608
Investment in real estate:	RMB39.3b
Our projects:	GFA (sq.m.)[5]
Chongqing Tiandi (City-core development project)	2.6m
% of total saleable and leaseable GFA of all of our projects	39%

Shanghai

City information[2]	
Population:	13.5m
GDP growth:	13.6%
Per capita GDP:	RMB55,307
Investment in real estate:	RMB117.5b
Our projects:	GFA (sq.m.)[5]
Shanghai Taipingqiao (City-core development project)	1.0m
Shanghai Rui Hong Xin Cheng (Integrated residential development project)	1.1m
Shanghai Knowledge and Innovation Community (City-core development project)	0.5m
% of total saleable and leaseable GFA of all of our projects	39%

Wuhan

City information[3]	
Population:	7.9m
GDP growth:	17.7%
Per capita GDP:	RMB24,889
Investment in real estate:	RMB23.3b
Our projects:	GFA (sq.m.)[5]
Wuhan Hankou Tiandi (City-core development project)	1.4m
% of total saleable and leaseable GFA of all of our projects	21%

Total GFA

	(sq.m.)
City-core development projects	5.6m
Integrated residential development project	1.1m
Total	6.7m

Hangzhou

City information[4]	
Population:	6.5m
GDP growth:	15.0%
Per capita GDP:	RMB38,858
Investment in real estate:	RMB32.9b
Our projects:	GFA (sq.m.)[5]
Hangzhou Xihu Tiandi	0.1m
% of total saleable and leaseable GFA of all of our projects	1%

Sources for city information:

(1) Chongqing Yearbook 2005

(2) Shanghai Yearbook 2005

(3) Wuhan Yearbook 2005

(4) Hangzhou Yearbook 2005

(5) GFA shown includes Completed property developments, Properties under development, Landbank and clubhouses which are neither leased nor sold but excludes sold GFA, car parks, roads and open areas.

The six major multi-phase projects are in various stages of development in the cities of Shanghai, Chongqing, Wuhan and Hangzhou in China, which together will have a total GFA of 7.0 million square metres on completion, of which 0.26 million square metres have been sold as at the Valuation Date. Shanghai and Hangzhou are located in the economically vibrant Yangtze River Delta, Chongqing is a major commercial and industrial centre in southwestern China and Wuhan is a major transportation hub located in central China.

- **The Shanghai Taipingqiao project** is a city-core development project consisting of office, residential, commercial, retail, entertainment and cultural properties in the heart of Shanghai. Upon completion, we expect the Shanghai Taipingqiao project to have a total GFA of approximately 1.1 million square metres, of which 110,000 square metres have been sold as at the Valuation Date. This project consists of four types of developments, namely:

  - A historic restoration zone (known as Shanghai Xintiandi), which has been open since 2001 and was fully completed in 2002;

  - A corporate headquarters zone (known as Corporate Avenue), for which one of the lots with retail and office properties was completed in 2004;

  - An up-market residential zone, for which the first of eight lots (known as Lakeville) was completed in 2003 with a second lot (known as Lakeville Regency) expected to be completed by the end of September 2006, with pre-sales having commenced in early 2006; and

  - A retail and theatre zone, construction of which is expected to commence in 2008.

  The four zones referred to above are all located around a newly constructed man-made lake and landscaped area which cover an area of approximately 44,000 square metres. Construction of the Shanghai Taipingqiao project is being carried out in accordance with the master agreement with the Luwan District government and is expected to be completed in 2012.

- **The Shanghai Rui Hong Xin Cheng project**, also known as Shanghai Rainbow City, is an integrated residential development project. Upon completion, we expect the Shanghai Rui Hong Xin Cheng project to comprise a total GFA of approximately 1.3 million square metres, of which 151,000 square metres have been sold as at the Valuation Date. Shanghai Rui Hong Xin Cheng will redevelop the existing residential neighbourhoods into an upper-middle class residential community complete with modern amenities. Shanghai Rui Hong Xin Cheng is close to downtown Shanghai with good transportation links including its own dedicated metro station. Upon completion, we expect the project will comprise high rise residential buildings, commercial shopping complexes and schools. The Shanghai Rui Hong Xin Cheng project comprises eight phases, of which Lot 149 has been substantially completed. Out of the planned 1,759 units in Lot 149, as at the Valuation Date, 1,485 units have been built and approximately 96% of these completed units have been sold. Clearance of land for subsequent lots (namely Lot 4, Lot 6 and Lot 8) commenced in late 2005 and the entire Shanghai Rui Hong Xin Cheng project is expected to be completed in 2011.

- **The Shanghai Knowledge and Innovation Community project**, also known as the Shanghai Chuangzhi Tiandi project, is a city-core development project which we expect will have a total GFA of approximately 537,000 square metres upon completion. This project is intended to inspire innovation and entrepreneurship, supported by retail, entertainment and sporting facilities to create a “live, work and play” lifestyle. The project is located close to 17 major universities and colleges in the northeast of downtown Shanghai, including some of China’s leading universities such as Fudan University and Tongji University. The project will provide a “hub area” (comprising office buildings, learning centres, exhibition halls, conference and convention facilities, and commercial outlets). Active steps have been and will continue to be taken to attract venture capitalists, entrepreneurs, technology companies and research institutions to establish their presence in the Shanghai Knowledge and Innovation Community, which is designed to provide a platform for these businesses and professionals to interact, work and live in an environment conducive to innovation and entrepreneurship. As an example, we have signed a memorandum on strategic co-operation with Beijing Oracle Software Systems Co. Ltd., a subsidiary of Oracle Corporation, which we expect to be a strategic technology partner of the Shanghai Knowledge and Innovation Community project. Beijing Oracle Software Systems Co. Ltd. has committed to leasing a portion of the main hub area. Construction of the project commenced in June 2004, and construction of the first “live-work” area, consisting of a total GFA of approximately 86,000 square metres, was completed in August 2006, with 313 office units (“live-work” units) and 360 residential units available for sale. The entire project is expected to be completed in 2010.

- **The Chongqing Tiandi project** is a city-core development project which we expect will have a total GFA of approximately 2.6 million square metres upon completion. The Chongqing Tiandi project is situated on the south bank of the Jialing River on a hillside, just upstream of the confluence of the Yangtze and Jialing Rivers. We intend this city-core development project to support and service Chongqing’s extensive manufacturing and service industries. Upon completion, Chongqing Tiandi will be integrated with Chongqing’s nearby central business district via a light rail system and major roads. The main features, in addition to modern high quality office buildings, are expected to include a commercial core comprising business facilities such as an exhibition centre and luxury hotels, a large residential area, entertainment and cultural properties, as well as a man-made lake. Construction of the Chongqing Tiandi project commenced in the fourth quarter of 2005 and the entire project is expected to be completed in 2014.

- **The Wuhan Hankou Tiandi project** is a city-core development project which we expect will have a total GFA of approximately 1.4 million square metres upon completion. Located between Shanghai and Chongqing at the confluence of the Han River and the Yangtze River, Wuhan is a major transportation hub in inland China and is the capital of Hubei Province. The project comprises two main sites, Site A and Site B which will contain Grade A office buildings, retail facilities, two hotels and residential properties. Construction of the Wuhan Hankou Tiandi project, which is scheduled to take place in ten phases, commenced in the first quarter of 2006, and the entire project is expected to be completed in 2014.

- **The Hangzhou Xihu Tiandi project** is a focal point development project similar to Shanghai Xintiandi which we expect will have a total GFA of approximately 52,000 square metres upon completion. Situated adjacent to Hangzhou's celebrated West Lake, one of China's most famous and appreciated areas of natural beauty. The capital city of Zhejiang Province, Hangzhou, is a popular holiday destination approximately 180 kilometres away from Shanghai, and is connected to Shanghai by a modern super highway. Phase 1 of this project, which is fully occupied with a total GFA of approximately 6,000 square metres, has been operational since May 2003. Construction of Phase 2 is expected to commence in the first quarter of 2007, and the entire project is expected to be completed in 2008.

The projects described above are multi-phase projects in various stages of development. Whilst none of these projects are completed in their entirety, certain developments within these multi-phase projects have been completed. Developments which have already been completed have generated revenue for us during the track record period, and we expect a selection of them to continue to do so. As at the Valuation Date, our completed developments include Shanghai Xintiandi, Lot 117 (Lakeville), the portion of Corporate Avenue and a significant part of Lot 114 (Lakeville Regency), which form part of the Shanghai Taipingqiao project, and a substantial part of Lot 149 of the Shanghai Rui Hong Xin Cheng project. Other examples of developments which will generate revenue in 2006 include the retaining portion of Lot 114, the remaining portion of Lot 149 of the Shanghai Rui Hong Xin Cheng project, and the first "live-work" area at the Shanghai Knowledge and Innovation Community project.

COMPETITIVE STRENGTHS

We believe that our success and future prospects are underpinned by a combination of the following competitive strengths:

- Access to land in prime locations.
- End-to-end capabilities to develop and manage properties that comprise our city-core and integrated residential development projects.
- Well positioned to identify and develop future projects.
- Established brand and reputation.
- Benefits from large-scale projects and rigorous cost controls.
- Quality leadership and human resources.
- Diversified earnings base.
- Strong corporate governance and internal controls.

STRATEGY

Our vision is to become the premier innovative property developer in the PRC. Our strategies to achieve this vision are as follows:

- Continue to acquire land development rights in strategic locations.
- Leverage on our master planning capability and brand to increase the scale of our operations.
- Forge strategic partnerships with other developers, contractors, consultants and other investors.
- Achieve and maintain a well-diversified business mix between properties for sale and investment properties.
- Continue to follow international industry best practices and maintain an efficient organisation structure.

FUTURE PLANS

We intend to continue growing organically by pursuing further property development projects, particularly city-core development projects and integrated residential development projects and to continue to enhance our geographic diversification by undertaking projects in appropriate regions in new cities. We propose to adhere to our business model, including as described in the section entitled "Our Business — Strategy".

We actively screen cities in different regions of China to identify suitable locations for our projects and are continually exploring new opportunities, which regularly involves discussions with local governments and other parties in the localities concerned. The process for exploring identified opportunities may involve entering into memoranda of understanding, and other expressions of intent which are typically non-binding or subject to significant conditions or uncertainties at early stages and which generally will include a requirement to go to tender. The entering into of an initial memorandum of understanding or other expressions of intent does not normally guarantee exclusivity or carry any assurance that a project will be successfully concluded, nor does it mean that we have determined that we will enter into the project in question. In many instances, the entering into of an initial memorandum of understanding or expression of intent may be necessary for carrying out further feasibility studies or due diligence which will then form the basis of a decision as to whether we will continue to explore the particular opportunity in question. Submission of proposals or suggested plans for any potential project does not mean that we have formed a definitive or advanced view on whether we will enter into any binding agreement relating to the project in question.

Out of the cities that we have screened in the PRC, we have provisionally identified eight cities (including Kunming) as preferred locations for future projects. We currently have no definitive plan for any such projects. The timing and priority of the cities where such developments might take place has not yet been determined.

In July 2006, we signed an agreement with the Kunming municipal government to collaborate in the redevelopment of the northern Caohai district of Kunming. The purpose of this collaboration is to research and determine the feasibility of regenerating the Caohai district as a mixed use community (entertainment, cultural, live, work, and research and development facilities). Should the collaboration achieve positive results, we expect to bid for the land for development of the area.

The site of the project is approximately 4 square kilometres in size and is adjacent to the current city centre, located along the famous Dianchi Lake and surrounding the Daguan Park in Kunming City. Our intention is to transform this prime site into an integrated community comprising commercial, research and development, entertainment, cultural and educational facilities, mixed-density luxury residential units and loft-style live/work units, catering for the demand of the creative community. According to our proposed master plan, the project will have an expected GFA of approximately 2.5 million square metres upon completion, subject to change and approval, and include a five-star resort hotel with spa, a conference hotel, entertainment venues, dance theatres and studios, a multi-purpose performance theatre, schools, restaurants, retail outlets, art galleries, a dock at Dianchi Lake, ecological parks, other outdoor recreational areas and various types of housing developments upon completion.

We may also pursue other plans, including other ways of acquiring land development rights for the purpose of undertaking property projects, or other ways to increase the scale of our operations by leveraging on our master planning expertise, if we feel the right opportunity presents itself. In addition, we will, in appropriate cases, consider other opportunities to participate in projects of various scale where we can leverage our competitive strengths. While our primary focus is on city-core and integrated residential development projects, our track record, good relationships with business partners and well established reputation may give rise to such other opportunities.

We intend to seek out opportunities to enter into strategic partnerships with investors to sell our interests in selected land, and/or to co-develop some lots of our projects with a view to potentially accelerating our development schedules and allowing us to undertake more new projects. In September 2006, we entered into legally binding agreements with Winnington Capital Limited and Ocean Equity Holdings Limited respectively for the sale of 19.8% in total (9.9% to each of Winnington Capital Limited and Ocean Equity Holdings Limited) of our 99% indirect interest in the Chongqing Tiandi project. We will continue to consider further sales of interests in the Chongqing Tiandi project currently envisaged not to exceed 30% (inclusive of the 19.8% already agreed to be sold) in total. Winnington Capital Limited is an independent third party investor. Ocean Equity Holdings Limited and certain of its associates are existing investors in our Group (and for that reason are treated as connected persons for the purposes of the Listing Rules) but are otherwise unconnected with and independent of our Company and its controlling shareholder. For further details, see the sections entitled "Our Business — Our Property Projects — Our Projects Outside of Shanghai — Chongqing Tiandi" and "Our Business — Connected Transactions — Sale of indirect interest in Chongqing Tiandi project company."

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK$5.075 per Share, being the mid-point of the proposed Offer Price range of HK$4.80 to HK$5.35 per Share, will be approximately HK$2,558.1 million. We currently intend to apply these net proceeds for the following purposes:

- Approximately HK$1,863.8 million will be used for the Shanghai Taipingqiao, Shanghai Rui Hong Xin Cheng, Shanghai Knowledge and Innovation Community, Chongqing Tiandi and Wuhan Hankou Tiandi projects, including approximately HK$602.0 million for financing the deferred consideration payable by us in relation to the acquisition of minority interests in Lot 110 and Lot 113 in the Shanghai Taipingqiao project, which we acquired in December 2005. See the section entitled "Corporate Structure — Acquisition of minority interest in certain project companies for Shanghai Taipingqiao";

- Approximately HK$445.0 million will be used for future project funding purposes; and

- The remaining net proceeds will be used for general corporate purposes.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

In the event that any part of our developments does not proceed as planned, including circumstances such as failure to obtain requisite approvals for property developments, changes in government policies which would render any of our property developments commercially not viable, failure to complete relocation, or force majeure, our directors will carefully evaluate the situation and may reallocate the intended funding to other existing or new projects and/or hold such funds on short-term deposits as our directors consider it to be in our interests.

A number of our Financial Investors will be selling a portion of their Shares at the time of Listing. We will not receive any of the proceeds from the sale of Shares by the Selling Shareholders in the Global Offering. The Selling Shareholders will be responsible for underwriting commission and incentive fee, together with any applicable Stock Exchange trading fees, SFC transaction levy, CCASS transaction fees and stamp duty payable in respect of the sales of their Shares. We will be responsible for all other costs of the Global Offering.

OUR RELATIONSHIP WITH THE SHUI ON GROUP

Immediately upon completion of the Global Offering and based on the Share Capital Assumptions, the Shui On Group will hold approximately 36.4% (based on an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus) or approximately 37.0% (based on the Maximum Offer Price) of our Shares (before taking into account any exercise of the Over-allotment Option), and will be our controlling shareholder. On completion of the Global Offering (and on the same basis and assumptions), the Shui On Group and SOCAM will together hold approximately 54.5% (based on an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus) or approximately 55.3% (based on the Maximum Offer Price) of our Shares. The ultimate controlling shareholder of the Shui On Group is our Chairman and Chief Executive Officer, Mr. Vincent H.S. Lo. For further details regarding our substantial shareholders, see the section entitled "Substantial Shareholders".

The Shui On Group has given certain undertakings to us concerning its investment in future property development projects in the PRC. Shui On Company Limited, the ultimate holding company of the Shui On Group, has also agreed to give certain indemnities in respect of litigation and taxation matters in favour of our Group. See the section entitled "Other Information — A. Litigation and tax indemnity and estate duty" in Appendix IX for details of the indemnities.

See the section entitled "Relationship with the Shui On Group" for further details of our relationship with the Shui On Group.

THE HSBC INVESTMENT

The HSBC Investor has, prior to the Global Offering, subscribed for US$100 million new Shares of our Company, and has agreed that, without the prior consent of our Company, it will not dispose of any of the HSBC Investment Shares acquired for a period of 24 months following the Listing Date. See the section entitled "The HSBC Investment".

CONVERSION OF PREFERENCE SHARES AND EXERCISE OF WARRANTS

At the Listing Date, our Preference Shares will all be converted in accordance with their terms of issue into a total of 1,237,810,656 Shares (based on an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus) or 1,197,180,456 Shares (based on the Maximum Offer Price). A portion of those Shares will be sold by the Selling Shareholders in the Global Offering.

In addition, our outstanding 3,874,250 Warrants will be exercised automatically upon Listing and satisfied by the issue of Shares. Exercise of all the Warrants will result in the issue of 108,990,200 new Shares based on an Offer Price of HK$4.80 (being the bottom end of the Offer Price range in this prospectus) or 107,370,582 new Shares based on the Maximum Offer Price.

SUMMARY HISTORIC FINANCIAL INFORMATION

Income Statements

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	(RMB in millions)				
Turnover	977.3	1,038.9	1,017.8	94.0	138.1
Cost of sales	(646.6)	(599.7)	(326.7)	(6.1)	(18.1)
Gross profit	330.7	439.2	691.1	87.9	120.0
Other operating income	11.1	17.0	103.8	10.3	40.0
Staff costs	(22.5)	(66.2)	(77.7)	(24.1)	(20.2)
Depreciation and release of prepaid lease rentals	(15.1)	(15.9)	(24.0)	(4.6)	(7.0)
Other operating expenses	(123.9)	(194.2)	(255.3)	(37.4)	(36.9)
Share of results of associates	—	—	—	—	—
Share of results of a jointly controlled entity	—	—	—	—	—
Finance costs	(53.7)	(109.5)	(166.9)	(16.1)	(87.9)
Profit before revaluation increase on investment properties and taxation	126.6	70.4	271.0	16.0	8.0
Revaluation increase in investment properties	62.7	1,687.2	606.6	376.1	—
Profit before taxation	189.3	1,757.6	877.6	392.1	8.0
Taxation	(104.6)	(647.9)	(331.9)	(133.1)	(25.3)
Profit (loss) for the year/period	84.7	1,109.7	545.7	259.0	(17.3)
Attributable to:					
Equity holders of the Company	29.0	786.0	380.0	180.0	(18.6)
Minority interests	55.7	323.7	165.7	79.0	1.3
	84.7	1,109.7	545.7	259.0	(17.3)
Dividends	—	—	—	—	—

Balance Sheets

The following table sets out our summary balance sheet data as at the dates indicated.

	As at 31 December			As at 31 March
	2003	2004	2005	2006
	(RMB in millions)			
Current assets	3,498.6	4,956.0	8,657.2	8,613.2
Non-current assets	4,666.0	7,294.8	9,971.8	10,508.5
Current liabilities	4,854.6	3,039.4	5,145.6	5,112.1
Non-current liabilities	2,388.1	4,100.3	8,421.5	8,854.6
Equity attributable to equity holders of the Company	752.7	4,518.8	4,755.8	4,839.9
Minority interests	169.2	592.3	306.1	315.1

FORECAST

Profit forecast for the year ending 31 December 2006

	RMB millions
Net profit attributable to equity holders of the Company before (i) revaluation of investment properties and (ii) Fair Value Adjustment on Derivative Financial Instruments[1]	1,450
Revaluation increase on investment properties (net of deferred tax effect and share of minority interests)[2]	76
Fair Value Adjustment on Derivative Financial Instruments[2][6]	(544)
Net profit attributable to equity holders of the Company after (i) revaluation of investment properties and (ii) Fair Value Adjustment on Derivative Financial Instruments[1]	982

	After (i) revaluation of investment properties and (ii) Fair Value Adjustment on Derivative Financial Instruments[1]	Before (i) revaluation of investment properties and (ii) Fair Value Adjustment on Derivative Financial Instruments[1]
Forecast earnings per Share		
Unaudited fully diluted[3]	RMB0.24	RMB0.36
Weighted average[4]	RMB0.41	RMB0.61

Notes:

(1) The forecast net profit attributable to equity holders of the Company for the year ending 31 December 2006 is extracted from the section entitled "Financial information — Profit Forecast". The bases of preparation of the above profit forecast for the year ending 31 December 2006 are summarised in Appendix III. On the bases and assumptions set out in Appendix III, and in the absence of unforeseen circumstances, we have forecast that the net profit attributable to equity holders of the Company for the year ending 31 December 2006 is unlikely to be less than RMB1,450 million before revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments, and is unlikely to be less than RMB982 million after revaluation of investment properties and after Fair Value Adjustment on Derivative Financial Instruments as described in the section entitled "Financial information — Profit Forecast".

(2) Prepared on the bases and assumptions summarised in Appendix III.

(3) The calculation of the unaudited pro forma forecast earnings per Share on a fully diluted basis is based on the forecast net profit attributable to equity holders of the Company for the year ending 31 December 2006, assuming that the Company had been listed on the Stock Exchange since 1 January 2006 and a total of 4,069,222,571 Shares had been in issue during the entire year. The calculation is based on the Share Capital Assumptions including assumptions as to full conversion of all outstanding Preference Shares and that the Warrants are all exercised for Shares on Listing and the 4,069,222,571 Shares assumed to be in issue immediately following the Global Offering (based on the Maximum Offer Price and without taking into account any exercise of the Over-allotment Option).

(4) The calculation of the forecast earnings per Share on a weighted average basis for the financial year ending 31 December 2006 is based on the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2006 and a weighted average number of 2,379,147,736 Shares assumed to be in issue during the year. This weighted average number is based on the assumption that a weighted average of 1,834,159,836 Shares will have been in issue from 1 January 2006 until 3 October 2006, and that a total of 4,069,222,571 Shares (being the same total number of Shares assumed to be in issue immediately following completion of the Global Offering as referred to in Note (3) above) will be in issue from 4 October 2006 throughout the remainder of the financial year.

(5) In September 2006, we have entered into legally binding agreements with Winnington Capital Limited and Ocean Equity Holdings Limited respectively for the sale of 19.8% in total (9.9% to each of Winnington Capital Limited and Ocean Equity Holdings Limited) of our 99% indirect interest in the Chongqing Tiandi project. As of the date of this prospectus neither of these agreements has been completed, but both are scheduled to be completed during our current financial year ending 31 December 2006. When completed, we estimate these sales will give rise to profits of not less than approximately RMB580 million after tax. We will continue to consider further sales of interests in the Chongqing Tiandi project currently envisaged not to exceed 30% (inclusive of the 19.8% already agreed to be sold) in total.

(6) Comprises the Fair Value Adjustment on Warrants estimated at RMB356 million and the fair value adjustment on the capped conversion right with respect to the Senior Preference Shares estimated at RMB188 million as described in the section entitled "Financial Information — Profit Forecast" .

DIVIDENDS

Our directors intend to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our shareholders' approval.

Considering our financial position, our directors currently intend, subject to certain limitations, and in the absence of any circumstance which might reduce the amount of dividends available for distribution, whether by losses or otherwise, to distribute to our shareholders not less than 20% of our profits available for distribution for the year ending 31 December 2006, and, for subsequent years, a portion of our profits available for distribution. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in any year. For further details, please see the section entitled "Financial Information — Dividend Policy".

OFFER STATISTICS(1)

	Based on an Offer Price per Share of HK$4.80	Based on an Offer Price per Share of HK$5.35
Market capitalisation of our Shares(2)	HK$19.8 billion	HK$21.8 billion
Prospective price/earnings multiple before (i) revaluation of investment properties and (ii) Fair Value Adjustment on Derivative Financial Instruments:		
On a pro forma fully diluted basis(3)		15.4 times
On a weighted average basis(3)		9.0 times
Prospective price/earnings multiple after (i) revaluation of investment properties and (ii) Fair Value Adjustment on Derivative Financial Instruments:		
On a pro forma fully diluted basis(3)		22.7 times
On a weighted average basis(3)		13.3 times
Unaudited pro forma consolidated net tangible asset value per Share(4)	RMB2.71	RMB2.82

Notes:

(1) All statistics in this table are based on the Share Capital Assumptions, including assumptions as to full conversion of all outstanding Preference Shares and that the Warrants are all exercised for Shares on Listing.

(2) The calculations of market capitalisation are based on 4,128,088,044 Shares (based on an Offer Price of HK$4.80) or 4,069,222,571 Shares (based on an Offer Price of HK$5.35) assumed to be in issue immediately following the Global Offering before exercise of the Over-allotment Option and otherwise based on the assumptions in Note (1) above.

(3) Based on the forecast earnings per Share for the year ending 31 December 2006.

(4) The unaudited pro forma consolidated net tangible asset value per Share is based on 4,128,088,044 Shares (based on an Offer Price of HK$4.80) or 4,069,222,571 Shares (based on an Offer Price of HK$5.35) assumed to be in issue immediately following the Global Offering before exercise of the Over-allotment Option and otherwise on the same assumptions as in Note (1) above. See "Appendix II — Unaudited Pro Forma Financial Information — Unaudited Pro Forma Net Tangible Assets."

RISK FACTORS

Our directors consider that there are certain risks involved in the operations of our Group. They can be categorised into: (1) risks relating to our business; (2) risks relating to our industry; (3) risks relating to the PRC; and (4) risks relating to the Global Offering. These risks are set out in the section entitled "Risk Factors", the headings of which are as follows:

Risks Relating to Our Business

- Our operations are subject to extensive governmental regulation and in particular, we are susceptible to changes in policies related to the real property markets in China.
- We are heavily dependent on the performance of the PRC property sector, particularly in Shanghai and Chongqing.
- For some of our development projects, we are required to relocate existing residents and pay relocation costs and the relocation process may not be completed as planned.
- We expect to continue to develop large projects and we may not be able to acquire suitable sites for these developments.
- Although we have some form of contractual arrangements for all of our projects, we do not yet hold land use rights certificates for some of our properties.
- We are party to long term master agreements with government entities which may not be implemented as planned.
- We require substantial capital resources to develop our existing and additional projects, which may not be available.
- We provide short term performance guarantees for the purchasers of units in our residential properties and we may incur substantial costs if they are called.
- We depend on key management personnel.
- Our limited operating history as a separate entity may make it difficult for you to evaluate us.
- We cannot assure you that the services rendered by independent contractors will always match our requirements for quality or be available within our budget.
- Our use of joint ventures may limit our flexibility with respect to our joint investments.
- Our subsidiary companies may not be entitled to continue receiving the benefits of certain financial subsidies.

- Our results of operations for each of the three years ended 31 December 2005 include revaluation increases on investment properties which are unrealised.

- Our operations are restricted by the terms of a trust deed, which could limit our ability to plan for or to react to market conditions or meet our capital needs.

- We may not be able to adequately manage our growth.

- We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

- We may become involved in an investigation arising out of our participation in an entrusted loan used for the development of our Shanghai Knowledge and Innovation Community project and may face unpredictable consequences as a result.

- We may suffer losses that are not covered by insurance.

- The indemnity provided by Shui On Company Limited to us for certain losses for litigation and taxation claims will expire in 2013.

Risks relating to Our Industry

- PRC Government policies, regulations and measures intended to discourage speculation in the real property market may adversely affect our business.

- The property market in the PRC is at an early stage of development and is volatile.

- The property market in the PRC is highly competitive.

- Our sales of residential properties may be adversely affected if interest rates increase or prospective buyers are not able to obtain mortgage financing.

- Our property development activities are subject to risks associated with the property industry.

- We may be subject to significant amounts of land-appreciation tax.

- We may have to forfeit land being developed if we do not comply with the terms of the relevant land grant contract.

- Potential liability for environmental problems could result in substantial costs.

Risks Relating to the People's Republic of China

- The PRC's economic, political and social conditions, as well as PRC Government policies, could adversely affect the financial markets in China and our business.

- Our operations are subject to the uncertainties of the PRC legal system.
- Restrictions on currency exchange may limit our ability to utilise our turnover effectively.
- We are subject to risks presented by fluctuations in foreign currencies.
- The national and regional economies in China may be adversely affected by a recurrence of severe acute respiratory syndrome, or an outbreak of other epidemics such as avian flu, thereby affecting our prospects.

Risks relating to the Global Offering

- Future sales of securities by our existing shareholders or us may decrease the value of your investment.
- There has been no prior market for our Shares and the Global Offering may not result in an active or liquid market for the Shares, which could adversely affect their market price.
- The Offer Price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile.
- We will be controlled by the Shui On Group, whose interests may not be aligned with those of our other shareholders.
- Because the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution.
- The valuation attached to our property interests contains assumptions that may or may not materialise.
- Our net profit attributable to equity holders of the Company for the year ending 31 December 2006 will involve gains and losses that may arise on revaluation of our investment properties and/or derivative financial instruments, and our profit forecast involves estimates and assumptions in this regard which may prove to be incorrect.
- The industry data and forecasts in this prospectus have not been independently verified.
- You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles, in particular, any financial projections, valuations or other forward looking information.
- You may experience difficulties in enforcing your shareholder rights because we are incorporated in the Cayman Islands, and the law of the Cayman Islands may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section entitled "Glossary".

"Application Form(s)"	white application form(s), yellow application form(s) and pink application form(s) or, where the context so requires, any of them
"associate"	has the meaning ascribed thereto under the Listing Rules
"b"	billion
"Business Day"	any day (other than a Saturday or Sunday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
"Cayman Islands Companies Law"	the Companies Law (2004 Revision) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"Company", "our Company", "we", "us"	Shui On Land Limited, a company incorporated in the Cayman Islands on 12 February 2004 as an exempted company with limited liability and, except where the context otherwise requires, all of its subsidiaries
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Deutsche Bank"	Deutsche Bank AG, Hong Kong Branch

"Fair Value Adjustment on Derivative Financial Instruments"	comprises (i) Fair Value Adjustment on Warrants and (ii) the fair value adjustment on the capped conversion right with respect to the Senior Preference Shares, being the non-cash accounting entries in any applicable accounting period arising from the application of International Accounting Standards ("IAS") 32 "Financial Instruments: Disclosure and Presentation and IAS 39 "Financial Instruments: Recognition and Measurement" requiring the record of a liability equivalent to the fair value of the capped conversion right with respect to the Senior Preference Shares on the balance sheet date and changes in fair value in any applicable accounting period to be recognised in our income statement
"Fair Value Adjustment on Warrants"	the non-cash accounting entries in any applicable accounting period arising from the application of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" requiring the record of a liability equivalent to the fair value of the Warrants on the balance sheet date and changes in fair value in any applicable accounting period to be recognised in our income statement
"Financial Investors"	Asia Real Estate Income Fund SICAV, MetroProp (China), Co-Investment Limited Partnership V (SOL), Ocean Equity Holdings Limited, Value Partners Funds, Standard Chartered Bank (Hong Kong) Limited, Shanghai Hope International Limited, and Jebsen and Company Limited
"GDP"	Gross Domestic Product, the total value of goods and services produced by a nation
"Global Offering"	the Public Offer and the International Offer
"Group", "our Group"	our Company and its subsidiaries and associated companies and, in respect of the period before our Company became the holding company of such subsidiaries (or before such associated companies became associated companies of our Company), the entities which carried on the business of the present Group at the relevant time
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the several underwriters of the Public Offer listed in the section entitled "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 19 September 2006 relating to the Public Offer entered into among our Company, Shui On Company Limited, Mr Vincent H.S. Lo, SOCAM, the Hong Kong Underwriters and the Joint Global Coordinators
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited
"HSBC Investment"	the investment by the HSBC Investor in Shares on the basis described in the section of this prospectus entitled "The HSBC Investment"
"HSBC Investment Agreement"	the investment agreement entered into between the HSBC Investor and our Company on 4 June 2006 pursuant to which the HSBC Investor has subscribed for the HSBC Investment Shares
"HSBC Investment Shares"	the Shares subscribed for by the HSBC Investor pursuant to the HSBC Investment Agreement as described in the section of this prospectus entitled "The HSBC Investment"
"HSBC Investor"	HSBC Securities Investments (Asia) Limited
"IASB"	the International Accounting Standards Board

"IFRS"	International Financial Reporting Standards promulgated by the IASB; IFRS includes International Accounting Standards ("IAS") and interpretations
"International Offer"	the offer by the International Underwriters of International Offer Shares to professional, institutional and other investors, as further described in the section entitled "Structure of the Global Offering"
"International Offer Shares"	1,042,871,000 Shares (subject to adjustment as described in the section entitled "Structure of the Global Offering") which are the subject of the International Offer, together with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"International Underwriters"	the group of underwriters, led by the Joint Global Coordinators, which is expected to enter into the International Underwriting Agreement to underwrite the International Offer
"International Underwriting Agreement"	the underwriting agreement relating to the International Offer expected to be entered into on or around 27 September 2006 among our Company, Shui On Company Limited, Mr Vincent H.S. Lo, SOCAM, the Selling Shareholders and the International Underwriters
"Joint Global Coordinators"	in alphabetical order, Deutsche Bank, HSBC and JPMorgan
"Joint Sponsors"	in alphabetical order, Deutsche Bank, HSBC and JPMorgan
"JPMorgan"	J.P. Morgan Securities Ltd. (and, in the context of the Public Offer, J.P. Morgan Securities (Asia Pacific) Limited)
"Junior Preference Shares"	the junior convertible redeemable participating preference shares of US$0.01 each in the capital of the Company
"Latest Practicable Date"	31 August 2006, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information
"Listing"	the listing of the Shares on the Stock Exchange

"Listing Date"	the date on which dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"m"	million
"Maximum Offer Price"	the maximum price under the Global Offering of HK$5.35 per Share
"MOFCOM", previously called "MOFTEC"	Ministry of Commerce of the PRC
"Non Selling Shareholder"	Value Partners Funds
"Notes"	the 8.5% senior notes due 2008 issued by Shui On Development (Holding) Limited, our wholly owned subsidiary
"NPC" or "National People's Congress"	the National People's Congress of the PRC
"NRI Limited"	New Rainbow Investments Limited, a wholly owned subsidiary of SOCAM
"Offer Price"	the final Hong Kong dollar price per Share (exclusive of brokerage, Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be issued pursuant to the Public Offer, to be determined as further described in the section entitled "Structure of the Global Offering — Offer Price under the Public Offer"
"Offer Shares"	the Public Offer Shares and the International Offer Shares including, where relevant, any additional Shares offered for subscription pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by us to the Stabilizing Manager under the International Underwriting Agreement pursuant to which we may be required by the Stabilizing Manager, in consultation with the Joint Global Coordinators, to issue up to an aggregate of 115,874,600 additional Shares (representing in aggregate 10% of the number of Offer Shares initially available under the Global Offering) at the Offer Price, to be offered to investors for subscription as part of the International Offer

"PBOC"	the People's Bank of China
"PRC" or "China"	the People's Republic of China which, except where the context otherwise requires, does not include Taiwan or the Hong Kong and Macau Special Administrative Regions
"PRC Government"	the central government of the PRC including all political subdivisions (including provincial, municipal and other local or regional government entities) and organisations of such government or, as the context requires, any of them
"Preference Shares"	the Senior Preference Shares and the Junior Preference Shares, all of which will be converted to Shares with effect from Listing
"Price Determination Date"	the date, expected to be on or around 27 September 2006 but no later than 2 October 2006, on which the Offer Price is fixed for the purposes of the Public Offer and the Global Offering
"Principal Share Registrar"	Butterfield Fund Services (Cayman) Limited
"Public Offer"	the offer of Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
"Public Offer Shares"	115,875,000 Shares (subject to adjustment as described in the section entitled "Structure of the Global Offering") being offered by us for subscription at the Offer Price under the Public Offer
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"Reorganisation"	the reorganisation of the businesses comprising our Group, as described in the section entitled "Corporate Structure — History and Corporate Reorganisation"
"Renminbi" or "RMB"	renminbi yuan, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act

"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"Selling Shareholders"	Asia Real Estate Income Fund SICAV, MetroProp (China), Co-Investment Limited Partnership V (SOL), Ocean Equity Holdings Limited, Standard Chartered Bank (Hong Kong) Limited, Jebsen and Company Limited and Shanghai Hope International Limited
"Senior Preference Shares"	the senior convertible redeemable participating preference shares of US$0.01 each in the capital of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary shares of nominal value of US$0.0025 each in the capital of our Company
"Share Capital Assumptions"	the assumptions that, as at the Listing Date, but before taking account of any new Shares issued or to be issued pursuant to the Global Offering (including pursuant to the Over-allotment Option), our issued Share capital will include all Shares issued (or which may fall to be issued) (i) by way of bonus Shares to be issued to Shui On Investment Company Limited under the terms of the Reorganisation (see the section entitled "Corporate Structure — History and Corporate Reorganisation"), (ii) following completion of the HSBC Investment (see the section entitled "The HSBC Investment"), (iii) upon and assuming full conversion of all outstanding Preference Shares (see the subsection entitled "Status of the Financial Investors" in the section entitled "Corporate Structure — History and Corporate Reorganisation") and (iv) assuming that all the Warrants are exercised in full for Shares upon Listing (see the subsections entitled "Establishment of the Note Issuer and issue and placement of Notes and Warrants" and "Amendment to the terms of the Warrants" in the section entitled "Corporate Structure — History and Corporate Reorganisation")
"Shui On Group"	Shui On Company Limited and its subsidiary companies (excluding SOCAM and its subsidiaries)
"SOCAM"	Shui On Construction and Materials Limited

"sq. m."	square metres
"Stabilizing Manager"	JPMorgan
"State Council"	the State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America, including its territories and possessions
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"US Securities Act"	the US Securities Act of 1933, as amended, and the rules and regulations promulgated under the US Securities Act of 1933
"Valuation Date"	30 June 2006
"Value Partners Funds"	certain funds or subfunds under management by Value Partners Limited
"Warrants"	the 3,874,250 warrants issued by us on 12 October 2005, details of which are set out in the section entitled "Further Information About The Company — C. Description of the Warrants" in Appendix IX

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

average rental	average rental on a gross basis, unless otherwise stated
average sales price	average sale price on a gross basis, unless otherwise stated
CBD	Central Business District
completed property developments	completed property developments represent properties for which construction of all constituent buildings has been completed and which are available for lease or for sale
department store	a retail organisation under one roof, which carries a range of merchandise that is organised into separate departments usually as consignments, with no single predominant merchandise line. Goods are sold with one operator's branding, for the purpose of promotion, service and control
estimated leasable GFA	in relation to projects where our Group has obtained planning and/or construction permits for the project, the estimated leasable GFA information in respect of these projects is estimated based on our Group's current development plans in accordance with the planning and/or construction permits issued by the relevant authorities in relation to projects where our Group has not yet obtained any of the above permits, the estimated leasable GFA information in respect of these projects is estimated based on our Group's current development plans with references to the plot ratio in the land grant contracts
estimated saleable GFA	in relation to projects where our Group has not yet obtained pre-sale permits but has obtained planning and/or construction permits for the project, the estimated saleable GFA information in respect of these projects is estimated based on our Group's current development plans in accordance with the planning and/or construction permits issued by the relevant authorities

	in relation to projects where our Group has not yet obtained any of the above permits, the estimated saleable GFA information in respect of these projects is estimated based on our Group's current development plans with references to the plot ratio in the land grant contracts
GFA	gross floor area
Landbank	Landbank represents Properties under relocation and Properties under planning, for which land use rights certificates have not been obtained
Leasable area	in relation to completed property projects, the total GFA shown in the relevant completion and inspection certificates
	in relation to projects where the Group has obtained pre-sale permits, the leasable area information refers to the leasable GFA as shown in the pre-sale permits
mu	one mu equals approximately 666.67 sq.m.
Properties under development	Properties under development represent uncompleted properties for which we have paid the land grant fee, obtained the land title certificate and commenced site clearance, relocation or construction
Properties under planning	Properties under planning represent projects that are under planning and for which we have not commenced site clearance or relocation
Properties under relocation	Properties under relocation represent projects for which relocation of original residents has commenced
retail streets	clusters of independent shops at street level, located in specified commercial areas
saleable area	in relation to completed property projects, the total GFA shown in the relevant completion and inspection certificates
	in relation to projects where the Group has obtained pre-sale permits, the saleable GFA information refers to the saleable GFA as shown in the pre-sale permits
shopping centre	usually a large complex under one roof, containing a cluster of retail stores and/or department stores selling an assortment of goods

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, and includes GFA attributable to minority interest holders, if any, of the relevant project together with other non-leaseable and non-saleable area. In general this excludes mechanical and electrical services rooms, refuse rooms, water tanks, carparking floors, all lifts and staircases and all public facilities and open areas
WTO	World Trade Organisation

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “expect”, “believe”, “plan”, “intend”, “estimate”, “project”, “anticipate”, “may”, “will”, “would” and “could” or similar words or statements, in particular, in the sections entitled “Our Business” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus and the following:

- Changes in laws and PRC Governmental regulations, policies and approval processes in the regions where we develop or manage our projects;
- Our ability to further develop and manage our projects as planned;
- Catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters;
- Exchange rate fluctuations;
- Currency exchange restrictions; and
- Changes in economic conditions and competition in the cities we operate in, including a downturn in the property markets in China.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or those of any of our directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Investing in the Shares involves substantial risks. In evaluating an investment in our Shares, you should carefully consider, along with the other information provided to you in this prospectus, the specific factors set out below. Any of these risks could materially affect our business, financial condition or results of operations. In such case, you may lose all or part of your original investment.

RISKS RELATING TO OUR BUSINESS

Our operations are subject to extensive governmental regulation and in particular, we are susceptible to changes in policies related to the real property markets in China

As a property developer in China principally engaged in development projects involving diverse land uses often over extended time periods, our operations are subject to extensive governmental regulations. As with other developers of PRC property, we must comply with various requirements mandated by the PRC's laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, we must obtain various permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of our property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions.

We cannot assure you that we will not encounter major problems in fulfilling the conditions precedent to the receipt of approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. We may also be subject to periodic delays in our property development projects due to building moratoria in any of the areas in which we operate or plan to operate. If we fail to obtain, or experience material delays in obtaining, the requisite governmental approvals or if a building moratorium is implemented at one or more of our project sites, the development and sale of our developments could be substantially disrupted, which would result in a material adverse effect on our business, results of operations and financial condition. Further, we cannot assure you that implementation of the laws and regulations by the relevant authorities, or the interpretation or enforcement of such standards, will not require us to incur additional costs, which could have a material adverse effect on our business, financial condition and results of operations.

We are heavily dependent on the performance of the PRC property sector, particularly in Shanghai and Chongqing

We are subject to the conditions of the real estate market in the PRC generally and Shanghai and Chongqing in particular. As at the Valuation Date, approximately 2.6 million square metres, or approximately 39% of the total GFA of our projects, were located in each of Shanghai and Chongqing, respectively, although we are pursuing and will continue to pursue opportunities in other cities in the PRC. In particular, for the year ending 31 December 2006, we expect our financial performance to be significantly influenced by the sales of Lot 114 of our Taipingqiao project in Shanghai. In the near to medium term, our business will be heavily affected by the state of the property market in the PRC, particularly in Shanghai and Chongqing. Any adverse developments in the supply and demand or in property prices in the PRC, particularly in Shanghai and Chongqing, would have a material adverse effect on our financial condition and results of operations. In addition, the future demand for different types of properties is uncertain. If we do not respond to changes in market conditions or customer preferences in a timely manner, our results of operation will be adversely affected. There can be no assurance that our property development and investment activities will continue at past levels or that we will be able to benefit from the future growth, if any, of the property markets in Shanghai, Chongqing, Wuhan, Hangzhou or other parts of the PRC.

For some of our development projects, we are required to relocate existing residents and pay relocation costs and the relocation process may not be completed as planned

According to our land grant contracts, either the relevant land authorities or we are responsible for relocating existing residents and demolishing existing structures on the project sites. In cases where we are responsible for relocation, we are required to compensate the owners or residents of existing buildings on land to be developed for relocation in accordance with applicable law. Regardless of whether we or the relevant land authorities are responsible for relocating existing residents, if any resident is dissatisfied with the relocation compensation and refuses to move, we or the land authorities may seek to resolve the dispute by negotiating with the relevant resident to reach a mutually acceptable relocation compensation arrangement, or applying to the relevant land authority (where the existing buildings are located) for its determination of whether the relocation compensation and relocation timetable is in compliance with PRC law. The relevant land authority will then make a decision as to the proper costs and timetable. Such disputes may substantially increase the relocation costs paid by us and delay the proposed construction process. As at the Valuation Date, we have reached agreement on the relocation cost of approximately 71% of our aggregate estimated leaseable and saleable GFA of approximately 6.7 million square metres. We have experienced delays beyond our originally anticipated timeframes in the relocation process for, and consequently the construction of, our Shanghai Taipingqiao project, our Shanghai Rui Hong Xin Cheng project, Site A of our Wuhan Hankou Tiandi project and Phase 2 of the Hangzhou Xihu Tiandi project which have increased our developments costs. If a large number of residents refuse to accept the relocation arrangements, or if there is similar delay beyond our expected timeframe in the relocation process of any of our projects, we may not be able or willing to proceed with the proposed development and our returns and results of operations may be adversely affected. In addition, we cannot assure you that the relevant land authorities will not further change their policies on relocation, the relocation compensation formulae or their rules and requirements on other related matters. If they do so, our construction costs could substantially increase and our relocation timetable could be further delayed, which would adversely affect our business, financial condition and results of operations.

We expect to continue to develop large projects and we may not be able to acquire suitable sites for these developments

Our core strategy is to develop city-core developments and integrated residential development projects. The success of our strategy and future growth depends upon our ability to build up our land portfolio and to identify and acquire plots of land in suitable locations at affordable prices. We may incur significant costs in identifying and evaluating suitable sites for development. Major Chinese cities like Shanghai have experienced rapid land price increases in recent years and there is a limited supply of suitable plots of land available for development in such cities. As a result, we may not be able to acquire large plots of land in urban locations suitable for our development at affordable prices in the future. We also face strong competition from other property developers for these sites. In addition, as part of the recent PRC Government measures on adjustment of housing supply, in approving housing development after 1 June 2006, the relevant local authority must require units smaller than 90 square metres each to account for at least 70% of the floor space of the overall supply of new residential properties in each city in any given year, except where the relevant local authority has, based on the existence of special circumstances, obtained approval from the Ministry of Construction to depart from this requirement.

Our ability to acquire sites depends upon PRC laws and regulations. In the PRC, the relevant authorities control the supply of substantially all land, and both our ability to acquire land use rights for future development and the acquisition costs of these land use rights will be affected by PRC Government policies toward land supply. Our ability to acquire sites will depend on the receipt of required approvals from relevant authorities in the PRC. Since July 2000, various local governments (including those in Shanghai, Chongqing, Wuhan and Hangzhou) and the central government have introduced regulations requiring that land use rights for commercial, cultural, entertainment, residential and office property developments be sold by public tender or auction. This requirement may increase our costs of acquiring sites. If we are not able to acquire suitable sites at affordable prices, or at all, our business and growth prospects may be materially and adversely affected.

In addition, our ability to execute the large property projects we intend to develop and achieve the intended return on investment cannot be assured. Our projects are large and complex, involving diverse land uses over extended time periods. Assimilation of different developments/acquisitions may not turn out as expected. For example, the failure of certain key parts of our projects such as Shanghai Xintiandi for the Shanghai Taipingqiao project would significantly affect the return on other developments within the Taipingqiao project. There can be no guarantee that our intended return on investments can be achieved.

Although we have some form of contractual arrangements for all of our projects, we do not yet hold land use rights certificates for some of our properties

Under current PRC land grant policies, the relevant authorities will generally not issue the formal land use rights certificate in respect of a piece of land until the developer has paid the land grant fee in full, completed the relocation process and complied with any other land grant conditions. We are generally allowed to commence our development of a project once we have entered into a land grant contract, or registered a land use transfer agreement, as the case may be, with the relevant authorities and the land has been delivered to us. However, the land use rights in respect of a property will not be vested in us until we have paid the land grant premium and received the corresponding land use rights certificate. As only a portion of the lots on our properties are currently under construction and as a result of our strategic decision on the appropriate timing in obtaining land use rights certificates, and, except for the Shanghai Rui Hong Xin Cheng project and a substantial part of Site A of Wuhan Hankou Tiandi project, we do not currently possess land use rights certificates with respect to the substantial majority of the lots on our projects, including the majority of the lots for the Shanghai

Taipingqiao project, the Shanghai Knowledge and Innovation Community project, the Chongqing Tiandi project, Phase 2 of the Hangzhou Xihu Tiandi project and Site B of Wuhan Hankou Tiandi project. See the section entitled "Our Business — Our Property Projects." We cannot assure you that the land authorities will grant us the appropriate land use rights in a timely manner, or at all. If we cannot obtain land use rights certificates for our development projects, we may not be able to lease or sell the portions of the project where we do not have land use rights certificates, which could have a material adverse effect on our business, financial condition and results of operations.

We are party to long term master agreements with PRC Government entities which may not be implemented as planned

We frequently develop properties in cooperation with PRC Governments or their related entities, including pursuant to master agreements, joint venture agreements, land grant contracts and other agreements with those parties. Those agreements pose enforcement and other risks, particularly in light of relatively long execution periods in some cases and potential changes in PRC Government policies and priorities. We cannot guarantee that related PRC Government policies will not change in the future, resulting in changes to the manner of implementation of or modifications to such agreements on terms that are not favourable to us. In addition, the law and practice relating to enforcement of contracts against PRC Government entities involves uncertainty, and there can be no assurance that such agreements can be enforced as contemplated, if at all and also there can be no assurance that title to the land parcel subject to these master agreements, joint venture agreements, land grant contracts and other agreements can be obtained.

We require substantial capital resources to develop our existing and additional projects, which may not be available

We require substantial capital resources to acquire land and develop our existing and additional projects. To date, we have relied on internally-generated funds, bank and other borrowings and the issuance of securities, including debt securities, warrants and preference shares. Going forward, we expect that we will continue to rely on bank and other borrowings and the issuance of additional equity or debt securities following the Global Offering to finance these projects. In this regard, we cannot assure you that we will be able to obtain additional financing on satisfactory terms, or at all. If we are unable to obtain additional financing after the Global Offering, we will not be able to undertake our future development projects or develop additional projects and our business development will be curtailed until such time, if any, as we are able to obtain additional capital resources. In particular, we have borrowed RMB875 million for the development of our Shanghai Knowledge and Innovation Community development project by way of an entrusted loan from Shanghai Municipal Enterprise Funds Development Centre, an enterprise under the Shanghai Municipal Labour and Social Security Bureau. We have been advised by our PRC legal counsel, Jin Mao Law Firm, that the agreement for this loan is legal, valid and binding, and that the lender cannot accelerate repayment in the absence of default by us. However, there has been press speculation about whether the funds entrusted for the loan were social security funds that are not permitted to be invested in this way. If the lender was not empowered or otherwise permitted to make the loan under applicable PRC laws and regulations, a court in the PRC could order that the loan be repaid. In that case, we would need to find alternative sources of finance for the project, which may not be available on the same terms or at all.

Our ability to obtain financing is dependent upon a number of factors, some of which are outside of our control, including general economic conditions, credit available from financial institutions and monetary policy in the PRC. Financing provided by banks for property development projects in the PRC has been limited historically, and the PRC Government has only allowed banks to advance property development loans since 1998. In addition, on 5 June 2003, the People's Bank of China issued a notice, which, among other things, restricts banks from granting loans for the development of luxury residential properties as well as advancing working capital loans for the purpose of financing property developments. The notice also states that, when applying for a bank loan in connection with a property development, a developer's non-geared portion of its investment in the property development must be no less than 35% of its total projected capital outlay, and this requirement is formalised in the Opinions on the Adjustment of Housing Supply Structure and Stabilization of Housing Price jointly issued by nine departments of the State Council and approved by the State Council on 24 May 2006. We may not be able to obtain required borrowings to finance our land acquisitions. This and other PRC Governmental policies may limit our flexibility and ability to use bank borrowings to finance our property developments, which may have a material adverse effect on our business, financial condition and results of operations.

We provide short term performance guarantees for the purchasers of units in our residential properties and we may incur substantial costs if they are called

We generally facilitate the provision of bank financing from various banks to the purchasers of units in our residential properties. In accordance with market practice in China, we are required by the banks to provide guarantees to them to secure the obligations of the purchasers to repay the mortgages on the property. The guarantee period runs until the purchaser submits the relevant property ownership certificates and certificates of other interests in the property to the mortgagee bank or soon thereafter. In our experience, this guarantee period may last for up to 18 months. Under the terms of the performance guarantees, upon default by the purchaser on his obligation to repay the mortgage instalments for three consecutive months, the relevant mortgagee bank may require us to pay the outstanding principal and interest of the mortgage, subject to transferring all of the bank's rights and interests in the property to us. In line with industry practice in the PRC, we do not conduct independent credit checks on our customers, but rely instead on the credit checks conducted by the mortgagee banks. As at 31 March 2006, we have provided guarantees for RMB4.3 million in principal amount of mortgage facilities granted to purchasers of our residential units. As at 31 July 2006, we had not been required to make any payment under these performance guarantees. However, we cannot assure you that the purchasers whose mortgage facilities are covered by these performance guarantees will comply with all relevant provisions regarding the repayment of the mortgage loans, and we may incur substantial costs if these provisions are breached and the performance guarantees are invoked.

We depend on key management personnel

Our success and growth depends on our ability to identify, hire, train and retain suitably skilled and qualified employees, including key management personnel with the requisite industry expertise. In particular, we depend on the efforts of Mr. Vincent H.S. Lo, our Chairman and Chief Executive Officer. Mr. Lo is the founder of our company and the Shui On Group (which he founded in 1971).

If we were to lose his services, our relationships with lenders, government officials, potential tenants and industry personnel could be adversely affected. Mr. Lo is also the Chairman and Chief Executive Officer of the Shui On Group and the Chairman of SOCAM, a company listed on the Stock Exchange. These outside business interests may restrict his ability to devote his time to our business and affairs as much as we may need.

Our other members of senior management and key employees are also important to our success. The loss of any of our senior management or key employees could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. Competition for such personnel is intense, and any failure to recruit and retain the necessary personnel or the loss of a significant number of employees at any time could harm our business and prospects.

Our limited operating history as a separate entity may make it difficult for you to evaluate us

We were incorporated on 12 February 2004 as a stand-alone company. Prior to that date, we did not exist as a separate legal entity, and our assets were held and our business was conducted by the Shui On Group and SOCAM. In connection with our establishment, the Shui On Group and SOCAM transferred to us their property development business in the PRC, including the equity interests in certain of their respective subsidiaries. Accordingly, we have a limited operating history as a separate entity and you may find it difficult to evaluate our business and prospects. In particular, our historical financial information included in this prospectus may not necessarily be indicative of our results of operations, financial condition and cash flows in the future or of what our results of operations, financial condition and cash flows would have been had we been a separate, stand-alone entity during each of the periods presented.

We cannot assure you that the services rendered by independent contractors will always match our requirements for quality or be available within our budget

We engage independent contractors to provide various services, including construction, piling and foundation, building and property fitting-out works, interior decoration and installation of elevators. We select independent contractors by submission of open tenders. Although we invite contractors to tender bids according to their reputation for quality and track record, and although once a contract is awarded we supervise the construction progress, we cannot assure you that the services rendered by any of these independent contractors will always be satisfactory or match our requirements for quality. In addition, we may be required to provide additional capital or other payment in excess of the contractor's bid to complete a property development. Further, the completion of our property developments may be delayed, and we may incur additional costs due to a contractor's financial or other difficulties. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Our use of joint ventures may limit our flexibility with respect to our joint investments

We frequently develop properties in cooperation with local district governments and third parties. Our equity interest in these joint ventures is between 25% and 99%. In our joint ventures for the development of Lot 117 and Lot 114 of the Shanghai Taipingqiao project our interest is 69.3%. In our joint venture that provides property management services to our property developments, our interest is 50%. In our joint venture for the Shanghai Knowledge and Innovation Community project our interest is 70%, and in a joint venture that will operate a bus terminal at the Shanghai Knowledge and Innovation Community project, our interest is 25%. Although we have control over the management of the joint ventures in which we have a majority equity interest, the adoption of certain important board decisions requires the unanimous resolution of all the directors of these companies, some of whom are appointed by the relevant joint venture partner. As a result, our participation in these joint venture arrangements is subject to the risks, amongst others, that:

- We may not be able to pass certain important board resolutions requiring unanimous consent of all the directors of our PRC subsidiaries if there is a disagreement between us and our joint venture partner;

- A disagreement with any of our joint venture partners in connection with the scope or performance of our respective obligations under the project or joint venture arrangement might affect our ability to develop or operate a property;

- Our joint venture partners may have different economic or business objectives; and

- Our joint venture partners may be unable or unwilling to perform their obligations under the joint venture arrangements with us, including their obligation to make required capital contributions and shareholder loans, whether as a result of financial difficulties or otherwise.

A serious dispute with our joint venture partners or the early termination of our cooperation arrangements with them could adversely affect our business, financial condition and results of operations. For further information on the early termination of our joint ventures, see “Statutory and General Information — Our joint venture arrangements” in Appendix IX.

Our subsidiary companies may not be entitled to continue receiving the benefit of certain financial subsidies

Certain of our subsidiary companies in respect of the Shanghai Rui Hong Xin Cheng, Shanghai Knowledge and Innovation Community, Chongqing Tiandi and Hangzhou Xihu Tiandi projects, have entered into arrangements with local governments pursuant to which the local governments have agreed to provide financial subsidies to us. The National People’s Congress, the State Council and the Ministry of Finance have adopted a variety of laws and notices requiring local authorities to cease making refunds of certain local taxes. In addition, Article 84 of the Law on the Administration of Tax Collection of the PRC (as revised, with effect from 1 May 2001), provides that a taxpayer may be ordered to repay any taxes which were refunded in violation of laws and regulations. In the event these financial subsidies are considered to be tax refunds, the subsidies might be exposed to challenge. We cannot assure you that the relevant tax authorities in the PRC will not deem the financial subsidies to be tax refunds and require that these subsidies be returned to the government.

Our results of operations for each of the three years ended 31 December 2005 and the three months ended 31 March 2006 include revaluation increases on investment properties, which are unrealised

For the three years ended 31 December 2005 and the three months ended 31 March 2006, we had revaluation increases on our investment properties representing 74%, 152%, 111% and 0% of our net profit for the respective period. Upward revaluation adjustments reflect unrealised capital gains on our investment properties at the relevant balance sheet dates and are not profit generated from the sales or rentals of our investment properties, and do not generate any actual cash inflow to us for potential dividend distribution to our shareholders until such investment properties are disposed of at similarly revalued amounts. The amount of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets and may be subject to market fluctuations. There can be no assurance that we will continue to record similar levels of revaluation increases in the future. In the event that there is material downward adjustments in our investment properties in the future, our results of operations may be adversely affected.

Our operations are restricted by the terms of a trust deed, which could limit our ability to plan for or to react to market conditions or meet our capital needs

We are party to a trust deed relating to the 8.5% senior notes due 2008 issued by Shui On Development (Holding) Limited, our wholly owned subsidiary, which contains a number of significant restrictive covenants. These covenants inhibit, among other things, our ability and the ability of certain of our subsidiaries, to incur additional debt; make restricted payments; pay dividends or distributions on our or their capital stock; repurchase our or their capital stock; pay existing indebtedness; make or repay intercompany loans or advances or sell or transfer property or assets; sell capital stock; guarantee indebtedness; enter into transactions with affiliates; create liens on our assets to secure debt; enter into sale and leaseback transactions; sell assets; make investments; merge or consolidate with another company; and engage in any business other than businesses which are the same as or are related, ancillary or complementary to, any of our businesses on the date of the trust deed. See “Further Information About the Company — Description of the Notes” in Appendix IX for details. These covenants could limit our ability to react to market conditions or to meet our capital needs. We may have to curtail some of our operations and growth plans to maintain compliance.

We may not be able to adequately manage our growth

We had two projects in Shanghai at the beginning of our track record period, and we currently have a total of six projects in four different cities. We have been expanding our portfolio of projects and we intend to continue to do so, as well as continue with the expansion of other aspects of our business, either through organic growth or through acquisitions of other businesses and assets including acquisitions of companies with suitable land parcels. Expansion may place a substantial strain on our managerial, operational and financial resources. We will need to manage our growth effectively, which may entail recruiting, training and managing our workforce, managing our costs and implementing adequate control and management systems in a timely manner. We cannot give any assurance that we will be successful in managing our growth or in integrating and assimilating any acquired business. Our failure to do so could affect our success in executing our business plan and adversely affect our revenues, profitability and results of operations.

We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result

We may be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction workers, original residents, partners and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects is perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavourable decrees that result in liabilities and cause delays to our property developments. See "Our Business — Legal Proceedings".

We may become involved in an investigation arising out of our participation in an entrusted loan used for the development of our Shanghai Knowledge and Innovation Community project and may face unpredictable consequences as a result

On 31 December 2004, our 70% owned subsidiary, Shanghai Yang Pu Centre Development Company Limited, entered into an entrusted loan agreement with the Shanghai Enterprise Annuity Fund Development Centre as entrustor and Pudong Development Bank as lender. Under this arrangement, Shanghai Yang Pu Centre Development Company Limited was granted a facility of up to RMB 1.5 billion, of which RMB875 million was drawn down for the development of our Shanghai Knowledge and Innovation Community project and remains outstanding. The Shanghai Enterprise Annuity Fund Development Centre is an enterprise under the Shanghai Municipal Labour and Social Security Bureau (the "SSSB"). It has been reported in the Chinese and Hong Kong press that an investigation has been commenced by Chinese authorities into the affairs of the SSSB, including loans made to property developers, potentially including the entrustment loan to Shanghai Yang Pu Centre Development Company Limited. Amongst the issues referred to in press reports is an allegation that certain loans to property developers may have constituted unlawful use of social security funds which were not permitted to be invested in this manner. See the section entitled "Financial Information — Indebtedness and Contingent Liabilities — Entrusted loan for the Shanghai Knowledge and Innovation Community project."

As far as we are aware, we are not currently involved in any investigation in relation to the entrustment loan to Shanghai Yang Pu Centre Development Company Limited or any other matter and, other than the allegations in the press reports, have had no notification that such an investigation has been or will be commenced. We cannot assure you, however, that no such investigation is being contemplated or is ongoing, or that an investigation will not be undertaken in the future. To the extent any such investigation leads to adverse findings, reputational damage, substantial costs, diversion of resources and management's attention and/or sanctions being imposed against us or our senior personnel, it could have a material adverse impact on our stock price.

We may suffer losses that are not covered by insurance

Our business may be adversely affected due to the occurrence of typhoons, severe storms, earthquakes, floods, fires or other natural disasters or similar events in the areas of our property developments. Although we carry insurance on our properties with respect to specified catastrophic events, of types and in amounts and with deductibles that we believe are in line with coverage customarily obtained by owners of similar properties, there are other types of losses, such as from war and acts of terrorism, for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital invested in a property, as well as the anticipated future turnover from the property. Nevertheless, we might remain liable for any project construction loans, mortgage loans or other financial obligations related to the property. It is also possible that third-party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss could materially and adversely affect our business, financial condition and results of operations.

In addition, we have to renew our policies every one or two years and negotiate acceptable terms for coverage, exposing us to the volatility of the insurance markets, including the possibility of rate increases. We regularly monitor the state of the insurance market, but we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect our results of operations and financial condition.

The indemnity provided by Shui On Company Limited to us for certain losses for litigation and taxation claims will expire in 2013

Shui On Company Limited has, pursuant to a deed of indemnity dated 30 May 2006, provided an indemnity to us for certain losses resulting from litigation or taxation claims in respect of circumstances existing before the Listing Date, and subject to limitations, as described in the section entitled "Other Information — A. Litigation and tax indemnity and estate duty" in Appendix IX. Some of the matters covered by the indemnity are not subject to any limitation period including in respect of any claims for taxation in the PRC and we will not have any cover for such claims following its expiry in 2013. In addition, the indemnity in respect of land appreciation tax which we may suffer in respect of the year ending 31 December 2006 will expire one month after we file our annual report for 2006.

RISKS RELATING TO OUR INDUSTRY

PRC Government policies, regulations and measures intended to discourage speculation in the real property market may adversely affect our business

The PRC Government issued a number of policies and incentives to encourage real property development from 1999 to 2003. However, in light of increasing speculation and investment in the real property market, which resulted in rapid increases in property prices, the PRC Government has implemented a series of control measures to discourage speculation in the real property market and to ensure the availability of affordable housing.

On 30 April 2005, the Ministry of Construction, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Land and Resources, the People's Bank of China, the State Administration of Taxation and the China Banking Regulatory Commission jointly promulgated the Opinion on Duly Stabilizing the Prices of Residential Properties, or the Opinion, setting out guidelines for the relevant PRC authorities to stabilize rapid growth in the residential property market.

In May 2006, the State Council approved the Opinions on the Adjustment of Housing Supply Structure and Stabilization of Housing Price issued by nine departments of the State Council. These measures included, among others, an increase in interest rates for mortgage loans; an increase in the minimum down payment by purchasers of properties that have yet to be completed from 20% to 30%; removal of the preferential mortgage rate for residential housing and the placing of restrictions on the amount of money that can be lent to individuals for multiple investment mortgages. These measures further provided that at least 70% of the residential units in residential housing projects approved or commenced after 1 June 2006 must be no larger than 90 square metres (the "70:90 Requirement"). On 6 July 2006, the Ministry of Construction issued Certain Opinions regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units for the purpose of clarifying the application of the 70:90 Requirement. According to this, the 70:90 Requirement applies to the overall supply of new residential properties in each city in any given year rather than to each residential housing project. As many of our projects comprise or are expected to comprise residential units which are larger than 90 square metres in terms of GFA, the 70:90 Requirement may have an adverse impact on our business despite the fact that the Ministry of Construction has stated that it will be applied to each city as a whole rather than on a project-by-project basis, and that the master development plans for some of our projects have been approved by and filed with the relevant PRC Governmental authorities.

On 6 July 2006, the Ministry of Construction, the National Development and Reform Commission and the State Administration for Industry and Commerce promulgated the Notice to Further Rationalize and Standardize Transactions in the Real Estate Market, or the 166 Notice. According to the 166 Notice, a real estate developer shall commence the sale of properties within 10 days of receipt of the pre-sale permit for the project.

On 24 July 2006, the Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, the People's Bank of China, the State Administration for Industry and Commerce and the State Administration of Foreign Exchange jointly issued the Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market, or the "171 Opinion". The 171 Opinion aims to regulate the access by foreign investment to the domestic real estate market and to strengthen management of real estate purchases by foreign invested enterprises. The 171 Opinion provides, among others, stricter standards for a foreign institution or an individual to purchase real property in the PRC which is not intended for personal use. See the section entitled "The Land System in the PRC — Recent macroeconomic control measures" in Appendix VII.

Similar control measures were also adopted at the local level. On 5 March 2005, the Shanghai local government issued new regulations. The regulations, entitled Certain Opinions on Strengthening the Present Adjustment and Control of the Real Property Market and Promoting a Sustainable and Healthy Development of the Real Property Market, are intended to stabilize the rapid increase in real property prices and to prevent speculation in real property in Shanghai. On 28 March 2005, the Shanghai Banking Association issued a set of bank guidelines for mortgage loans, entitled Guidelines for Banks in Shanghai on Granting Mortgage Loans to Individuals. Pursuant to these guidelines, banks in Shanghai are not permitted to grant residential bridge loans, as a result of which homeowners will have to pay off the balance of their existing mortgage before they can sell to the next buyer, if the transfer takes place within one year from the date of the original purchase. See the section entitled "The Land System of the PRC — Recent macroeconomic control measures" in Appendix VII.

Although the various control measures are intended to promote more balanced real property development in the long-term, we cannot assure you that these measures will not adversely affect sales of our residential units. In addition, we cannot assure you that the PRC Government will not introduce further measures to regulate the rate of growth of the real property market. The continuation of the existing measures and the introduction of any new measures may adversely affect our business, financial condition and results of operations.

The property market in the PRC is at an early stage of development and is volatile

The property market in the PRC is still at an early stage of development, and social, political, economic, legal and other factors may affect its development. For example, the lack of a mature and active secondary market for private properties and the limited amount of mortgage loans available to individuals in the PRC have been cited as factors which may inhibit demand for residential properties. We are and expect to continue to be dependent upon the growth of the urban middle and upper-middle classes in China. Our city-core development projects, such as the Shanghai Taipingqiao project, and our integrated residential development projects, such as the Shanghai Rui Hong Xin Cheng project, are targeted towards residents with high levels of disposable incomes with demand for our modern and high-quality living conditions and the products and services provided by us and by the tenants of our retail shops, cultural venues and restaurants. A significant downturn in the PRC economy could adversely affect such demand, as well as the demand by corporations and other professional firms for our office properties.

The PRC property market is volatile and may experience undersupply or oversupply and property price fluctuations. The central and local governments frequently adjust monetary and other economic policies to prevent and curtail the overheating of the PRC and local economies, and such economic adjustments may affect the real estate market in China. The central and local governments from time to time make policy adjustments and adopt new regulatory measures in a direct effort to control the overdevelopment of the real estate market in China. In the last three years, the central and local governments have taken a variety of measures to discourage speculation in the residential property market and to increase the supply of affordable housing. Such policies may 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 our business, financial condition and results of operations. We cannot assure you that there will not be overdevelopment in the property sector in China in the future. Any future overdevelopment in the property sector in China may result in an oversupply of properties and a decrease in property prices, as well as an undersupply of available sites for future development and an increase in the cost of acquiring land in our markets, which could adversely affect our business, financial condition and results of operations.

The property market in the PRC is highly competitive

The property market in the PRC is highly competitive. We compete with a number of other property developers. Our existing and potential competitors include private developers in the PRC, as well as developers from Hong Kong and elsewhere. A number of our competitors have greater marketing, financial and technical resources than are available to us, and greater economies of scale, broader name recognition and track record and more established relationships in certain markets. For further information on our competitive position, see the section entitled "Our Business — Competition".

Our properties in Shanghai and elsewhere face competition from similar properties in the same market. This competition may affect our ability to attract and retain tenants and buyers and may reduce the rents or prices we are able to charge. Competing properties may have vacancy rates higher than our properties, which may result in those competitors being willing to lease or sell available space at lower prices than the space in our properties. In addition, we compete with other property developers for land for development. An inability to compete effectively could adversely affect our business, financial condition and results of operations.

Our sales of residential properties may be adversely affected if interest rates continue to increase or prospective buyers are not able to obtain mortgage financing

Mortgages are becoming increasingly popular as a means of financing property purchases in the PRC. Most of the prospective buyers of our residential properties are expected to finance a substantial portion of the purchase price with mortgage loans. Because of the need for mortgages, demand for residential properties is likely to be adversely affected by increases in interest rates, which would make residential properties less affordable for prospective purchasers. Further, the Shanghai local government has introduced a ban on residential bridge loans, as a result of which homeowners will have to pay off the balance of their existing mortgage before they can sell to the next buyer if the transfer takes place within one year from the date of the original purchase. In addition, amongst the recent PRC Government measures designed to stabilize housing prices, as from 1 June 2006 the minimum downpayment for individual residential properties mortgage was set at 30% of the total purchase price, except for low-income purchasers purchasing residential units of less than 90 square metres. Any of these factors could have a material adverse effect on our sales and accordingly, our business, financial condition and results of operations.

Our property development activities are subject to risks associated with the property industry

We intend to continue to develop city-core and integrated residential development projects. Our property development activities involve acquiring development rights for large plots of land, many of which have existing structures and residents, from municipal and provincial governments of the PRC. Acquiring these development rights, converting them into land use rights and committing the financial and managerial resources to develop the land involves significant risks. Before a property development generates any turnover, we must make a variety of material expenditures, including to acquire the development rights and construct the property development infrastructure. It generally takes several years for a planned development to generate turnover, and we cannot assure you that such development will achieve positive cash flow. As a result, our current and future property development activities have in the past been exposed to, and may continue to be exposed to, the following risks:

- We may incur construction and other development costs for a development project which exceed our original estimates due to increases in interest rates and increased material, labour, leasing or other costs, which could make completion of the project uneconomical because market rents or sales prices may not increase sufficiently to compensate for the increase in construction and other development costs;

- We may delay, or change the structure of, property development opportunities after we begin to explore them and as a result we may lose deposits paid to participate in the land tender process or fail to recover expenses already incurred;

- We may be unable to complete construction of a property on schedule, or on budget, due to a variety of factors including shortages of materials, equipment, technical skills and labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors and sub-contractors, accidents, changes in PRC Government priorities and policies, changes in market conditions, delays in the relocation process, delays in obtaining the requisite licences, permits and approvals from the relevant authorities and other problems and circumstances, resulting in increased debt service expense and construction costs;

- We may lease or sell developed properties at below expected rental rates or sales prices, and we may experience delays in the sale or leasing of developed properties, including as a result of the supply and demand of comparable properties, and the cyclical nature of the real estate industry in the PRC;

- We incur extensive capital costs and expenditures several years in advance of related revenues from a project, and therefore our year-on-year cash flows and profitability may be adversely affected; and

- Occupancy rates, rents and sales prices at newly-completed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investments being less profitable than we expected or not profitable at all.

Any of these circumstances could adversely affect our business, financial condition and results of operations, which could cause the market value of our securities to decline.

We may be subject to significant amounts of land-appreciation tax

Our income from the sale of land use rights, buildings or related facilities on such land is subject to a land-appreciation tax, or LAT. LAT is payable on the appreciation in value representing the balance of the proceeds received on such sales, after deducting various prescribed items, including payments made for acquisition of land use rights, the direct costs and expenses of the development of the land and construction of the buildings and structures, finance costs up to a maximum of 5% of the total development costs, the appraised price of any existing buildings and structures on the land and taxes related to the assignment of the real property. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities. An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law.

To date, consistent with what we believe other property developers are required to pay in Shanghai, we have paid provisional LAT at a rate of 1% on the gross proceeds of pre-sales of our residential properties in Shanghai except for the Shanghai Rui Hong Xin Cheng project, for which we are exempted from prepayment of LAT. See Appendix VI. We have not paid, nor have we been required to pay, the full amount of LAT. However, with respect to our future sales of residential properties, we may be required to pay the full amount of LAT if there is a change in applicable regulations or PRC Government practices, if the appreciation value exceeds the amount of allowable deductions, or if our developments are deemed not to be "ordinary standard". In addition, part of the development costs with respect to certain historical sales of our residential properties were originally paid by a related party. As a result, the PRC tax authorities may not permit a deduction of those development costs, in which case we would have to pay an estimated RMB35 million in LAT with respect to those sales. Shui On Company Limited has agreed to indemnify us, subject to limitation, in respect of the potential LAT liability (above the 1% provisional LAT we have been required to pay) with respect to the sale or pre-sale of properties during the year ending 31 December 2006. It has also agreed to indemnify us with respect to any tax claim in respect of the potential LAT, and generally in respect of tax liabilities, in both cases relating to the period prior to the Listing: See Appendix IX. However, the indemnity for LAT in respect of the year ending 31 December 2006 will expire one month after we file our annual report in respect of that year. In addition, there can be no assurance that we can recover LAT under such indemnity, or that additional LAT may not be imposed on us in the future.

We may have to forfeit land being developed if we do not comply with the terms of the relevant land grant contract

Under PRC law, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, land use or the time for commencement and completion of the development of the land), the relevant land authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land use rights. Such requirement has been further prescribed in the recent PRC Government measures aimed at stabilizing the real property sector. We cannot assure you that circumstances leading to possible forfeiture of land or delays in the completion of a property development may not occur in the future.

In this regard, our land grant contracts with relevant land authorities typically specify the dates for us to complete the relocation process and to commence or complete construction and specify the amount of land grant fees and relocation expenses and when they should be paid. For a variety of reasons, including delays in the relocation process and delays in the delivery of project sites to us by the relevant PRC Governmental authorities, we have experienced delays in the dates specified in these contracts for construction of some of our development projects, including the Shanghai Taipingqiao, Chongqing Tiandi and Hangzhou Xihu Tiandi projects, with the result of delays in the payment of required land grant fees and relocation expenses and therefore the availability of the site for our use. In the past, we have been required to pay late penalties, which are required under certain of the land grant contracts, to the relevant land authority in respect of delays in the payment of land grant fees. We may also be required to pay such late penalties in the future. In this regard, we note that although it has not done so in the past, the relevant land authority has the right under the land grant contracts for the Hangzhou project and Phases 1 and 2 of the Chongqing Tiandi project to require us to pay penalties for late payment of land grant fees.

Potential liability for environmental problems could result in substantial costs

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Compliance with environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

As required by PRC law, independent environmental consultants have conducted environmental impact assessments at all of our construction projects. Although the environmental investigations conducted to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware.

RISKS RELATING TO THE PEOPLE'S REPUBLIC OF CHINA

Substantially all of our assets are located in China, and substantially all of our turnover is derived from our operations in China. Accordingly, our business, financial condition, results of operations and prospects are subject to the risks of future economic, political and legal developments in China.

The PRC's economic, political and social conditions, as well as PRC Government policies, could adversely affect the financial markets in China and our business

The PRC economy differs from the economies of most developed countries in many respects, including the amount of PRC Government involvement, level of capital reinvestment, growth rate, control of foreign exchange, allocation of resources and balance of payments position. While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may have a negative effect on us. For example, our business, financial condition and results of operations may be adversely affected by PRC Government control over property investments or use of mortgage financing and by changes in tax regulations that are applicable to us. Any slowdown in growth of the PRC economy could have a negative effect on our business.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC Government has implemented measures since the late 1970s emphasising the use of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC Government. In addition, the PRC Government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC Government has implemented a number of measures designed to prevent the economy from overheating. On 17 May 2006, the PRC Government announced further measures with respect to the PRC real estate industry. These include a focus on property development for low-income households and various tax, bank credit and land allocation policies designed to regulate demand and to discourage developers or local authorities from hoarding land and driving up land prices. On 24 May 2006, the State Council approved further detailed measures to implement the same policies. On 24 July 2006, the PRC Government issued further opinions on regulating the access of foreign investment to the real estate market and strengthening the management of real estate purchases by foreign invested enterprises. These actions, as well as future actions and policies of the PRC Government, could cause a decrease in the overall level of economic activity, and consequently have an adverse impact on our business, financial condition and results of operations.

Our operations are subject to the uncertainties of the PRC legal system

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little value as precedents. In 1979, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. Although legislation over the past 25 years has significantly enhanced the protections afforded to various forms of foreign investment in China in general and laws and regulations applicable to wholly foreign-owned enterprises in particular, these laws, regulations and legal requirements are relatively new and are often changing and their interpretation and enforcement involve uncertainties. These uncertainties limit the reliability of legal protections available to us. We cannot predict the effect of future developments in the PRC legal system, particularly with regard to property rights. We may be required in the future to procure additional permits, authorisations and approvals for our existing and future projects, which may not be obtainable in a timely fashion or at all.

Restrictions on currency exchange may limit our ability to utilise our turnover effectively

Substantially all of our turnover and operating expenses are denominated in Renminbi, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under our current structure, our source of funds will primarily consist of dividend payments from our PRC subsidiaries, repayment of intercompany loans and other payments. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other amounts to us, or to satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC Governmental authorities is required where Renminbi are to be converted into foreign currency and remitted out of China to pay capital account items, such as the repayment of bank loans denominated in foreign currencies.

Currently, our PRC subsidiaries may purchase foreign exchange for settlement of current account transactions, including payment of dividends to us, without the prior approval of the State Administration for Foreign Exchange. Our PRC subsidiaries may also retain foreign exchange in their current accounts to satisfy foreign exchange liabilities or to pay dividends. Since foreign exchange transactions on the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange, this could affect our subsidiaries' ability to obtain required foreign exchange through debt or equity financing, including by means of loans or capital contributions from us. We also cannot assure you that the PRC will not impose further restrictions on the convertibility of the Renminbi.

We are subject to risks presented by fluctuations in foreign currencies

Most of our turnover is generated from our PRC operating subsidiaries and denominated in Renminbi. See the section entitled "Financial Information — Quantitative and Qualitative Disclosures about Market Risks — Foreign exchange risk." From 1994 until recently, the conversion of Renminbi into US dollars was based on rates set by the People's Bank of China, which were set daily based on the previous day's PRC interbank foreign exchange market rate and current exchange rates on the world financial markets. On 21 July 2005, the People's Bank of China announced a reform of its exchange rate system and revalued the Renminbi to RMB8.11 = US$1.00. Under the reform, the Renminbi will no longer be linked to the US dollar but instead will be allowed to fluctuate within a narrow and managed band against a basket of foreign currencies (including the US dollar). The PRC Government may adopt further reforms of its exchange rate system in the future, including making the Renminbi freely convertible. However, we cannot predict if or when these further reforms will occur.

Any significant fluctuation in the exchange rates between the Renminbi and the US dollar, or in the US dollar against the Renminbi, may have an adverse impact on our results of operations and may adversely affect the value, translated or converted into US dollars, of our turnover and net income.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

The national and regional economies in China may be adversely affected by a recurrence of severe acute respiratory syndrome, or an outbreak of other epidemics such as avian flu, thereby affecting our prospects

Certain areas of China are susceptible to epidemics such as severe acute respiratory syndrome ("SARS") or avian-influenza. The outbreak of SARS in 2003 had an adverse effect on a range of businesses in Asia. A recurrence of SARS, or if the avian-influenza infections continue to escalate and in particular if the virus transforms to one capable of human-to-human transmission, or an outbreak of any other disease in China, could result in material disruptions to our property developments, reduced income levels from our retail, commercial and residential properties, which in turn would adversely affect our financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

Future sales of securities by our existing shareholders or us may decrease the value of your investment

Before the Global Offering, there has not been a public market for our Shares. Future sales by our existing shareholders, including those who acquired Shares through the conversion of the Preference Shares, upon exercise of the Warrants for Shares, or issuance by us of substantial amounts of our Shares after the Global Offering, could adversely affect market prices prevailing from time to time. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived or breached, future sales of substantial amounts of our Shares in the public market or the possibility of such sales, could negatively impact the market price of our Shares and our ability to raise equity capital in the future.

There has been no prior market for our Shares and the Global Offering may not result in an active or liquid market for the Shares, which could adversely affect their market price

Before the Global Offering, there has not been a public market for our Shares. The Offer Price for our Shares is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Underwriters), us and the Selling Shareholders and may differ significantly from the market price for the Shares following the Global Offering. Application has been made to list our Shares on the Stock Exchange but an active public market may not develop or be sustained after the Global Offering. If an active market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be materially adversely affected.

The Offer Price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile

The Offer Price for the Offer Shares will be determined on the Price Determination Date by us and the Joint Global Coordinators (on behalf of the Underwriters). Our Shares will not commence trading on the Stock Exchange until they are delivered, which we expect to occur on or before the fifth Business Day after the Price Determination Date. The Offer Price for the Offer Shares may not be indicative of prices that will prevail in the trading market. Investors may not be able to resell their Shares at or above the Offer Price. The financial markets in Hong Kong and other countries have experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

We will be controlled by the Shui On Group, whose interests may not be aligned with those of our other shareholders

On completion of the Global Offering, before taking into account any exercise of the Over-allotment Option (and otherwise based on the Share Capital Assumptions), the Shui On Group and SOCAM will together hold approximately 54.5% (based on an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus) or approximately 55.3% (based on the Maximum Offer Price) of our Shares. In circumstances involving a conflict of interest between the Shui On Group and SOCAM and our other shareholders, we cannot assure you that the Shui On Group and/or SOCAM will not act in a manner that would benefit them to the detriment of our other shareholders. In addition, we use certain trademarks which may be similar to those used by the Shui On Group and may therefore through association be adversely affected by events that may be negative for the Shui On Group. While we do not expect that SOCAM would engage in the types of large-scale, city-core developments projects or integrated residential development projects in which we are currently engaged, we may not receive the benefit of opportunities that come to the attention of SOCAM or be able to take advantage of any opportunities offered to us by the Shui On Group. The Shui on Group has agreed not to compete with us, as described in the section entitled “Relationship with the Shui On Group”.

Because the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution

The Offer Price is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in our pro forma adjusted net tangible assets value of RMB2.71 (equivalent to HK$2.65) per Share assuming an Offer Price of HK$4.80 (being the bottom end of the Offer Price range in this prospectus) or RMB2.82 (equivalent to HK$2.76) per Offer Share assuming the Maximum Offer Price. If we issue additional Shares in the future, purchasers of the Offer Shares may experience further dilution.

The valuation attached to our property interests contains assumptions that may or may not materialise

As permitted by IFRS, we value our properties annually at their open market value on the basis of professional valuations. The valuation of our properties as at the Valuation Date, prepared by Knight Frank Petty Limited, is contained in Appendix IV to this prospectus. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ materially from actual results. For example, with respect to properties under development and planned for future development, the valuations are based on assumptions that (1) the properties will be developed and completed in accordance with the development proposals; and (2) regulatory and governmental approvals for the proposals have been obtained. Accordingly, the valuations are not a prediction of the actual value we expect to realise from these properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values. In addition, valuation differences of investment properties are recognised in our income statement. Accordingly, a decrease in the value of our investment properties would reduce the amount of our net income and could result in a net loss during a particular period.

Our net profit attributable to equity holders of the Company for the year ending 31 December 2006 will involve gains and losses that may arise on revaluation of our investment properties and/or derivative financial instruments, and our profit forecast involves estimates and assumptions in this regard which may prove to be incorrect

We have forecast that the net profit attributable to equity holders of the Company for the year ending 31 December 2006 is unlikely to be less than RMB1,450 million before revaluation on investment properties and Fair Value Adjustment on Derivative Financial Instruments, and is unlikely to be less than RMB982 million after revaluation on investment properties and after Fair Value Adjustment on Derivative Financial Instruments. In preparing the forecast, we have made a number of assumptions and estimates as described in the section entitled "Financial Information — Profit Forecast" and in Appendix III.

The forecast profit of RMB982 million for the year ending 31 December 2006 reflects an estimated revaluation increase on investment properties of RMB76 million (net of deferred tax effect and share of minority interests). The extent of any revaluation increase or decrease on investment properties for the year ending 31 December 2006 is dependent on market conditions and other factors that are beyond our control. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the revaluation increase on our investment properties as at 31 December 2006, the amount of revaluation increase or decrease on investment properties as at that date may differ materially from our estimate. Furthermore, we expect the fair value of our investment properties as at 31 December 2006 to continue to be based on the valuation performed by an independent professional property valuer, involving the use of assumptions that are, by their nature, subjective and uncertain, including those described in "Risk Factors — Risks relating to the Global Offering — The valuation attached to our property interests contains assumptions that may or may not materialise."

The forecast profit of RMB1,450 million for the year ending 31 December 2006 is before revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments. The forecast profit of RMB982 million after revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments includes a charge in respect of Fair Value Adjustment on Warrants estimated at RMB356 million based on an assumed Offer Price of HK$5.35 per Share, representing the Maximum Offer Price, and on the basis that all Warrants are exercised in full automatically upon Listing. The actual amount of Fair Value Adjustment on Warrants will be dependent on the Offer Price of our Shares. Accordingly, the actual Fair Value Adjustment on Warrants will be commensurately lower if the Offer Price is fixed below the Maximum Offer Price.

Although we believe the assumptions and estimates on which the profit forecast is based are reasonable, due to the inherit uncertainties in these assumptions, particularly the revaluation on investment properties and/or the Fair Value Adjustment on Warrants, any or all of these assumptions and estimates could prove to be inaccurate and as a result, the profit forecast based on those assumptions could also be incorrect.

The industry data and forecasts in this prospectus have not been independently verified

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

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles, including, in particular, any financial projections, valuations or other forward looking information

There has been press coverage in certain news publications about the Company and/or the Global Offering which included certain projections, valuations and other forward looking information. We wish to emphasise to potential investors that we do not accept any responsibility for the accuracy or completeness of such press articles and that such press articles were not prepared or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward looking information, or of any assumptions underlying such projections, valuations or other forward looking information, included in or referred to by the media. To the extent that any such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim it. Accordingly, you should not rely on any such information.

You may experience difficulties in enforcing your shareholder rights because we are incorporated in the Cayman Islands, and the laws of the Cayman Islands may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions

We are an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. As a result, the rights of minority shareholders may not enjoy the same level of protection as pursuant to the laws of Hong Kong or your own jurisdiction.

Our corporate affairs are governed by our memorandum and articles of association, the Cayman Islands Companies Law and the common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located. In particular, the Cayman Islands has a less developed body of securities laws.

As a result of all of the above, our shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, directors or major shareholders than they would as shareholders of a Hong Kong company or companies incorporated in other jurisdictions.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Listing Rules for the purpose of giving information to the public with regard to us. Our directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

THE PUBLIC OFFER AND THIS PROSPECTUS

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

The Public Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Public Offer to give any information or to make any representation not contained in this prospectus. Any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Joint Global Coordinators, the Joint Sponsors, any of the Underwriters, any of their respective directors or any other person involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as at any subsequent time.

UNDERWRITING

The Public Offer is part of the Global Offering comprising the Public Offer of initially 115,875,000 Public Offer Shares and the International Offer of initially 1,042,871,000 International Offer Shares.

The application for the listing of the Shares is sponsored by the Joint Sponsors. The Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Global Coordinators, on behalf of the Underwriters, agreeing on the Offer Price. The Global Offering is managed by the Joint Global Coordinators.

If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and us by 2 October 2006, the Global Offering will not become unconditional and will lapse immediately. Further information about the Underwriters and the underwriting arrangements is set out in the section entitled "Underwriting".

RESTRICTIONS ON THE USE OF THIS PROSPECTUS

No action has been taken to permit a public offer of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption from applicable securities laws. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC.

LISTING

We have applied to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the conversion of our Preference Shares, the exercise of the Warrants, the HSBC Investment and the Global Offering.

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

ELIGIBILITY FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

HONG KONG REGISTER

All Shares issued by us pursuant to applications made in the Public Offer will be registered on our branch register of members to be maintained in Hong Kong. Our principal register of members will be maintained by the Company's Principal Share Registrar in the Cayman Islands.

STAMP DUTY

Dealings in the Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty. See the section entitled "Taxation of our Shareholders — Stamp duty — Hong Kong" in Appendix VI.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares, you should consult an expert.

We emphasise that none of the Joint Global Coordinators, the Joint Sponsors, the Underwriters or us, any of our or their respective directors, officers nor any other person involved in the Global Offering accepts responsibility for your tax affairs or liability resulting from your subscription for, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

STABILIZATION AND OVER-ALLOTMENT

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price. In connection with the Global Offering, the Stabilizing Manager, on behalf of the International Underwriters and in conjunction with the Joint Global Coordinators, may overallocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

Further details with respect to stabilization and the details of the Over-allotment Option are set out in the section entitled "Structure of the Global Offering — Over-allotment Option and Stabilization".

PROCEDURE FOR APPLICATION

The application procedure for the Public Offer Shares is set out in the section entitled "How to apply for the Public Offer Shares" and on the relevant Application Forms.

CONDITIONS OF THE PUBLIC OFFER

Details of the conditions of the Public Offer are set out in the section entitled "Structure of the Global Offering — Conditions of the Public Offer".

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Public Offer and the International Offer, including their respective conditions, and the Over-allotment Option, are set out in the section entitled "Structure of the Global Offering".

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars or US dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be, or have been, converted into Hong Kong dollar amounts or US dollar amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi amounts into Hong Kong dollars have been made at the rate of RMB1.03 to HK$1.00, the PBOC Rate prevailing on the Valuation Date. The translations of Renminbi amounts into US dollars have been made at the rate of RMB7.99 to US$1.00, the Federal Reserve Bank of New York noon buying rate prevailing on the Valuation Date.

ROUNDINGS

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

DIRECTORS

Name	Residential address	Nationality
Executive directors		
Mr. Vincent H.S. LO *Chairman and Chief Executive Officer*	36 Repulse Bay Road Repulse Bay, Hong Kong	Chinese
Mr. Wilfred Y.W. WONG *Vice Chairman and Chief Operating Officer*	Flat A, 2nd Floor Block H1, Mountain Court 11 Plantation Road The Peak, Hong Kong	Chinese
Mr. William T. ADDISON *Managing Director and Chief Financial Officer*	Apartment 501, Unit 3 Lakeville, Lane 168 Jinan Road Luwan District Shanghai 200021 PRC	British
Independent non-executive directors		
Sir John R.H. BOND	46 Roland Way London SW7 3RE United Kingdom	British
The Honourable Chun Ying LEUNG	House 4 Peel Rise The Peak, Hong Kong	Chinese
Dr. Edgar W.K. CHENG	23 Big Wave Bay Road Shek O Hong Kong	Chinese
Dr. William K.L. FUNG	30A & B, The Harbourview 11 Magazine Gap Road Hong Kong	Chinese
Professor Gary C. BIDDLE	Tower 19, Flat 4B, Hong Kong University of Science & Technology Clearwater Bay Kowloon, Hong Kong	US
Dr. Roger L. McCARTHY	725 Cowper Street #24 Palo Alto California 94301 United States of America	US
Mr. David J. SHAW	14 Scarsdale Villas London W8 6PR United Kingdom	British

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers (in alphabetical order)

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55/F Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
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Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28/F Chater House
8 Connaught Road Central
Central
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Joint Sponsors (in alphabetical order)

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2 Queen's Road Central
Central
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The Hongkong and Shanghai Banking
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J.P. Morgan Securities (Asia Pacific) Limited
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11/F Two Exchange Square
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as to PRC law:

Jin Mao Law Firm
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6-8 Harbour Road
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Receiving bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central Hong Kong
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CORPORATE INFORMATION

Registered office	Walker House, 87 Mary Street, PO Box 908GT, George Town, Grand Cayman, Cayman Islands
Corporate headquarters	Shui On Plaza, 26/F, 333 Huai Hai Zhong Road, Shanghai 200021, PRC
Place of business in Hong Kong registered under Part XI of the Hong Kong Companies Ordinance	34/F, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong
Company secretary	Mr. Kim Lun UY, LL.B, P.C. LL.
Qualified accountant Assistant General Manager, Finance	Mr. Derek Wo Yin FENG Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants
Authorised representatives	Mr. William Timothy ADDISON, Apartment 501, Unit 3, Lakeville, Lane 168, Jinan Road, Luwan District, Shanghai 200021, PRC Mr. Kim Lun UY, Flat 3, 25/F, Block B, Villa Lotto, 18 Broadwood Road, Happy Valley, Hong Kong
Members of the Audit Committee	Professor Gary Clark BIDDLE (Chairman) Dr. Edgar Wai Kin CHENG Dr. Roger Lee McCARTHY
Members of the Remuneration Committee	Dr. William Kwok Lun FUNG (Chairman) Mr. Vincent H.S. LO Professor Gary Clark BIDDLE
Cayman Islands principal share registrar and transfer office	Butterfield Fund Services (Cayman) Limited Butterfield House, 68 Fort Street, P.O. Box 705, George Town, Grand Cayman, Cayman Islands
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Joint compliance advisers (in alphabetical order)	Deutsche Bank AG, Hong Kong Branch The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities (Asia Pacific) Limited

Principal bankers

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G/F China Development Bank Tower
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Pudong, Shanghai 200120, PRC

The Hongkong and Shanghai Banking Corporation
Limited (Shanghai Branch)
34/F, HSBC Tower
1000 Lujiazui Ring Road
Pudong, Shanghai 200120, PRC

Standard Chartered Bank Limited (Shanghai Branch)
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The information and statistics set out in this section have been derived, in part, from various government publications and databases. This information has not been independently verified by us, the Joint Global Coordinators, the Joint Sponsors and Joint Lead Managers, the Underwriters or any of our and their respective affiliates and advisers or any other party involved in the Global Offering. The information and statistics set out in this section may not be consistent with other information and statistics compiled within or outside the PRC.

In this Industry Overview section, GFA in each storey of buildings is calculated from the outside line of buildings walls, including both usable space and the space occupied by constructions like pillars or walls. The GFA of multi-storey buildings includes the total floor space of each storey (including basement).

OVERVIEW OF CHINA'S ECONOMY

ECONOMIC INDICATORS

With a population of more than 1.3 billion at the end of 2005, China is the most populous country in the world. According to the China National Population and Family Planning Commission, the population will reach 1.4 billion and 1.5 billion in 2010 and 2020, respectively.

The following table provides an overview of China's economic indicators and growth performance over recent years:

CHINA	2000	2001	2002	2003	2004	2005	Q1 2006
GDP (RMB billion)	8,947	9,731	10,517	11,739	15,988	18,232	4,339
Real GDP Growth Rate	8.4%	8.3%	9.1%	10.0%	10.1%	9.9%	10.3%
GDP Per Capita	7,086	7,651	8,214	9,111	12,299*	NA	NA
Total Investment in Fixed Assets (RMB billion)	3,292	3,721	4,350	5,557	7,048	8,860	1,391
Utilised Foreign Direct Investment (US$ billion)	40.7	46.9	52.7	53.5	60.6	60.3	14.2
Contracted Foreign Direct Investment (US$ billion)	62.4	69.2	82.8	115.1	153.5	NA	NA
Total Population (million persons)	1,267.4	1,276.3	1,284.5	1,292.3	1,299.9	1,307.6	NA
Urban Population (million persons)	459.1	480.6	502.1	523.8	542.8	562.1	NA
Urbanisation Rate (%)	36.2	37.7	39.1	40.5	41.8	43.0	NA
Retail Sales of Consumer Goods (RMB billion)	3,415.3	3,759.5	4,202.7	4,584.2	5,395.0	6,717.7	1,844.0
Annual Disposable Income of Urban Households (RMB)	6,280	6,860	7,703	8,472	9,422	10,493	3,293#
Annual Net Income of Rural Households (RMB)	2,253	2,366	2,476	2,622	2,936	3,255	1,094#
Annual per Capita Consumption Expenditure of City Residents (RMB)	4,998	5,309	6,030	6,511	7,182	NA	2,244#

Source: National Bureau of Statistics, 2000-2006

Note: GDP figures for 2004 and 2005 are based on the revised method of calculation used since 20 December 2005. 2005 provisional figures based on Communiques, official figures to be released in late 2006.

* *Calculated using revised figures for 2004*

These three figures are quarterly figures.

The growth in China's economy has fuelled growth in the real estate sector. Between 2000 and 2005 total investment in real estate development more than tripled, and in 2005 it increased by almost 20% over 2004 to RMB1,575.9 billion.

China's development is bringing about transformation of its cities. In most countries around the world, the value proposition of a city is determined by the economic role that the city plays. China's redevelopment of its cities into modern commercial and service centers positions these cities to serve as economic hubs to their hinterlands. Continued improvement and modernisation of transportation infrastructure is expected to accelerate the pace of transformation of cities into economic hubs.

Urbanisation is expected to continue and this will lead to a significant increase in demand for properties in the cities and provide significant potential for developers who are able to understand the characteristics and specific needs of these cities and who operate at a scale that facilitates the process of transformation of these cities.

CHINA PROPERTY MARKET OVERVIEW

Trends of the China Property Market

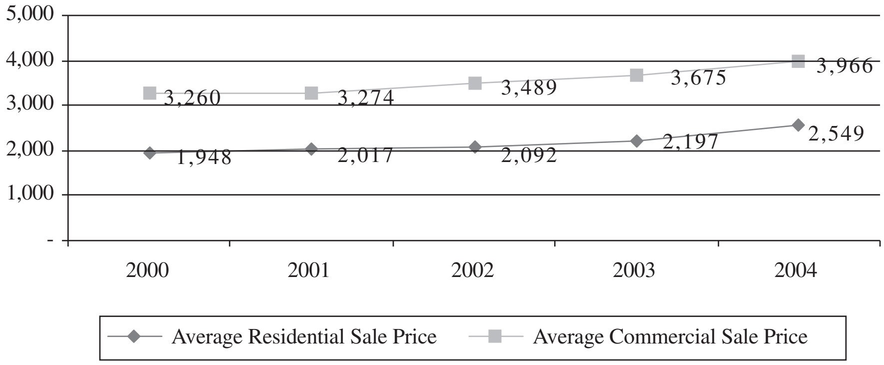
Investment in real estate development has increased by a compound annual growth rate of 25.9% over the last five years. The GFA of new developments in 2005 has more than doubled that in 2000.

	2000	**2001**	**2002**	**2003**	**2004**	**2005**
Investment in real estate (RMB in billions)	498.4	634.4	779.1	1,015.4	1,315.8	1,575.9
GFA of new developments (square metres in millions)	295.8	373.9	428.0	547.1	604.1	668.4
Average price of residential commodity properties (RMB per square metre)	1,948	2,017	2,092	2,197	2,549	NA
Average price of commercial properties (RMB per square metre)	3,260	3,274	3,489	3,675	3,966	NA

Source: National Bureau of Statistics, 2000-2006

Average prices for both residential and commercial properties also rose significantly between 2000 and 2004 as demand for real estate from local and foreign investors increased.

China Property Market — Average Residential & Commercial Sale Prices (RMB per sq.m.)



Source: China National Bureau of Statistics, 2000-2004

Key drivers of China's Property Market

1. *Government Policies*

In recent times the PRC Government has introduced a series of macro control policies designed to stabilize the real estate market, with particular focus on the residential sector. In April 2005, the PRC Government brought forward a number of measures to strengthen macro control of the property market and to curb speculation in the property market. These included:

- an increase of 0.27% in the annual mortgage interest rate.

- the introduction of business tax of 5.55% on the transacted value in relation to the resale of residential property within two years after purchase. In May 2006, this measure was extended to within five years after purchase.

The Shanghai property market was affected by the announcement of the measures in April 2005, with transaction volumes decreasing from 1.35 million square metres in March 2005 to 0.93 million square metres in April 2005, whilst the average transaction price for residential sales decreased by approximately 16.1% from a previous high of approximately RMB8,657 per square metres in March 2005. However, as the market was supported by strong fundamentals, such as robust economic growth, in November 2005, transaction volumes rebounded strongly to 6.59 million square metres which was even higher than the amount recorded immediately prior to the announcement of the measures, and the average transacted residential sale price per square metre had also stabilized. Shanghai was one of the cities in China that was more affected by these policies, whilst less impact was seen in Hangzhou, Chongqing and Wuhan.

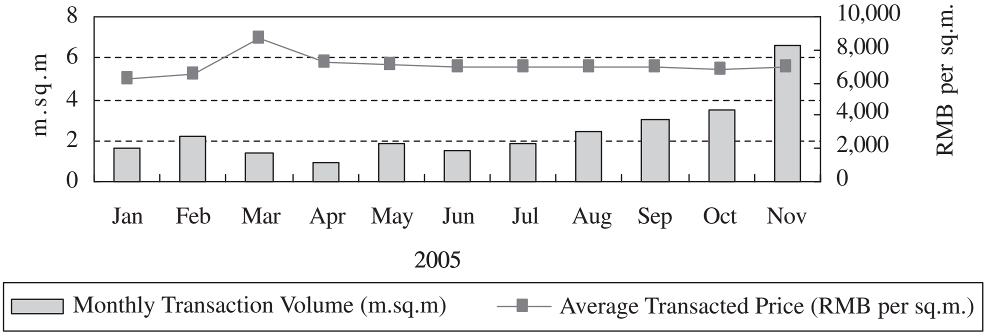
The China's State Council issued a circular on 24 May 2006 introducing additional measures aimed at curtailing speculative activity in the country's residential market and ensuring that affordable housing is provided. The followings are some of the key provisions which took effect on 1 June 2006:

- Mortgage lenders are required to increase the down payment requirement from at least 20% to 30% of the property's value for units larger than 90 square metres.
- The business tax of 5.55% on the total proceeds from a sale of residential property, which before 1 June 2006 was levied on sales within the first two years of purchase, has been extended to sales within five years of purchase for all units.
- In approving housing development after 1 June 2006, the relevant local authority must require units smaller than 90 square metres each to account for at least 70% of the annual supply of new residential developments, except where the relevant local authority has, based on the existence of special circumstances, obtained approval from the Ministry of Construction to depart from this requirement. This restriction was further refined on 6 July 2006 clarifying that the 70% minimum could be applied on a city-wide basis by local authorities, rather than on the basis of individual developments.

The People's Bank of China has increased interest rates twice in 2006: on 28 April and again on 19 August. In the first instance, the mortgage rate (term of over five years) was increased from 6.12% to 6.39%. On 19 August, it was further increased to 6.84%. However, some major banks in China currently offer discounts of 15% off these rates for homebuyers, with the permission of the China Banking Regulatory Commission.

On 11 July 2006, the PRC Government announced a package of new regulations concerning foreign investment in real estate to further promote the sustainable development of the property market in China. Those measures applicable to foreign individuals include a requirement that buyers show that they have lived in China for a period of at least one year and that the property in question will be for self-occupation. Residents of Hong Kong, Macau and Taiwan and overseas Chinese are partially exempted from the one year minimum residency requirement. Foreign individuals will need to establish a Foreign-Invested Enterprise (FIE) to purchase investment property. Among key regulations applicable to foreign businesses is a minimum capital requirement of 50% on investments greater than US$10 million and a requirement for government approvals prior to any real estate investment. No date for the implementation of these regulations has been announced.

Shanghai's Monthly Residential Transaction Volume (m.sq.m.) & Average Transacted Price (RMB per sq.m.)



Source: Shanghai Municipal Statistics Bureau, June 2006

Note: "Residential" refers to residential apartments and excludes detached houses and townhouses

2. *China's entry to WTO*

As China further liberalises its industries pursuant to its WTO obligations, we expect more foreign companies will establish a presence or to enlarge their operations in China, resulting in an increase in the expatriate work force. This is likely to result in rising demand for properties in general.

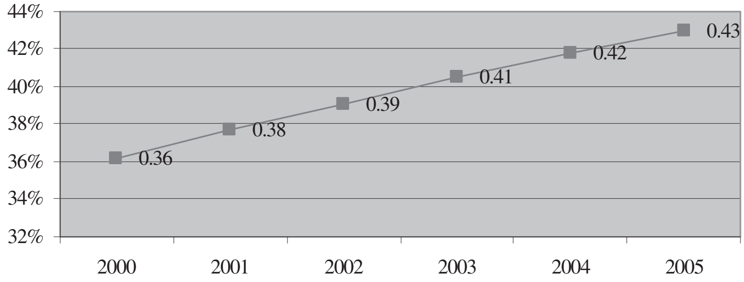
3. *Rising Disposable Incomes*

Average annual disposable incomes per capita of urban households increased at a compound annual rate of 10.8 % between 2000 and 2005, rising from RMB6,280 to RMB10,493. Increased purchasing power is also demonstrated by the rising annual per capita consumption expenditure of city residents, which increased by an average growth rate of approximately 10.9% between 2000 and 2004. Such increased purchasing power is a positive sign for the property market as it may be an indication that an increasing number of high income people are entering the property market.

4. *Urbanisation*

The pace of urbanisation has been rapid. Between 2000 and 2005 more than 100 million people moved to cities, resulting in an urbanisation rate of 43.0% by 2005. The China National Bureau of Statistics estimates that China's urbanisation rate will reach 50% in 2020 and 70% by 2050. If this materializes, it is expected to create greater demand for properties in the cities.

China Urbanisation Rate 2000 to 2005



Source: National Bureau of Statistics, 2001-2005

5. *Housing Reform*

Since its announcement in 1998, housing reform has been effective in increasing local real estate ownership levels. Prior to the reform, most people in China's urban areas occupied housing under the welfare housing system in which the PRC Government heavily subsidises urban residents. However, under the reform such subsidised housing is being phased out and workers have been encouraged to buy their own houses, or pay rent at rates closer to prevailing market levels. This has contributed to greater demand for owner occupied residential properties.

6. *Residential Mortgages*

Since the commencement of housing reform, the mortgage market has grown rapidly as a result of policies that were implemented to encourage individuals to purchase their own properties.

We expect these six key drivers together will encourage a sustainable rate of growth in the real estate market which is anticipated to lead to stronger buyer confidence in the residential property market. This is also supported by the central government's intention to promote continued economic growth and an expectation that it will manage sustainable growth rates in the real estate market.

KEY REAL ESTATE MARKETS

The Company has projects in four cities, all of which cities ranked among the top twelve property markets in China by investment completed in 2004.

Rank	City	Population (m) 2005	Urban Household Disposable Income Per Capita 2005 (RMB)	Urban Household Disposable Income Per Capita Growth 2000-2005*	Real Estate Investment 2005 (RMB b)	Real Estate Investment Growth between 2002 and 2005#
1	Beijing	11.8	17,653	14.1%	153	54.1%
2	Shanghai................................	13.6	18,645	11.8%	125	66.5%
3	Chongqing	31.7	10,244	13.2%	52	110.5%

Rank	City	Population (m) 2005	Urban Household Disposable Income Per Capita 2005 (RMB)	Urban Household Disposable Income Per Capita Growth 2000-2005*	Real Estate Investment 2005 (RMB b)	Real Estate Investment Growth between 2002 and 2005#
4	Guangzhou	7.5	18,287	6.2%	49	14.6%
5	Shenzhen	1.8	21,494	0.6%	42	17.8%
6	Shenyang	7.0	10,098	14.5%	41	256.2%
7	Hangzhou	6.6	16,601	14.3%	41	105.7%
8	Tianjin	9.4	12,639	11.1%	33	86.3%
9	Wuhan	8.0	10,850	12.1%	30	124.9%
10	Nanjing	6.0	14,997	16.4%	30	115.2%
11	Chengdu	10.8	11,359	9.7%	45	44.6%
12	Dalian	5.7	11,994	15.0%	27	111.9%

Source: National Bureau of Statistics, 2000-2005 (2005 figures are provisional from Communiques, official figures to be released in late 2006)

* Growth is calculated on an average annual basis

\# Please refer to Appendix V for calculation of growth rate for 2002-2005

SHANGHAI PROPERTY MARKET

In recent years Shanghai has enjoyed rapid economic development, evidenced by the increase in GDP per capita reaching approximately RMB67,235 in 2005.

Infrastructure developments and urban planning

The Shanghai Municipal Government has over the years made major efforts to improve the city's transport infrastructure. These efforts are continuing and some future projects include:

- A middle ring road to be constructed to enhance the connection between the inner and outer ring roads.
- Eight new metro lines to be constructed, with several extensions to existing lines. These are expected to be rolled out in stages and completed in 2012, expanding the network by 389 km in aggregate.
- The Shanghai-Shenzhen rail project, scheduled for completion in 2010.
- Government approval for the construction of eleven bridges and tunnels crossing the Huangpu River.
- The Shanghai-Beijing high speed railway project, scheduled for completion in 2010.

- The second phase of Yangshan Port, scheduled for completion by the end of 2006.
- Plans approved in April 2006 for the extension of Shanghai's Maglev line to Hangzhou (scheduled completion date not yet released).

In 1999, the Shanghai Municipal Government mapped out a second blueprint for the city's urban plan to reduce the population in the downtown area through decentralisation.

Luwan District Overview

The Company's Shanghai Taipingqiao project is located in the Luwan district, one of the main CBDs of Shanghai, which covers an area of approximately 8.1 square kilometres. The Luwan District had a registered population of 316,600, or about 2.3% of the overall Shanghai population in 2005, and is noted as one of the city's leading business and commercial districts. Part of the old French Concession is located within this district and it is characterized by many cultural sights and historical buildings. It is served by efficient public transport, including Shanghai's subway system. Huaihai Zhong Road is the main thoroughfare within the district and is a key commercial street with high street shops, shopping malls and department stores.

Hongkou District Overview

Shanghai Rui Hong Xin Cheng project is located in the Hongkou District, a major shipping centre located in the north-eastern part of Shanghai, which covers an area of approximately 23.4 square kilometres. The district has a registered population of approximately 785,406, or about 5.8% of the overall Shanghai population in 2005. There are two major commercial areas in the district, Sichuan North Road retail area and the North Bund area. The Shanghai Municipal Government has ambitious plans to transform the North Bund area into a shipping hub, thereby establishing Hongkou District as an international shipping, commerce, residential and leisure hub.

Yangpu District Overview

The Company's Shanghai Knowledge and Innovation Community project is located in the Yangpu District, which is the largest urban district in Shanghai with 1.24 million registered residents or about 9.1% of Shanghai's population. Located in the north-eastern part of Shanghai, the district covers an area of 60.7 square kilometres and includes some 15.5 kilometres of waterfront alongside the Huangpu River. The district possesses rich historical and cultural resources and is regarded as an intellectual hub of Shanghai with 17 major universities and colleges, 22 key state laboratories and 15 scientific research institutes. Within this district, growth is expected in the office segment, reflecting the district's increasing role as an education, research and development hub.

SHANGHAI UPPER END RESIDENTIAL MARKET

New residential developments in the established residential districts in central Shanghai are targeted towards affluent individuals who may be residents of Shanghai or investors from other parts of China, as well as foreigners living in or wanting to invest in Shanghai.

Luwan district being one of the major established residential districts in central Shanghai, currently registers one of the highest average residential sale prices. This is due to the upper end residential developments clustered around Shanghai Xintiandi such as Lakeville, where prices averaging RMB49,300 per square metre were achieved in June 2006.

SHANGHAI UPPER-MID END RESIDENTIAL MARKET

The five year period from 2001 to 2005 saw strong demand for upper-mid end residential properties. This pattern may likely continue due to Shanghai's growing and diversifying economy, increasing flows of foreign and domestic investment, growing numbers of expatriates and domestic migrants and rising incomes of local white collar workers. Rental demand has been fairly consistent and the negative impact associated with recent macro control policies is expected to be limited in the mid-to-long term as the market matures.

The Hongkou District Government has implemented policies, including the redevelopment of the North Bund area and Sichuan North Road.

SHANGHAI GRADE A/PREMIUM OFFICE MARKET

Traditional CBDs, such as Huaihai Zhong Road (East and West), Nanjing West Road and People's Square continue to enjoy leading positions in the Grade A/Premium office market. Tenant demand differs quite significantly between the Puxi and Pudong office districts with more financial services companies being located in Pudong. A large number of corporations and professional firms, as well as consulates and foreign government representative offices, are located in the Puxi office districts.

We expect the factors associated with the continued growth in demand for Grade A office space will include:

- An increased level of foreign investment in Shanghai following China's accession to the WTO, resulting in an expansion of the financial services and retail distribution sectors;

- The establishment in, and relocation to, Shanghai of corporate headquarters by large Chinese and multinational corporations; and

- Business opportunities and activities related to the hosting of the World Expo in 2010.

SHANGHAI HIGH END RETAIL MARKET

The largest clusters of high end retail accommodation in Shanghai are located in the retail districts of Nanjing West Road, The Bund and Huaihai Zhong Road (adjacent to the Shanghai Taipingqiao Project).

CHONGQING PROPERTY MARKET

Chongqing lies to the east of Sichuan Province at Sanxia (the Three Gorges) area on the upper reaches of the Yangtze River. Chongqing is not only a commercial and industrial hub but also an inland transport hub. Per capita GDP was estimated at RMB10,978 in 2005 with strong economic growth recorded for the period from 2000 to 2005. It is also among the world's largest cities by population.

Investments in real estate have risen from RMB14.0 billion in 2000 to RMB51.8 billion in 2005, representing a compound annual growth of 29.9% over the period. In the same period, GFA of projects under construction increased from 28 million square metres in 2000 to nearly 75 million square metres in 2005. Despite the central bank's tightening of bank loans to developers to curb speculation in the property market, average property prices in Chongqing still rose by 10.7% from RMB1,596 per square metre in 2003 to RMB1,766 per square metre in 2004.

Infrastructure developments and urban planning

According to the government's 11th five-year plan for Chongqing, six metro lines and one circle ring are expected to be constructed. Among them, Metro Lines Nos. 1, 2, 3 and 6 are expected to be completed before 2013. Phase I of Metro Line No. 2 was officially opened in June 2005. There are plans to construct another eight bridges over the Jialing River and another ten bridges over the Yangtze River by 2020.

Yuzhong District Overview

The Company's Chongqing Tiandi project is located in the Yuzhong District which is in the city centre of Chongqing and is bounded by the Jialing River and the Yangtze River. It is the most affluent district and the political, trading and financial centre of Chongqing. Yuzhong District is the most densely populated district in Chongqing, and in 2004 it had a registered population of 600,000, or about 1.9% of the total Chongqing population.

WUHAN PROPERTY MARKET

Wuhan, located at the junction of the Yangtze and the Han Rivers, is the capital of Hubei province in central China. Wuhan's per capita GDP was estimated at RMB26,238 in 2005, having shown significant growth during the period 2000 to 2005. Total investment in real estate in Wuhan has risen significantly from RMB10.13 billion in 2000 to RMB29.8 billion in 2005.

Infrastructure developments and urban planning

Currently, there is a light rail system running through the downtown area on the western side of the river in Wuhan. The government plans to run the light rail across the river linking to the commercial district on the eastern side of the river by 2010. The new line will be about 30 km long and serves an additional 16 stations. A fourth bridge across the Yangtze River and a new tunnel under the river are currently under construction and are expected to be completed between 2008 and 2011. Two other metro lines are scheduled to be completed by 2010, bringing the total urban track to 220 km. The 904-km Guangzhou-Wuhan Railway Project is scheduled to be completed in 2008 and will reduce the travel time for passenger trains between these two major Chinese cities from ten to four hours. These infrastructure developments should further boost economic development in Wuhan.

Jiang'an District Overview

The Jiang'an District, which is where the Company's Hankou Tiandi project is located, is in the city centre of Wuhan within the Hankou area. It is the political, trading and economic centre of Wuhan. Covering an area of 64.2 square kilometres, in 2004 it had a registered population of 636,000, or about 8.0% of the overall Wuhan population.

HANGZHOU PROPERTY MARKET

Hangzhou is a tourist destination well known for its scenic West Lake and is the capital of Zhejiang Province. Hangzhou has developed quickly to become one of the most significant secondary cities in the Yangtze River Delta as evidenced by its per capita GDP of RMB44,487 in 2005.

Hangzhou's property market showed consistent growth during the period 2000 to 2005, with real estate investment increasing from RMB10.2 billion in 2000 to RMB40.8 billion in 2005, representing a compound annual growth rate of 32.0%. Total GFA of all property types sold more than doubled from approximately 2.8 million square metres in 2000 to around 7.1 million square metres in 2005.

Infrastructure developments and urban planning

A metro network is planned for Hangzhou and by 2010 key stages of Metro Lines 1 and 2 will be completed, with a network of 82.2 km reducing travel times. With improved accessibility, rapid growth of suburban areas is expected. By 2050, when fully completed, the metro network will have a track system of some 278 km. Over the past five years, the government has completed many infrastructure and transport projects, including improvements to the surrounding roads of the West Lake and the infrastructure of Qianjiang New City.

Xihu District Overview

The Company's Hangzhou Xihu Tiandi project is located along the West Lake, situated in the Xihu District, which is Hangzhou's landmark tourist destination noted for its natural beauty and historical significance. The most developed retail market in the Xihu District is Hubin, to the east of the West Lake. However, the majority of high-end international retailers are clustered in Xihu International Boutique Street which is well patronised by both local residents and tourists.

REGULATORY OVERVIEW

Land acquisition

As all land in the PRC is either state-owned or collectively-owned, interests in land consist of land use rights, under which individuals and corporate entities may hold rights for investment or development purposes or transfer their interests to other parties. Individuals and corporate entities may acquire land use rights in a variety of ways, the two most important being land grants from local land authorities and land transfers from land users who have already obtained land use rights. See the section entitled "Summary of Principal PRC Legal and Regulatory Provisions — The Land System of the PRC" in Appendix VII for a further discussion of the land system in the PRC.

Regulations issued by the PRC Ministry of Land and Resources in May 2002 provide that land use rights for property to be used for commercial purposes, including tourism, entertainment and residential properties, may be granted by the PRC Government only through competitive bidding. These regulations also govern the bidding process. Regulations issued by the PRC Ministry of Land and Resources in June 2003 govern the granting of land use rights by the PRC Government by private agreement, where the designated use is other than for commercial purposes. See the section entitled "The Land System of the PRC — Land Grants" in Appendix VII for further information on these regulations. Under current regulations, grantees of land use rights are generally allowed to dispose of the land use rights granted to them in the secondary market. Our ability to acquire land use rights and develop future projects may be adversely affected by present and future PRC laws and regulations. See the section entitled "Risk factors — Risks relating to our Business."

Relocation of original residents

Where the land to be developed comprises land on which buildings have been erected and/or is occupied, we are required to compensate and relocate original residents before demolition and site clearance can be carried out. As specified in our land grant contracts, either the land authorities or our project companies are responsible for relocating existing residents and demolishing existing structures on the project sites. In cases where we are responsible for relocation, we are required to compensate the owners or residents of existing buildings on land to be developed for relocation in accordance with the *City Housing Resettlement Administration Regulations* (implemented on 1 November 2001) and the applicable local regulations. In Shanghai, the *Shanghai City Housing Resettlement Administration Implementation Rules*, implemented on 1 November 2001) and *Shanghai Resettlement Compensation Standard,* issued on 27 December 2001, provide that the amount of the relocation compensation payable by the property developer to affected residents should be calculated in accordance with pre-set formulae provided by the relevant local authorities. In general, a property developer is required to take into account the following:

- The minimum compensation unit price (which means the average market unit price of housing in the same area regularly announced by the PRC Government at the district/county level);

- The appraised unit price of the building to be demolished;

- The price compensation index published by the PRC Government (which should not be lower than 20% and is determined by the district or county government); and
- The GFA of the buildings to be demolished.

In March 2005, the Shanghai government also passed regulations specifying that a relocation and demolition permit may not be granted to property developers in Shanghai unless the relocation compensation consisted of a minimum of 70% of payment-in-kind compensation (meaning new accommodation).

In Chongqing, the *Chongqing City Housing Resettlement Administration Rules,* implemented on 1 December 2002, provide that the amount of the relocation compensation payable by the property developer to affected residents should be calculated based on the valuation conducted by the qualified valuation institute and should take into account the location, the decorative order, the age and the GFA of the buildings to be demolished.

In Wuhan, the *Wuhan City Housing Resettlement Administration Implementation Measures,* implemented on 1 March 2002, provide that the amount of the relocation compensation payable by the property developer to affected residents should be calculated based on the minimum compensation unit price (meaning the average market unit price of housing in the same area and for the same usage regularly announced by the government at the city level) taking into account the location, the decoration, the age and the GFA of the buildings to be demolished.

In Hangzhou, the *Hangzhou City Housing Resettlement Administration Rules,* implemented on 8 May 2002, provide that the amount of the relocation compensation payable by the property developer to affected residents should be calculated based on the minimum compensation unit price (meaning the average market unit price of housing in the same area and for the same usage regularly announced by the government at the city level) taking into account the location, the decoration, the age and the GFA of the buildings to be demolished.

Other local governments have their own local regulations. Regardless of whether we or the relevant land authorities are responsible for relocating existing residents, if any resident is dissatisfied with the relocation compensation and refuses to move, we or the land authorities may seek to resolve the dispute by: (i) negotiating with the relevant resident to reach a mutually acceptable relocation compensation arrangement; or (ii) applying to the relevant local real estate administration authority (where the existing buildings are located) for its determination of whether the relocation compensation and relocation timetable is in compliance with law. The local real estate administration authority will then make a decision based on the principle of fairness and justice as to the proper costs and timetable. Where the local real estate administration authority itself is the owner or resident of the existing building, the dispute will be submitted to the local government who will make the decision.

New measures in stabilization of housing price

In light of increasing speculation and investment in the real property market, which resulted in rapid increases in property prices, the PRC Government has implemented a series of control measures to discourage speculation in the real property market. In particular, on 30 April 2005, the Ministry of Construction, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Land and Resources, the People's Bank of China, the State Administration of Taxation and the China Banking Regulatory Commission jointly promulgated the Opinion on Duly Stabilizing the Prices of Residential Properties, or the Opinion, setting out guidelines for the relevant PRC authorities to stabilize rapid growth in the residential property market. In May 2006, the State Council approved the Opinions on the Adjustment of Housing Supply Structure and Stabilization of Housing Price issued by nine departments of the State Council. These measures included, among others, an increase in interest rates for mortgage loans; an increase in the minimum down payment for purchases of properties that have yet to be completed from 20% to 30%; removal of the preferential mortgage rate for residential mortgages for commercial investments.

In respect of minimum down payment, the Opinion stipulates that as from 1 June 2006 the minimum down payment for individual residential properties mortgages shall be 30% of the total purchase price, except for low-income purchasers purchasing residential units with a floor area of less than 90 square metres. The Opinion also stipulates that after 1 June 2006, the relevant local authority must require units with a floor area smaller than 90 square metres to account for at least 70% of the floor space in any new residential development, except where the relevant local authority has, in special circumstances, obtained approval from the Ministry of Construction.

On 6 July 2006, the Ministry of Construction promulgated Certain Opinions on the Fulfillment of Requirements for Construction of New Residential Units, or the New Opinions, to implement the Opinions approved by the State Council. The New Opinions stipulate that residential units with a floor area of less than 90 square metres shall account for over 70% of the total area of residential units, which are approved and constructed in each city after 1 June 2006. Local governments will have authority to determine construction of new commercial buildings.

On 24 July 2006, the Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, the People's Bank of China, the State Administration for Industry and Commerce and the State Administration of Foreign Exchange jointly issued the Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market, or the "171 Opinion". The 171 Opinion aims to regulate the access for foreign investment in the real estate market and to strengthen management of real estate purchases by foreign invested enterprises. The 171 Opinion provides, among others, stricter standard for a foreign institution or an individual to purchase real property in the PRC. See the section entitled "The Land System in the PRC — Recent macroeconomic control measures" in Appendix VII.

OVERVIEW

We are one of the leading property developers in the PRC and the flagship property company of the Shui On Group. We engage principally in the development, sale, leasing, management and the long term ownership of high quality residential, office, retail, entertainment and cultural properties in the PRC, utilising our proven expertise and successful track record in developing large-scale integrated property projects based on master plans that we have developed in conjunction with the local governments. We believe our projects are characterised by the redevelopment and transformation of the neighbourhoods and communities of the cities in which our projects are located. We strategically retain long term ownership of certain commercial properties that we have developed, and are committed to enhancing the value of the projects on a continuing basis through comprehensive property management. Our successes include the internationally acclaimed restoration project which created one of the leading landmarks in Shanghai, known as Shanghai Xintiandi.

We trace our origins to the Shui On Group, a Hong Kong-based privately-held diversified group that is primarily engaged in real estate development, construction contracting and construction materials businesses. Under the leadership of our Chairman, Mr. Vincent H.S. Lo, the Shui On Group has over 20 years of experience in property development in the Chinese mainland and over 30 years of property related experience in Hong Kong.

To date, our business has been supported by a number of internationally renowned investors, including HSBC, ERGO AG, Metro Holdings Limited, Citigroup Venture Capital International (through Co-Investment Limited Partnership V (SOL)), Ocean Equity Holdings Limited, Value Partners Funds, Standard Chartered Bank (Hong Kong) Limited, Shanghai Hotel Investments Limited, and Jebsen and Company Limited, or their subsidiaries or affiliates.

We focus on large-scale projects, primarily of the following two types:

- **City-core development projects**: Strategically located, large-scale and multi-phase developments typically consisting of residential, office, retail, entertainment and cultural properties with a blend of historic restoration and modern architecture. Our aim is to make each of these projects a focal point for the entire city in which it is located; and

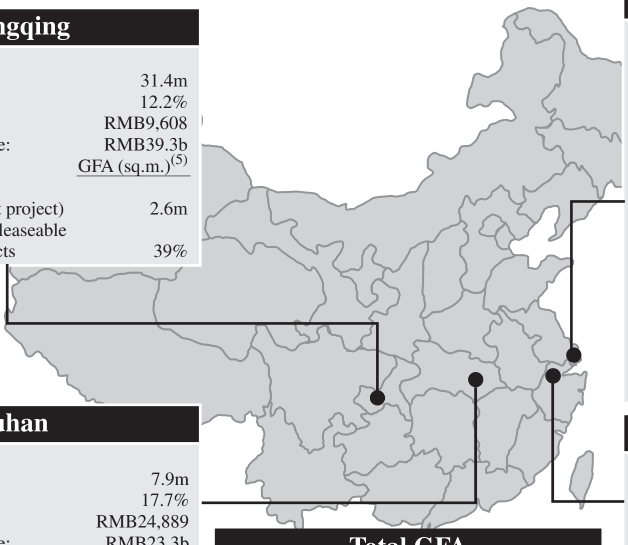
- **Integrated residential development projects**: Large-scale, multi-phase urban residential developments targeted at China's growing middle and upper-middle classes, and which offer high-quality living conditions in convenient urban locations with easy access to transport facilities. Our integrated residential development projects typically comprise residential accommodation, a school, and commercial, retail and recreation areas.

China's plan for continuing rapid economic development will continue to further transform and develop its cities (approximately 20 of which have a population of more than five million people). The continued redevelopment of its cities will in turn generate significant economic value for China and opportunities for well capitalised and proven property companies. As China's cities are built into modern commercial and service centres, we believe they will become economic hubs to their hinterlands, which will be increasingly connected by modern transportation infrastructure. An integral part of the transformation of these cities is efficient and innovative master planning of land utilisation.

We believe that our business model, built upon large scale master planned city-core and integrated residential development projects, will position us to benefit from the expected emergence of modern cities in China. Moreover, as mass urbanisation in China continues, we believe that development of premium integrated residential and commercial properties such as those we undertake will be a significant element in determining which cities emerge as economic hubs for their hinterlands.

As at the Valuation Date, we had access to over 8.1 million square metres of GFA and open areas and other public facilities under our land use rights certificates, land grant contracts and legally binding master agreements with district governments. These land parcels fall under our six major multi-phase projects with an aggregate estimated leasable and saleable GFA of approximately 6.7 million square metres and approximately 1.4 million square metres of open areas and other public facilities.

The following map shows the locations of our projects and certain related information as at the Valuation Date (except as otherwise indicated):



Chongqing

City information(1)	
Population:	31.4m
GDP growth:	12.2%
Per capita GDP:	RMB9,608
Investment in real estate:	RMB39.3b
Our projects:	GFA (sq.m.)(5)
Chongqing Tiandi (City-core development project)	2.6m
% of total saleable and leaseable GFA of all of our projects	39%

Shanghai

City information(2)	
Population:	13.5m
GDP growth:	13.6%
Per capita GDP:	RMB55,307
Investment in real estate:	RMB117.5b
Our projects:	GFA (sq.m.)(5)
Shanghai Taipingqiao (City-core development project)	1.0m
Shanghai Rui Hong Xin Cheng (Integrated residential development project)	1.1m
Shanghai Knowledge and Innovation Community (City-core development project)	0.5m
% of total saleable and leaseable GFA of all of our projects	39%

Wuhan

City information(3)	
Population:	7.9m
GDP growth:	17.7%
Per capita GDP:	RMB24,889
Investment in real estate:	RMB23.3b
Our projects:	GFA (sq.m.)(5)
Wuhan Hankou Tiandi (City-core development project)	1.4m
% of total saleable and leaseable GFA of all of our projects	21%

Total GFA

	(sq.m.)
City-core development projects	5.6m
Integrated residential development project	1.1m
Total	6.7m

Hangzhou

City information(4)	
Population:	6.5m
GDP growth:	15.0%
Per capita GDP:	RMB38,858
Investment in real estate:	RMB32.9b
Our projects:	GFA (sq.m.)(5)
Hangzhou Xihu Tiandi	0.1m
% of total saleable and leaseable GFA of all of our projects	1%

Sources for city information:

(1) Chongqing Yearbook 2005

(2) Shanghai Yearbook 2005

(3) Wuhan Yearbook 2005

(4) Hangzhou Yearbook 2005

(5) GFA shown includes Completed property developments, Properties under development, Landbank and clubhouses which are neither leased nor sold but excludes sold GFA, car parks, roads and open areas.

The six major multi-phase projects are in various stages of development in the cities of Shanghai, Chongqing, Wuhan and Hangzhou in China, which together will have a total GFA of 7.0 million square metres on completion, of which 0.26 million square metres have been sold as at the Valuation Date. Shanghai and Hangzhou are located in the economically vibrant Yangtze River Delta, Chongqing is a major commercial and industrial centre in southwestern China and Wuhan is a major transportation hub located in central China.

- **The Shanghai Taipingqiao project** is a city-core development project consisting of office, residential, commercial, retail, entertainment and cultural properties in the heart of Shanghai. Upon completion, we expect the Shanghai Taipingqiao project to have a total GFA of approximately 1.1 million square metres, of which 110,000 square metres have been sold as at the Valuation Date. This project consists of four types of developments, namely:

  - A historic restoration zone (known as Shanghai Xintiandi), which has been open since 2001 and was fully completed in 2002;

  - A corporate headquarters zone (known as Corporate Avenue), for which one of the lots with retail and office properties was completed in 2004;

  - An up-market residential zone, for which the first of eight lots (known as Lakeville) was completed in 2003 with a second lot (known as Lakeville Regency) expected to be completed by the end of September 2006, with pre-sales having commenced in early 2006; and

  - A retail and theatre zone, construction of which is expected to commence in 2008.

  The four zones referred to above are all located around a newly constructed man-made lake and landscaped area which cover an area of approximately 44,000 square metres. Construction of the Shanghai Taipingqiao project is being carried out in accordance with the master agreement with the Luwan District government and is expected to be completed in 2012.

- **The Shanghai Rui Hong Xin Cheng project**, also known as Shanghai Rainbow City, is an integrated residential development project. Upon completion, we expect the Shanghai Rui Hong Xin Cheng project to comprise a total GFA of approximately 1.3 million square metres, of which 151,000 square metres have been sold as at the Valuation Date. Shanghai Rui Hong Xin Cheng will redevelop the existing residential neighbourhoods into an upper-middle class residential community complete with modern amenities. Shanghai Rui Hong Xin Cheng is close to downtown Shanghai with good transportation links including its own dedicated metro station. Upon completion, we expect the project will comprise high rise residential buildings, commercial shopping complexes and schools. The Shanghai Rui Hong Xin Cheng project comprises eight phases, of which Lot 149 has been substantially completed. Out of the planned 1,759 units in Lot 149, as at the Valuation Date, 1,485 units have been built and approximately 96% of these completed units have been sold. Clearance of land for subsequent lots (namely Lot 4, Lot 6 and Lot 8) commenced in late 2005 and the entire Shanghai Rui Hong Xin Cheng project is expected to be completed in 2011.

- **The Shanghai Knowledge and Innovation Community project**, also known as the Shanghai Chuangzhi Tiandi project, is a city-core development project which we expect will have a total GFA of approximately 537,000 square metres upon completion. This project is intended to inspire innovation and entrepreneurship, supported by retail, entertainment and sporting facilities to create a "live, work and play" lifestyle. The project is located close to 17 major universities and colleges in the northeast of downtown Shanghai, including some of China's leading universities such as Fudan University and Tongji University. The project will provide a "hub area" (comprising office buildings, learning centres, exhibition halls, conference and convention facilities, and commercial outlets). Active steps have been and will continue to be taken to attract venture capitalists, entrepreneurs, technology companies and research institutions to establish their presence in the Shanghai Knowledge and Innovation Community, which is designed to provide a platform for these businesses and professionals to interact, work and live in an environment conducive to innovation and entrepreneurship. As an example, we have signed a memorandum on strategic co-operation with Beijing Oracle Software Systems Co. Ltd., a subsidiary of Oracle Corporation, which we expect to be a strategic technology partner of the Shanghai Knowledge and Innovation Community project. Beijing Oracle Software Systems Co. Ltd. has committed to leasing a portion of the main hub area. Construction of the project commenced in June 2004, and construction of the first "live-work" area, consisting of a total GFA of approximately 86,000 square metres, was completed in August 2006, with 313 office units ("live-work" units) and 360 residential units available for sale. The entire project is expected to be completed in 2010.

- **The Chongqing Tiandi project** is a city-core development project which we expect will have a total GFA of approximately 2.6 million square metres upon completion. The Chongqing Tiandi project is situated on the south bank of the Jialing River on a hillside, just upstream of the confluence of the Yangtze and Jialing Rivers. We intend this city-core development project to support and service Chongqing's extensive manufacturing and service industries. Upon completion, Chongqing Tiandi will be integrated with Chongqing's nearby central business district via a light rail system and major roads. The main features, in addition to modern high quality office buildings, are expected to include a commercial core comprising business facilities such as an exhibition centre and luxury hotels, a large residential area, entertainment and cultural properties, as well as a man-made lake. Construction of the Chongqing Tiandi project commenced in the fourth quarter of 2005 and the entire project is expected to be completed in 2014.

- **The Wuhan Hankou Tiandi project** is a city-core development project which we expect will have a total GFA of approximately 1.4 million square metres upon completion. Located between Shanghai and Chongqing at the confluence of the Han River and the Yangtze River, Wuhan is a major transportation hub in inland China and is the capital of Hubei Province. The project comprises two main sites, Site A and Site B, which will contain Grade A office buildings, retail facilities, two hotels and residential properties. Construction of the Wuhan Hankou Tiandi project, which is scheduled to take place in ten phases, commenced in the first quarter of 2006, and the entire project is expected to be completed in 2014.

- **The Hangzhou Xihu Tiandi project** is a focal point development project similar to Shanghai Xintiandi which we expect will have a total GFA of approximately 52,000 square metres upon completion. Situated adjacent to Hangzhou's celebrated West Lake, one of China's most famous and appreciated areas of natural beauty. The capital city of Zhejiang Province, Hangzhou, is a popular holiday destination approximately 180 kilometres away from Shanghai, and is connected to Shanghai by a modern super highway. Phase 1 of this project, which is fully occupied with a total GFA of approximately 6,000 square metres, has been operational since May 2003. Construction of Phase 2 is expected to commence in the first quarter of 2007, and the entire project is expected to be completed in 2008.

The following table provides information relating to our Completed property developments, Properties under development and Landbank as at the Valuation Date.

	Completed property developments		Properties under development		Landbank							
					Under Relocation		Under Planning					
Project	**Leasable GFA**	**Saleable GFA**	**Estimated leasable GFA**	**Estimated saleable GFA**	**Estimated leasable GFA**	**Estimated saleable GFA**	**Estimated leasable GFA**	**Estimated saleable GFA**	**Other GFA[1]**	**Total GFA[2]**	**Interest attributable to us**	**Sold GFA**
Shanghai Taipingqiao	139,000	25,000	—	40,000	14,000	82,000	439,000	257,000	11,000	1,007,000	69.3%, 97% & 99%[3]	110,000
Shanghai Rui Hong Xin Cheng	25,000	5,000	3,000	31,000	20,000	221,000	151,000	640,000	29,000	1,125,000	99%	151,000
Shanghai Knowledge and Innovation Community	4,000	39,000	55,000	40,000	63,000	119,000	58,000	156,000	3,000	537,000	70%	—
Chongqing Tiandi	—	—	1,000	108,000	1,086,000	1,334,000	7,000	72,000	3,000	2,611,000	99%[5]	—
Wuhan Hankou Tiandi	—	—	—	—	520,000	208,000	127,000	550,000	—	1,405,000	100%	—
Hangzhou Xihu Tiandi	5,000	—	—	—	46,000	—	—	—	1,000	52,000	100%	—
Total	173,000	69,000	59,000	219,000	1,749,000	1,964,000	782,000	1,675,000	47,000	6,737,000[4]		261,000

All GFA figures in the table are in square metres rounded to the nearest thousand.

(1) This relates to clubhouses and schools that are neither leased nor sold.

(2) Total GFA excludes sold GFA.

(3) We have a 69.3% interest in our development of Lot 114 (known as Lakeville Regency, to be completed in the third quarter of 2006) and Lot 117 (known as Lakeville, completed in 2003). We have a 97% interest in our development of Lots 109 and 112. We have a 99% interest in our development of the remaining lots within the Shanghai Taipingqiao project, except for Lot 116, in which we have a 98% interest.

(4) 5.6m sq.m. of GFA for city-core development projects, 1.1m sq.m. of GFA for integrated residential development projects, but excluding 1.4m sq.m. of GFA for open areas and other public facilities.

(5) We have entered into a strategic partnership in relation to the Chongqing Tiandi project, through sales of 19.8% of our 99% indirect interest to third party investors, Winnington Capital Limited and Ocean Equity Holdings Limited. Winnington Capital Limited is an independent third party investor. Ocean Equity Holdings Limited is an associate of Mr. Stephen Wong who was a director of our Company within the 12 months preceding the Listing, and Ocean Equity Holdings Limited and certain other of its and Mr. Stephen Wong's associates are existing investors in our Group. In addition, Ocean Equity Holdings Limited is an associate of Shun Hing China Investment Limited, which owns 10% of the shares in each of Profitstock Holdings Limited and Global State Properties Limited, both of which are our 70% owned subsidiaries. For these reasons, Ocean Equity Holdings Limited and other associates of Mr. Stephen Wong are treated as connected persons for the purposes of the Listing Rules but are otherwise unconnected with and independent of our Company and its controlling shareholder. For further details, see the sections entitled "Our Business — Our Property Projects — Our Projects Outside of Shanghai — Chongqing Tiandi", "Our Business — Connected Transactions — Edward Wong Development Company" and "Our Business — Connected Transactions — Sale of indirect interest in Chongqing Tiandi project company".

The projects described above are multi-phase projects in various stages of development. Whilst none of these projects are completed in their entirety, certain developments within these multi-phase projects have been completed. Developments which have already been completed have generated revenue for us during the track record period, and we expect a selection of them to continue to do so. As at the Valuation Date, our completed developments include Shanghai Xintiandi, Lot 117 (Lakeville), the portion of Corporate Avenue and a significant part of Lot 114 (Lakeville Regency), which form part of the Shanghai Taipingqiao project, and a substantial part of Lot 149 of the Shanghai Rui Hong Xin Cheng project. Other examples of developments which will generate revenue in 2006 include the retaining portion of Lot 114, the remaining portion of Lot 149 of the Shanghai Rui Hong Xin Cheng project and the first "live-work" area at the Shanghai Knowledge and Innovation Community project.

We are one of the few leading property developers with experience in managing large-scale, complex, long-term projects in China. We generally hold a quality portfolio of the properties we have developed as strategic, long-term investments. To date, such portfolio comprises office, retail, entertainment and cultural properties. We have also developed and operate a boutique hotel, 88 Xintiandi.

OUR COMPETITIVE STRENGTHS

We believe that our success and future prospects are underpinned by a combination of the following competitive strengths.

Access to land in prime locations

Our well established presence and highly regarded reputation in China has enabled us to gain access to land for both city-core development projects and integrated residential development projects. As at the Valuation Date, we have access to approximately 6.7 million square metres of GFA. Our existing projects are located in the cities of Shanghai, Chongqing, Wuhan and Hangzhou, all of which are cities where we expect demand for quality properties to achieve further growth. Within each of these cities, our projects are in or near the business or learning centres, which we consider to be prime locations. We expect demand for properties in these areas to be higher than those located in other, including less central, locations. This is evidenced by our Shanghai Taipingqiao and Shanghai Rui Hong Xin Cheng projects where we have been able to sell or rent our properties at a premium compared to developments located in less prime areas. We focus on areas which we believe are well located for the type of project. For example, the Shanghai Knowledge and Innovation Community project, which has been designed to create a knowledge and innovation community in which professionals and businesses live, work and interact, is in the Yangpu district of Shanghai, in which 17 universities and colleges are also located (including two of the leading universities in the PRC, Fudan University and Tongji University).

End-to-end capabilities to develop and manage properties that comprise our city-core and integrated residential development projects

We believe we are amongst the leading property developers in China possessing end-to-end capabilities to develop and manage large-scale, multi-phase premium integrated residential and commercial properties, from master planning expertise, right through the development cycle to ongoing property management expertise. We have a proven track record of developing and managing premium properties that comprise our city-core or integrated residential development projects. Our development projects are characterised by innovative designs and high quality construction and finishing. Before embarking on a development we carry out extensive feasibility studies on the region, the city and the specific project. We also work closely with the local governments to understand their needs and aspirations for the whole area and develop a plan that will be economically viable while preserving any historical aspects of the location. We believe that our approach to master planning has helped shape the social and urban development of Shanghai and we take the same approach with all our projects. See "Our Business — Our Property Projects".

We adopt methodical property development quality controls, using an ISO 9001:2000 certified quality management system covering every stage of the development process, from procurement of services and building materials, design and construction, to project management. We also conduct regular quality assessments of our projects and contractors to ensure that our high standards are being met. Our end-to-end approach to quality assurance ensures that our projects are developed to the highest standards. Once we have completed a project, to ensure the quality of the development is maintained, we provide comprehensive ongoing property management services and maintenance.

Well positioned to identify and develop future projects

We believe we are well positioned to access land for our future projects, and we have a competitive advantage in the early identification of project opportunities. This is because:

- We believe our master planning expertise puts us among the leading property developers in China with a successful track record and the financial resources and management capability to undertake large-scale, integrated property projects that have the redevelopment and transformational aspects characterised by our city-core and integrated residential development projects;

- We have a proven proprietary system to identify new projects in targeted cities in the PRC that actively involves our senior management including Mr. Vincent H.S. Lo;

- We are often invited by local authorities to evaluate potential new project opportunities at an early stage, which frequently gives us the first mover advantage of being able to select the most suitable opportunities;

- With our approach to master planning, we believe we have a competitive advantage over certain other developers who bid for the land primarily based on price and without a comprehensive plan for transforming the local community; and

- Our extensive property development experience has allowed us to develop an in-depth understanding of the regulatory processes in China and to form important relationships with officials at various levels of the PRC Government, including local governments with whom we work closely in formulating our master plans.

Established brand and reputation

We believe that due to the high quality and innovative designs of our properties, as well as an effective marketing strategy, we have established a strong brand name in the China property market. Our attention to quality and design has resulted in the achievement of numerous awards which have further enhanced our brand and reputation See "Our Business — Our Property Projects". We believe that our brand gives us a competitive advantage that allows us to achieve premium sales prices and rentals. Our brand also helps us to secure land in prime locations and to attract other well regarded professionals and partners to collaborate with us on our property projects. To further strengthen our brand name, we conduct extensive research to position our products as the premier product within each market sector in which we operate. In addition, after completion of a project, we continue to focus on brand management through our ownership and intensive management of our office and retail properties as well as our provision of property management services for our residential properties.

Benefits from large-scale projects and rigorous cost controls

Our focus on large-scale developments provides us with a number of strategic and operational benefits, including:

- The development of earlier phases of a multi-phase development often enhances the desirability of properties in the surrounding area, as it provides us with an opportunity to demonstrate that our concept is appealing to the market and provides us with an opportunity to enhance the concept in the following phases. This enhances the value of our projects and reduces our development risk; and

- Mobilisation of construction for a subsequent phase of an existing site can be accomplished more quickly and cheaply than relocating plant, equipment, staff and sales offices and display apartments to a new site.

Our focus on large-scale developments also brings cost efficiencies, particularly in terms of procurement of materials and in negotiating construction contracts, and enables us to optimise our utilisation of plant and equipment, personnel resources and information systems. Our management has over 30 years of successful construction experience during which time we have developed and adopted a systematic and disciplined approach to cost identification, control and management. We have developed sophisticated cost accounting and management reporting systems, and adopted efficient cost control systems to enable us to track costs against set budgets. To balance cost competitiveness with quality of service, we tender for services on a project by project basis to ensure that pricing is tailored to each specific project and that we select the best available partners and consultants.

Quality leadership and human resources

Our management team, led by Mr. Vincent H.S. Lo, has a number of key executives with over 20 years of property development experience in the Chinese mainland and over 30 years of property related experience in Hong Kong. We benefit from the close involvement of Mr. Lo in our property development projects, particularly during the origination and design stages during which he typically chairs the project steering committee. At the time of our establishment, a team from the Shui On Group was transferred to us, some of whom had been with the Shui On Group for over 15 years. Since then, we have hired staff from other reputable developers in Hong Kong, where they accumulated in-depth industry knowledge, developed strong technical capabilities and established proven project development expertise. We also conduct ongoing training and management programmes for our employees to keep their knowledge current on industry standards and developments and to enhance their expertise in managing large and complex property developments to international standards.

We have also designed and established a number of innovative management training programmes to foster and develop the future generations of our management. These include our management trainee and cadet schemes, through which we seek to attract, train and retain the best graduates from premier schools, universities and education institutions in China. See the section entitled “Directors, Senior Management and Employees — Training and Development”. Our Chairman, Mr. Vincent H.S. Lo and our Vice Chairman, Mr. Wilfred Y.W. Wong, act as mentors to each of our cadet scheme participants. We also regularly sponsor members of our senior management to undertake further education at leading international academic institutions, including Harvard University and Wharton Business School.

Diversified earnings base

The locations and scope of our projects help us achieve revenue, geographic and product diversity. We have a geographically diverse project portfolio located in the key regional cities of Shanghai, Chongqing, Wuhan and Hangzhou. The spread of our development sites is designed to both limit earnings volatility from potential regional property market fluctuations and to allow us to enjoy regional growth upsides. We seek to maintain an appropriate balance between income from sales of development properties and more stable recurring income earned from investment properties. Product diversity is achieved by developing integrated, mixed-use projects that can include office, residential, retail, entertainment and cultural properties.

Our projects are typically completed in several phases and each project may contain properties that range from those for which we have entered into master agreements but where construction work has not yet begun, to fully completed properties for which land use rights have been granted, sales have commenced and retail and office space has been leased. This spread of development phases allows us to minimise development risks while providing earnings growth potential. This, together with a combination of geographic spread, product diversity and revenue mix, assists us in mitigating overall demand volatility.

Strong corporate governance and internal controls

Our highly experienced management team operates in accordance with international industry best practices and strong corporate governance standards. Prior to listing, we already had a remuneration committee and an audit committee in place. We also have had an investment management committee through which our shareholders, including the Financial Investors, evaluated our proposed projects to ensure that the selected projects satisfied a pre-agreed set of investment criteria. While the members and the terms of reference of the board and the remuneration and audit committees have changed prior to Listing to reflect our new board structure and the regulations and codes of practice of the Stock Exchange, we believe that the fact that we have operated with such committees prior to Listing demonstrates that we are conversant with strong corporate governance procedures.

Our Company has adopted a robust system of corporate governance. See the section entitled “Relationship with the Shui On Group — Corporate Governance” for details.

We have established internal control procedures. In early 2005 we appointed one of the “big four” international accounting firms to provide internal audit services for us and to assist us in enhancing our system of internal controls, including an assessment of the risk control and management of our business operations; performance of regular internal audit reviews according to the internal audit plans approved by our audit committee; and follow-up reviews on management implementation of recommended actions.

Following the Listing, we will be setting up an in-house audit division to perform these functions, with this division reporting directly to our board of directors.

STRATEGY

Our vision is to become the premier innovative property developer in the PRC. Our strategies to achieve this vision are as follows:

Continue to acquire land development rights in strategic locations

We intend to continue acquiring land development rights in strategic locations in China. Out of the cities that we have screened in the PRC, we have provisionally identified eight cities (including Kunming) as preferred locations for future projects. There is currently no definitive plan that has been developed for any of the projects. This process generally involves exploratory discussions with the relevant local governments to develop the plan, which may lead in due course to formal tenders. The timing and priority of the cities where such developments might take place has not yet been determined. Submission of proposals or suggested plans for any potential project does not mean that the Company has formed a definitive or advanced view on whether it will enter into any binding agreement relating to the project in question.

Currently, we have projects under development in Shanghai, Chongqing, Wuhan and Hangzhou. Our strategy is to align our property development interests with the special needs and requirements of the cities in which we choose to operate. Our strategic growth initiatives will primarily target cities where we already have projects and other major cities in China that have the following characteristics:

- Strategic locations, such as Shanghai and Hangzhou in the Yangtze River Delta, Chongqing in southwestern China and Wuhan in central China;
- Availability of suitable sites, assessed with reference to:
  - economic strength of the city;
  - economic dynamism of the city;
  - the position of the city in China's administrative hierarchy;
  - a combination of the economic strength of the region within which the city is located and the relative position of the city within the region;
- Income levels, population and potential for economic growth of the relevant market;
- The activity present in the city's real estate sector;
- Promising economic potential supported by economic indicators; and
- Government and plans of government and private enterprise favourable to the further development of the city in question.

In addition to obtaining access to land through entering into master agreements with PRC Governments and acquiring land use rights through the PRC Government public tender process, we will also consider other methods of acquiring land development rights. For example, we may seek to acquire companies that have access to suitable sites.

Using the land development rights we acquire, we intend to continue to undertake primarily city-core development and integrated residential development projects. We believe the viability of our business model has been successfully demonstrated by the popularity of and recognition accorded to the Shanghai Taipingqiao city-core development project and the Shanghai Rui Hong Xin Cheng integrated residential development project.

In July 2006, we signed an agreement with the Kunming municipal government to collaborate in the redevelopment of the northern Caohai district of Kunming. The purpose of this collaboration is to research and determine the feasibility of regenerating the Caohai district as a mixed use community (entertainment, cultural, live, work, research and development facilities). Should the collaboration achieve positive results, we expect to bid for the land for development of the area.

The site of the project is approximately 4 square kilometres in size and is adjacent to the current city centre, located along the famous Dianchi Lake and surrounding the Daguan Park in Kunming City. Our intention is to transform this prime site into an integrated community comprising commercial, research and development, entertainment, cultural and educational facilities, mixed-density luxury residential units and loft-style live/work units, catering for the demand of the creative community. According to our proposed master plan, the project will have an expected GFA of approximately 2.5 million square metres upon completion, subject to change and approval, and include a five-star resort hotel with spa, a conference hotel, entertainment venues, dance theatres and studios, a multi-purpose performance theatre, schools, restaurants, retail outlets, art galleries, a dock at Dianchi Lake, ecological parks, other outdoor recreational areas and various types of housing developments upon completion.

Leverage on our master planning capability and brand to increase the scale of our operations

We believe that our master planning capability puts us amongst the leading property developers in China with sufficient financial resources and management capability to undertake large-scale, integrated property projects. We intend to leverage on this master planning capability by exploring ways to increase the scale of our operations by entering into joint venture arrangements under which we provide master planning and property development expertise, and our joint venture partners take primary responsibility for the development and construction of the projects. Given our end-to-end capability to develop and manage premium integrated residential and commercial properties, we aim to add value to our joint ventures by also contributing our sales and leasing expertise and property management capability. Leveraging on our strong brand and reputation, we may also enter into joint venture arrangements with companies that have expertise in a particular niche of property development or international property developers or investors who are seeking joint venture partners who have expertise in the property market in China.

Forge strategic partnerships with other developers, contractors, consultants and other investors

We will from time to time review the suitability of our existing sites for future development and seek to realise the value of portions of such land at an early stage should the opportunity arise and share the overall project development risk. We will seek to do this by entering into strategic partnership with other developers, contractors, consultants and other investors with respect to certain plots of land within our portfolio.

The relatively large size of our projects, our presence in a number of different cities, and our strong market reputation as a premier property developer give us a platform to forge strategic partnerships with contractors and consultants. Whenever we develop a good working relationship with our contractors in a particular project in a particular city, we intend to replicate that relationship with the contractor or consultant to the extent commercially feasible in other projects that we have in the same city or elsewhere, thereby enhancing our operational efficiency.

We expect these strategic partnerships will enable us to harness the knowledge of the developers, contractors, consultants and other investors of, among other things, the local operating environment, and help us capitalise on their expertise in managing and completing construction projects in China.

Achieve and maintain a well-diversified business mix between properties for sale and investment properties

An important part of our long-term business strategy is to achieve and maintain a diversified earnings base balanced between development activities, which generate profits primarily from selling completed residential projects or other assets, and investment activities, which consist predominantly of office and retail assets retained by us to generate recurring income and long-term capital gains. We intend to continue to pursue revenue, product and geographical diversification, together with a spread of development phases, with a view to achieving and maintaining a well-diversified earnings base.

Continue to follow international industry best practices and maintain an efficient organisation structure

We intend to continue to follow international best practices in our property developments, property management and our general corporate governance, including through:

- Realising the corporate vision of our company;
- Our strong corporate culture which encourages integrity, responsibility, accountability, innovation, cooperation, teamwork and a commitment to excellence;
- Actively engaging with our institutional investors, designers, suppliers, tenants and other professional advisers;
- Our code of business conduct and ethics for all of our executive officers and employees; and
- Our effective training and management programmes for employees.

OUR PROPERTY PROJECTS

We have six major multi-phase projects in various stages of development. Three are located in Shanghai, and one in each of Chongqing, Wuhan and Hangzhou.

Our property projects take a number of years to complete and we classify each project into three categories according to their stage of development:

- Completed property developments, which are projects for which construction of all constituent buildings has been completed and which are available for lease or sale;
- Properties under development, which are incomplete property projects where land grant contracts have been signed and preparatory work, such as relocation, clearing land for development or construction has begun; and

- Landbank, which comprises Properties under relocation and Properties under planning. They represent projects for which we have entered into a legally binding master agreement or similar arrangement with, or which we have been awarded following a competitive tender by, the relevant regulatory authorities, and for which we have not started construction. Properties under relocation represent projects for which relocation of original residents has commenced. Properties under planning represent projects that are under planning and for which we have not commenced site clearance or relocation. As these properties are still in the planning stage, the details of the development plans in this prospectus reflect our current design and expectations only, and are subject to change and obtaining the necessary PRC Government approvals.

Generally it takes a total of approximately 24 months to complete a lot for a project.

Our Shanghai projects

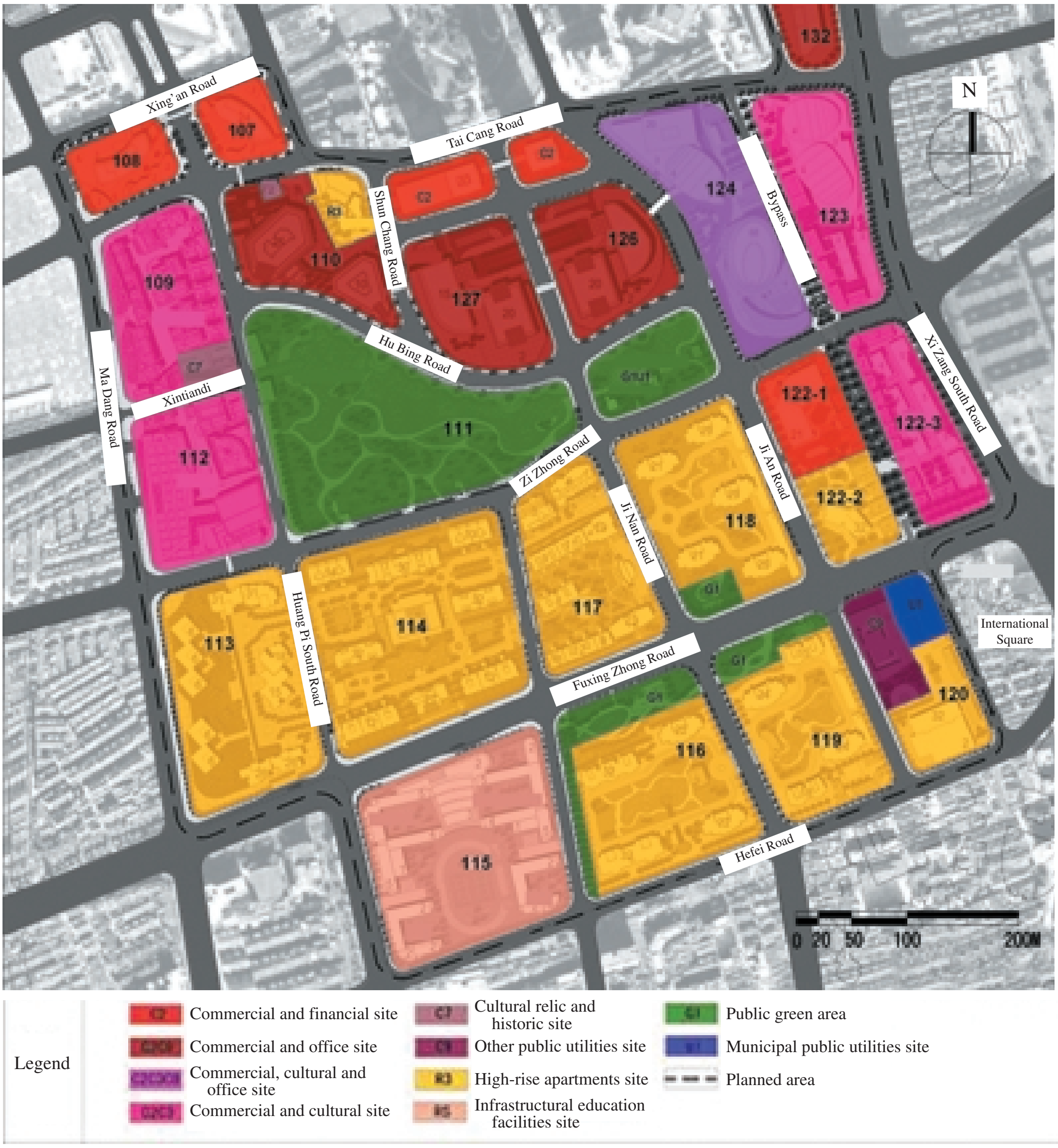
We have two city-core development projects (Shanghai Taipingqiao and Shanghai Knowledge and Innovation Community) and one integrated residential development project (Shanghai Rui Hong Xin Cheng) in Shanghai.

Shanghai Taipingqiao project

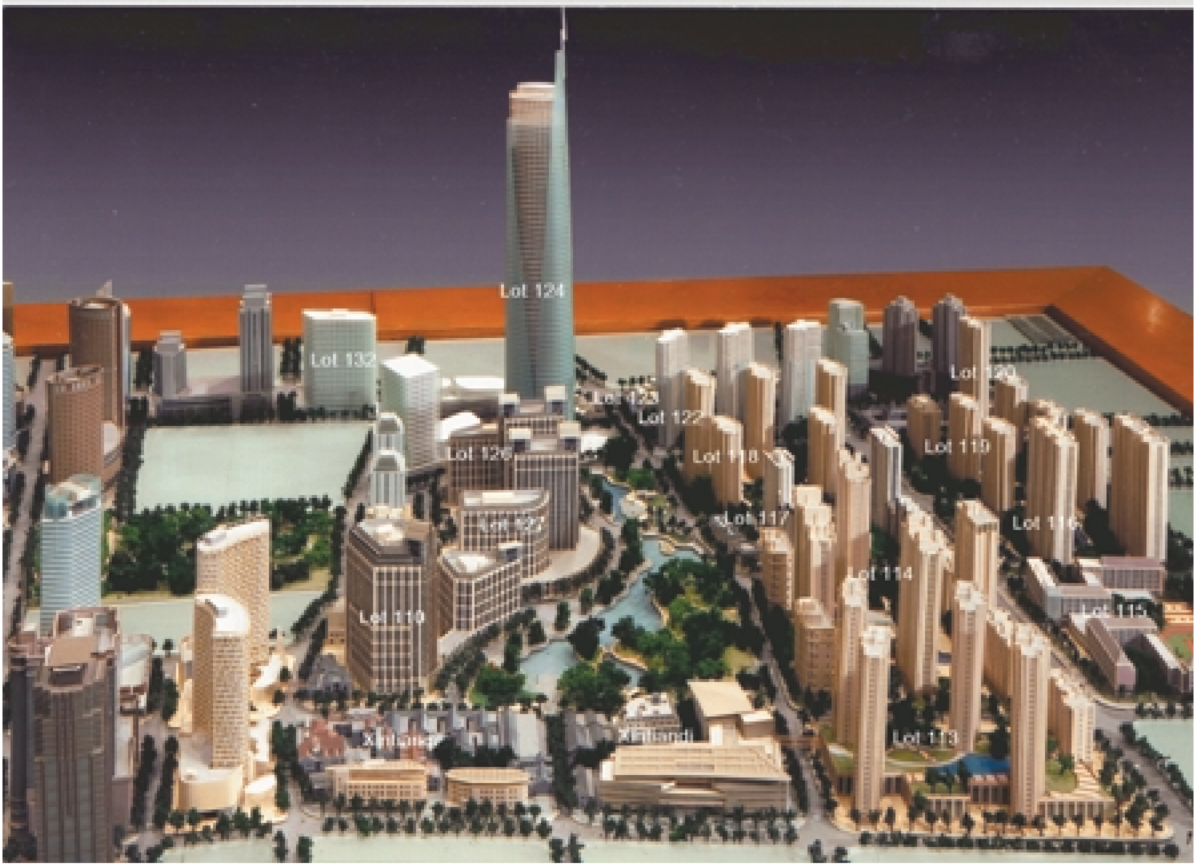
Description

The Shanghai Taipingqiao project is a city-core development project. The planning of the Shanghai Taipingqiao project adopts an integrated approach to urban planning, with an emphasis on the restoration of historic buildings and the establishment of an integrated community. At the centre of the project is one of the largest man-made lakes in the centre of Shanghai with a surface area of 12,000 square metres, and a park which covers an area of approximately 44,000 square metres and contains an underground car park with approximately 230 spaces. When completed we expect the Shanghai Taipingqiao project to comprise a GFA of approximately 603,000 square metres of office, retail, entertainment, schools and cultural space, in addition to a GFA of approximately 514,000 square metres of high end residential properties, of which 110,000 square metres of GFA we have sold as at the Valuation Date. A map showing the location of the Shanghai Taipingqiao project is set out above.

Below is a plan of our Shanghai Taipingqiao project.



Below is a picture of a model of the Shanghai Taipingqiao project, which may not represent the eventual state of the property development:



Master planning

The Shanghai Taipingqiao project is located in the Luwan District, in the city centre of Shanghai. A number of domestic and multinational corporations have offices nearby and important transport lines, such as the South-North Viaduct and the Inner Ring Viaduct, and Shanghai's subway, the Metro, run through this area. The project is just south of Huai Hai Zhong Road, one of Shanghai's principal commercial streets. This section of Huai Hai Zhong Road is a prime office location, with a number of newly built office towers.

In December 1996, Shui On Properties Limited, a company within the Shui On Group, entered into a master agreement with the Luwan District government in relation to the development of the Shanghai Taipingqiao project. The master agreement envisages the redevelopment of the Taipingqiao area in various phases over a period extending to 2012.

Under the terms of the master agreement, the development of the site will be carried out by a Sino-foreign equity joint venture in which Shui On Properties Limited or any of its subsidiaries holds a 90% to 95% interest and a Chinese partner entrusted or designated by the Luwan District government holds a 5% to 10% interest. We acquired our interest in the equity joint venture from the Shui On Group in April 2004. In connection with that acquisition, Shui On Properties Limited undertook to exercise all of its rights under the master agreement for our benefit and as we direct, pursuant to a deed of undertakings dated 29 April 2004. For further information on the Shanghai Taipingqiao master agreement, see “Statutory and General Information — Agreements for our development projects” in Appendix IX.

Pursuant to the Taipingqiao master agreement, the parties commissioned the international planning and urban design architectural firm Skidmore, Owings & Merrill to develop a master development plan for the Taipingqiao area. The last revised plan was approved by the Shanghai Municipal Planning Bureau in September 2005.

The Shanghai Taipingqiao project consists of 19 plots of land. This excludes two plots of land, Lots 107 and 108, in each of which the Shui On Group has a 15% interest. See the section entitled “Relationship with the Shui On Group — The Shui On Group” for further details. The first phase of the Shanghai Taipingqiao project consisted of the historic restoration zone and construction of the lake and park area and part of the up-market residential zone. Included in this phase is the northern part of Shanghai Xintiandi (Lot 109), which has been open since mid-2001 and Lakeville (Lot 117 of the high end residential zone), which was completed in the first quarter of 2003. Substantially all of the retail spaces in the northern part of Shanghai Xintiandi have been leased and all of the residential units of Lakeville (Lot 117) were sold following completion of Shanghai Xintiandi.

The southern part of Shanghai Xintiandi (Lot 112) consists of a four-storey shopping mall and a six-storey boutique hotel known as 88 Xintiandi. We completed the construction of the shopping mall and 88 Xintiandi in 2002, and they also commenced operations in that year.

We commenced pre-sales of the second phase of the residential zone, Lakeville Regency (Lot 114 of the high end residential zone), in the first quarter of 2006. As at the Valuation Date, ten blocks out of seventeen blocks in total on Lot 114 have been completed. The remaining seven blocks are expected to be completed by the end of September 2006. We are also in the process of relocating households currently located on Lot 113 and expect to commence construction in the fourth quarter of 2006. In addition, we expect to begin the relocation of residents from Lot 115 in 2007 and to commence construction of educational facilities, including an international school and a local school, in the second half of 2008. We plan to start construction on the remaining lots on a progressive basis from 2006 onwards. We expect that the construction period for each lot will not exceed three years.

Project overview

The following table shows certain information for the Shanghai Taipingqiao project as at the Valuation Date:

	Completed property developments		Properties under development		Landbank					Property by use					Totals and Miscellaneous				
					Properties under relocation		Properties under planning												
Lots	Leaseable GFA	Saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Others[1] GFA	Residential GFA	Office GFA	Retail GFA	Hotels/ serviced apartments/ schools GFA	Clubhouse GFA	Total GFA[2]	% ownership	Sold GFA	Tenure/ term of land use (years)[3]	Construction commencement/ expected construction commencement[4]
Obtained land use rights																			
Lot 117	—	—	—	—	—	—	—	—	1,000	—[5]	—	—	—	1,000	**1,000**	69.3%	48,000	70	Completed and sold
Lot 110	83,000	—	—	—	—	—	—	—	—	—	76,000	7,000	—	—	**83,000**	99.0%	—	50	Completed
Lot 114	—	25,000	—	40,000	—	—	—	—	9,000	65,000[6]	—	—	—	9,000	**74,000**	69.3%	62,000	70	Expected completion in Q3 2006
Lots 109 and 112	56,000	—	—	—	—	—	—	—	1,000	—	5,000	46,000	5,000	1,000	**57,000**	97.0%	—	50	Completed
Entered into land grant contracts but have not yet received land use rights certificates																			
Lot 113	—	—	—	—	14,000	82,000	—	—	—	82,000	—	14,000	—	—	**96,000**	99.0%	—	70	Q4 2006
Lot 122-3	—	—	—	—	—	—	24,000	—	—	—	—	24,000	—	—	**24,000**	99.0%	—	50	After 2008
Lot 126	—	—	—	—	—	—	65,000	—	—	—	65,000	—	—	—	**65,000**	99.0%	—	50	1H 2008
Lot 127	—	—	—	—	—	—	72,000	—	—	—	72,000	—	—	—	**72,000**	99.0%	—	50	1H 2008
Lot 116	—	—	—	—	—	—	—	90,000	—	90,000	—	—	—	—	**90,000**	98.0%	—	70	2H 2008
Lot 118	—	—	—	—	—	—	—	80,000	—	80,000	—	—	—	—	**80,000**	99.0%	—	70	After 2008
Lot 122-1/2	—	—	—	—	—	—	43,000	22,000	—	22,000	—	2,000	41,000	—	**65,000**	99.0%	—	70	After 2008
Entered into master agreement or similar arrangement and in the process of negotiating land grant contract																			
Lot 124	—	—	—	—	—	—	172,000	—	—	—	154,000	18,000	—	—	**172,000**	99.0%	—	—	1H 2008
Lot 119	—	—	—	—	—	—	—	45,000	—	45,000	—	—	—	—	**45,000**	99.0%	—	—	After 2008
Lot 120	—	—	—	—	—	—	3,000	20,000	—	20,000	—	3,000	—	—	**23,000**	99.0%	—	—	After 2008
Lot 123	—	—	—	—	—	—	25,000	—	—	—	—	25,000	—	—	**25,000**	99.0%	—	—	2H 2008
Lot 132	—	—	—	—	—	—	20,000	—	—	—	18,000	2,000	—	—	**20,000**	99.0%	—	—	After 2008
Plan to enter into an operating lease																			
Lot 115[7]	—	—	—	—	—	—	15,000	—	—	—	—	—	15,000	—	**15,000**	—	—	—	2H 2008
Total	**139,000**	**25,000**	**—**	**40,000**	**14,000**	**82,000**	**439,000**	**257,000**	**11,000**	**404,000**	**390,000**	**141,000**	**61,000**	**11,000**	**1,007,000**		**110,000**		

All GFA figures in the table are in square metres rounded to the nearest thousand.

(1) This relates to clubhouses that are neither leased nor sold.

(2) Total GFA excludes sold GFA.

(3) The tenure/term of land use depends on the use of land within a phase: 40 years for retail, tourism and office, 50 years for mixed use and 70 years for residential, commencing from the date of grant of the relevant land use rights.

(4) For lots where we have not yet obtained land use rights certificates, we expect to obtain those certificates shortly before foundation works are scheduled to commence.

(5) This excludes sold GFA of 48,000 square metres.

(6) This excludes sold GFA of 62,000 square metres.

(7) We will not obtain land use rights for Lot 115, on which a local and international school and other public infrastructure will be located. We intend to enter into an operating lease with respect to this lot.

We completed construction of Lot 117 in the first quarter of 2003 and a significant part of Lot 114 in the second quarter of 2006. The sold units together comprise an aggregate GFA of approximately 110,000 square metres. This is shown in the table above under the "Sold GFA" column. Ownership of all units within Lot 117, and some car parking spaces, have been transferred to the individual owners. We have however retained some land use rights in relation to the clubhouse and the remaining car parking spaces of Lot 117. The average development costs per square metre of completed GFA incurred for Shanghai Xintiandi, Lot 110 and Lot 117, including land grant costs, construction costs and capitalised finance costs, were approximately RMB23,800 per square metre, RMB10,600 per square metre and RMB14,000 per square metre, respectively.

Relocation of original residents

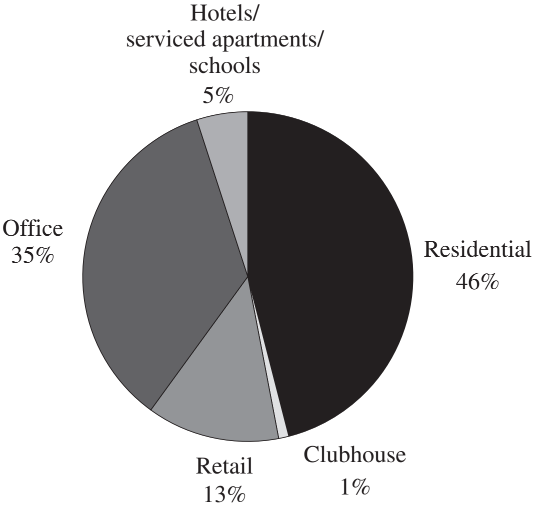
Pursuant to a framework relocation agreement entered into between us and the Luwan District government, the Luwan District government has appointed relocation companies to handle the relocation for the Shanghai Taipingqiao project. We are responsible for the costs of relocation. The process of relocating existing residents on Lot 113 is under way, and we expect relocation to be completed in the third quarter of 2006, with construction expected to commence in the fourth quarter of 2006. As at the Valuation Date, approximately 98% of residents have signed relocation agreements and will be relocated from Lot 113 and the total relocation cost is expected to be approximately RMB972 million. In addition, the relocation of residents from Lot 115 is expected to occur in 2007, with commencement of construction of educational facilities, including an international school and a local school, expected to begin in the second half of 2008. See the sections entitled "Industry and Regulatory Overview — Regulatory Overview — Relocation of original residents" and "Risk Factors — Risks relating to our Business — For some of our development projects, we are required to relocate existing residents of our property developments and pay relocation costs".

Project details

The Shanghai Taipingqiao project blends the architecture and charm of "Old Shanghai" with modern features and amenities. The objective of the Shanghai Taipingqiao project is to revitalise the quality of the district's living environment and infrastructure.

The following shows the mix of residential, office and retail properties that we expect for the Shanghai Taipingqiao project when it is completed in 2012.

	Square Metres
Residential	514,000(1)
Office	390,000
Retail	141,000
Hotels/serviced apartments/schools	61,000
Clubhouse	11,000
Total	1,117,000(1)



(1) Of which 110,000 square metres of GFA have been sold as at the Valuation Date.

Shanghai Xintiandi was designed by Wood and Zapata Inc., a Boston-based architectural firm that specialises in the adaptive re-use of old buildings, and the Singapore office of Nikken Sekkei International Ltd.

We have won a number of design awards for Shanghai Xintiandi, including:

- 2001 Annual Architecture Award of the “New Creation List” from the News Weekly, Sun TV and Sina.com;
- 2002 Cultural Heritage Architecture Award from the American Institute of Architects;
- Northern block of Shanghai Xintiandi — 2003 Urban Land Institute Award for Excellence from the American Urban Land Institute; and
- In 2004, designated a Model Enterprise of China’s Cultural Industry by the Ministry of Culture of the People’s Republic of China.

Historic restoration zone

Below are pictures of our development in the historic restoration zone.

The historic restoration zone, Shanghai Xintiandi (Lots 109 and 112), is a retail and entertainment area. The northern part of Shanghai Xintiandi has been open since mid-2001, and the southern part of Shanghai Xintiandi has been open since August 2002. Xintiandi, which means "New Heaven and Earth" in Chinese, features a mix of upscale, well known retail shops and boutiques, coffee shops, restaurants, sidewalk cafes, art galleries, a museum and entertainment, cultural and recreational facilities. Shanghai Xintiandi was designed to be a re-creation of a large area of old "Shikumen," or stone-gated, courtyard houses with stone-framed entrances, an architectural symbol of early 20th century Shanghai. These old buildings, which are located throughout the site, were restored and integrated with modern buildings and feature historical and cultural characteristics. Shanghai Xintiandi has become popular with both locals and visitors.

The northern part of the Shanghai Xintiandi site, which features mostly restored Shikumen houses, consists primarily of specialist food and beverage, entertainment and retail facilities. The southern part of the Shanghai Xintiandi site consists of a multi-purpose entertainment and retail complex with a contemporary architectural design and a boutique hotel (88 Xintiandi). The central piazza running from north to south features landscaped open areas, outdoor cafes and show areas, which we believe introduce an element of action and vitality to the area and also serves as a link between the various areas within Shanghai Xintiandi. An underground car park with approximately 230 parking spaces has been constructed in the southern part of the Shanghai Xintiandi site. In addition, we have one clubhouse and one restaurant located in the northern part of Shanghai Xintiandi by the Taipingqiao lake.

Shanghai Xintiandi, which has a GFA of approximately 57,000 square metres, has been retained for rental purposes and, as at the Valuation Date, these rental units had an average occupancy rate of approximately 95%. Our tenants include Starbucks, T8, TMSK, Paulaner, Va Bene, ARK, Shanghai Tang, Zen and Ye Shanghai.

Corporate headquarters zone

Below is a picture of the office properties (Lot 110) in the corporate headquarters zone.

The corporate headquarters zone (Lots 110, 124, 126, 127 and 132), known as Corporate Avenue, will comprise properties built around the Taipingqiao lake and adjacent to Shanghai Xintiandi. Upon completion, Corporate Avenue will consist of eight Grade A office buildings with commercial and entertainment complexes, including high-end luxury retail stores designed to create a prestigious retail shopping corridor along the lakefront. The office towers will serve as an extension to the commercial area along Huai Hai Zhong Road and are intended to capitalise on their proximity to the Huang Pi Nan Road and Xi Zang Zhong Road metro stations. We expect tenants in this area to include major multinational and domestic corporations. All units in the corporate headquarters zone are intended to be retained and leased-out by us.

A portion of Corporate Avenue, Lot 110, was completed in March 2004. Lot 110, which is north of the Taipingqiao lake, consists of lakefront twin towers and a retail podium. The office portion has a GFA of approximately 76,000 square metres. The twin towers feature art deco style architecture characteristic of Shanghai in the 1930s. The towers are linked by retail facilities with a GFA of approximately 7,000 square metres. The retail portion of Lot 110 is intended to be part of the planned retail shopping corridor (referred to above). Our major multinational corporate tenants include PricewaterhouseCoopers, Amway, Bain & Company, Dow Chemical, Sony, Oracle, Federal Insurance, Citibank and Ports International. As at the Valuation Date, Lot 110 had an average occupancy rate of 98%.

Lots 124, 126, 127 and 132 will be mixed retail and office developments around the Taipingqiao lake, and are expected to have a GFA of approximately 172,000, 65,000, 72,000 and 20,000 square metres, respectively. We intend to target multinational and domestic corporations, major professional firms, financial institutions, consultants and selected high-end retailers as tenants of the office properties. The retail portion will serve as an extension of the lakefront shopping corridor and will feature retail outlets of luxury brands and specialty merchandise.

Construction for Lots 126 and 127 is expected to commence in the first half of 2008. We are in the process of negotiating land grant contracts with respect to Lots 124 and 132. Construction of these lots will commence following execution of the land grant contracts and relocation of existing residents. We expect Lots 124, 126, 127 and 132 to be completed in stages from 2009 to 2012.

We plan to retain all the properties developed on these lots as investments.

Up-market residential zone

Below are pictures of completed residential properties on Lot 117 in the up-market residential zone.

The up-market residential zone (Lots 113, 114, 116, 117, 118, 119, 120 and 122-1/2) will be a multi-phase residential development targeting high-income residents.

Lot 117. Lot 117 (known as Lakeville) is located at the junction of Zi Zhong Road and Ji Nan Road, southeast of Shanghai Xintiandi and south of the Taipingqiao lake and park. Lot 117 consists of one detached villa, six townhouses and 277 residential units in residential buildings ranging from eight stories to 23 stories. The apartment buildings have been built in a modified Old Shanghai style. Recreational amenities include a clubhouse and an indoor heated swimming pool. We completed construction of Lot 117 in the first quarter of 2003 and have sold all of the residential units comprising an aggregate GFA of 48,000 square metres.

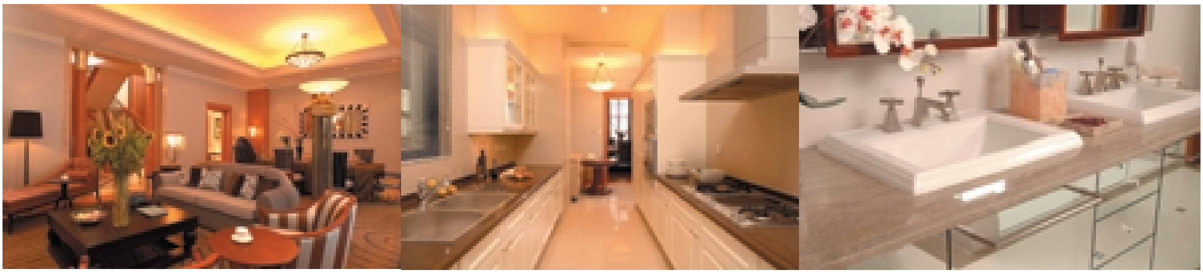
Lot 114. Lot 114 (known as Lakeville Regency) is adjacent to Lot 117 and comprises 645 residential units in four high-rise and four low to medium-rise apartment buildings. Each of these buildings consists of two or three blocks and Lakeville Regency comprises seventeen blocks in total. As at the Valuation Date, the construction of ten blocks has been completed. We expect construction of the remaining seven blocks to be completed by the end of September 2006. Residential units are currently available for sale. The estimated total residential GFA of Lot 114 is approximately 127,000 square metres, of which approximately 62,000 square metres have been sold as at the Valuation Date. The average selling price for Lot 114 is approximately RMB50,000 per square metre. As at the Latest Practicable Date, we have sold 344 units in Lot 114, among which 126 units were sold through block sales to a small number of purchasers.

In 2005, Lakeville won the fourth “Excellent Houses in Shanghai — Full Deco Award and Science & Technology Applying Award”, as awarded by the Shanghai Real Estate Trade Association.

Below is a picture of the residential properties on Lot 114 under construction, and an artist's impression of how we expect Lot 114 to look once completed. Also below are pictures of the interior of one of our show flats for Lot 114.

Lot 114 (under development)

Lot 114 (as we expect it to look once completed)



Lot 113. The Luwan District government is in the process of relocating the existing residents on Lot 113. We expect to commence construction of residential units on Lot 113 in the fourth quarter of 2006 when the relocation process is completed. When completed, Lot 113 is expected to have a total GFA of approximately 96,000 square metres, comprising approximately 82,000 square metres of residential units and 14,000 square metres of retail properties.

Lot 115. We expect that Lot 115 will have a GFA of approximately 29,000 square metres when completed. We plan to build a private international school, which will be operated by us, with a GFA of approximately 15,000 square metres. A local school will be constructed on the remainder of the site. We expect to commence construction of Lot 115 in the second half of 2008.

Lots 116, 118, 119 and 120. These lots are being planned for future development and will consist of high-end residential properties. We expect to commence construction of these lots progressively from 2008, and to complete construction of each lot within two years from commencement of construction. All residential units on these lots will be offered for sale while the retail units will generally be retained as investment assets.

Lot 122-1/2. Lot 122-1/2 will consist of residential and serviced apartment properties, with an expected GFA of approximately 65,000 square metres upon completion. The Shanghai government is building a new metro station on this site, the main structure of which is expected to be completed in 2006. We intend to sell the residential units and to retain the serviced apartment building as an investment. We have entered into a land grant contract for Lot 122-1/2, and construction is expected to commence after 2008.

Retail and theatre zone

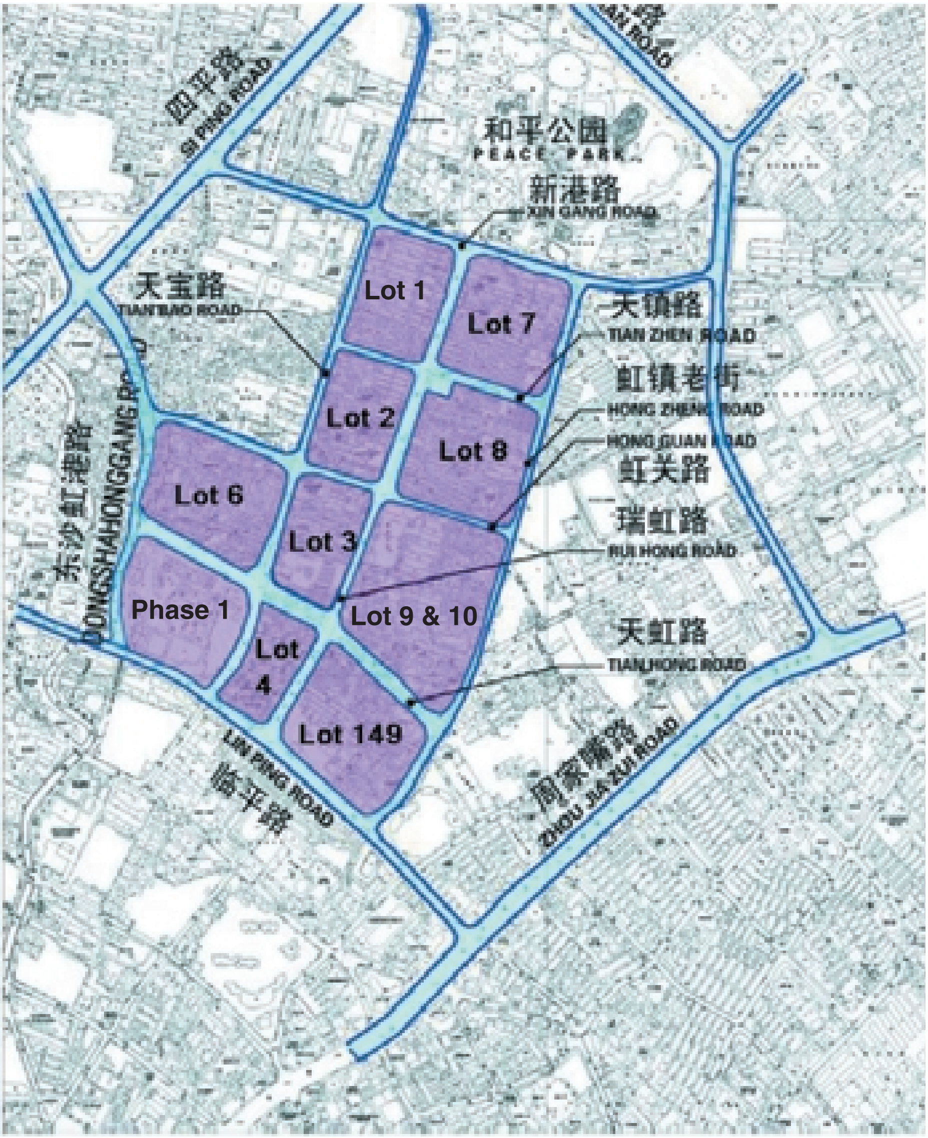
The retail and theatre zone on Lots 123 and 122-3 will be located on top of a major metro station in the traditional commercial district of Lao Ximen. These retail and entertainment outlets, including movie cinemas and a Broadway-style theatre, are designed to complement the residential and office buildings in the vicinity to create an important entertainment centre in Shanghai. Once completed, the retail and theatre zone will have a total GFA of approximately 49,000 square metres. Construction of the retail and theatre zone is expected to commence in the first half of 2008.

Shanghai Rui Hong Xin Cheng

Description

Shanghai Rui Hong Xin Cheng, also known as Rainbow City, is an integrated residential development project aimed at redeveloping existing residential neighbourhoods into an upper-middle class community, complete with modern amenities. Shanghai Rui Hong Xin Cheng is close to downtown Shanghai and is served by a metro station located under Lot 149 of the development. The Shui On Group completed all the residential units in Phase 1 in 2002, and sold all of them by the end of September 2004. Accordingly, Phase 1 of Shanghai Rui Hong Xin Cheng did not form part of the properties transferred to us, and when we refer to Shanghai Rui Hong Xin Cheng, we refer only to the phases currently being developed by us and which are planned for future development.

A map showing the location of the Shanghai Rui Hong Xin Cheng project can be found in "Our Business — Our Property Projects — Our Shanghai projects". Below is a map showing the various lots in the Shanghai Rui Hong Xin Cheng project.



Note: Phase 1 of Shanghai Rui Hong Xin Cheng does not form part of our Shanghai Rui Hong Xin Cheng project because it was completed in 2002 and all the residential units have been sold.

Below is a picture of Lot 149 of Shanghai Rui Hong Xin Cheng.

Master planning

Shanghai Rui Hong Xin Cheng is located in the Hongkou district in Shanghai close to several leading universities and the central business district. Shanghai Rui Hong Xin Cheng aims to redevelop existing residential neighbourhoods into an upper-middle class community complete with modern amenities such as shopping centres, clubhouses, offices and schools. A new metro station below Lot 149 was completed in December 2005. There are a cluster of elementary, middle and high schools close to Shanghai Rui Hong Xin Cheng. In addition, pursuant to an agreement entered into between us, the Hongkou District government and Hongkou District Education Administration, a high school has been relocated to a site within the Shanghai Rui Hong Xin Cheng project. The master plan for Shanghai Rui Hong Xin Cheng divides the project into 9 plots of land.

Upon completion, Shanghai Rui Hong Xin Cheng will comprise a total GFA of approximately 1.3 million square metres, of which 151,000 square metres of GFA have been sold as at the Valuation Date. Approximately 35% of the total site area will comprise landscaped open areas, and the site will include commercial shopping complexes and schools. One shopping complex is already open and includes E-mart, a hypermarket chain, as a core tenant. The last phase of Shanghai Rui Hong Xin Cheng is expected to be completed in 2011.

We did not enter into a master agreement for the Shanghai Rui Hong Xin Cheng project as we were granted the required land use rights for all lots of this project. We do not expect further development phases of Shanghai Rui Hong Xin Cheng to be subject to negotiation and agreement with the Hongkou District government.

Project overview

The following table shows certain information for the Shanghai Rui Hong Xin Cheng project as at the Valuation Date (excluding Phase 1):

	Completed property developments		Properties under development		Landbank					Property by use					Totals and Miscellaneous				
					Properties under relocation		Properties under planning												
Lots	Leaseable GFA	Saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Others(1) GFA	Residential GFA	Office GFA	Retail GFA	Schools GFA	Clubhouses GFA	Total GFA(2)	% ownership	Sold GFA	Tenure/ term of land use (years)(3)	Construction commencement/ expected construction commencement
Obtained land use rights																			
Lot 149	25,000	5,000	3,000	31,000	—	—	—	—	5,000	36,000(4)	—	28,000	—	5,000	**69,000**	99.0%	151,000	70	Expected completion in Q4 2006
Lot 1	—	—	—	—	—	—	84,000	66,000	1,000	66,000	84,000	—	—	1,000	**151,000**	99.0%	—	70	After 2008
Lot 2	—	—	—	—	—	—	14,000	82,000	4,000	82,000	—	14,000	—	4,000	**100,000**	99.0%	—	70	Q4 2007
Lot 3	—	—	—	—	—	—	21,000	82,000	1,000	82,000	—	21,000	—	1,000	**104,000**	99.0%	—	70	Q4 2007
Lot 4	—	—	—	—	18,000	62,000	—	—	2,000	62,000	—	18,000	—	2,000	**82,000**	99.0%	—	70	Q1 2007
Lot 6	—	—	—	—	—	126,000	—	—	3,000	126,000	—	—	—	3,000	**129,000**	99.0%	—	70	Q1 2007
Lot 7	—	—	—	—	—	—	10,000	172,000	2,000	172,000	—	10,000	—	2,000	**184,000**	99.0%	—	70	After 2008
Lot 8	—	—	—	—	2,000	33,000	—	—	1,000	33,000	—	2,000	—	1,000	**36,000**	99.0%	—	70	Q4 2006
Lots 9 and 10	—	—	—	—	—	—	22,000	238,000	10,000	238,000	—	22,000	—	10,000	**270,000**	99.0%	—	70	2H 2008
Total	**25,000**	**5,000**	**3,000**	**31,000**	**20,000**	**221,000**	**151,000**	**640,000**	**29,000**	**897,000**	**84,000**	**115,000**	**—**	**29,000**	**1,125,000**		**151,000**		

All GFA figures in the table are in square metres rounded to the nearest thousand.

(1) This relates to clubhouses that are neither leased nor sold.

(2) Sold GFA is not included in the total GFA figure.

(3) The tenure/term of land use depends on the use of land within a phase: 40 years for retail, tourism and office, 50 years for mixed use and 70 years for residential, commencing from the date of grant of the relevant land use rights.

(4) This excludes an additional 151,000 square metres of sold GFA.

We have obtained land use rights with a 70-year term for all phases of Shanghai Rui Hong Xin Cheng. The development costs incurred for the residential units at Blocks 1 to 8 of Lot 149 (including land grant costs, construction costs and capitalised finance costs) were approximately RMB5,800 per square metre of completed GFA.

The Hongkou District government has accepted a proposal from us to set aside a major portion of the site area of Lot 8 to house part of an education area. When completed, we expect that this education area will enhance the popularity of Shanghai Rui Hong Xin Cheng, as proximity to schools is generally an important consideration for upper-middle class Shanghai residents when making housing decisions.

Shanghai Rui Hong Xin Cheng comprises the land parcels identified as Hongkou District Lot 149, Lots 1 to 4 and Lots 6 to 10.

Relocation of original residents

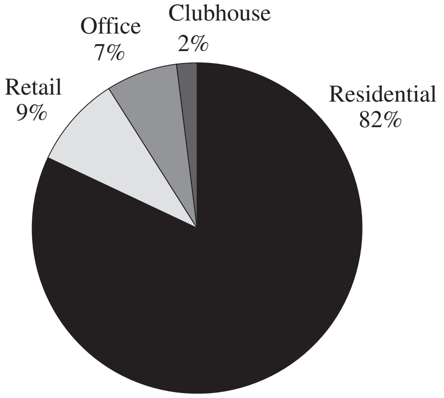
Pursuant to a framework relocation agreement entered into between us and the local government, we have engaged two relocation companies in Hongkou district to handle the relocation of residents in Lots 4, 6 and 8. Our relocation costs in relation to Shanghai Rui Hong Xin Cheng are based on the compensation policy set by the local authorities which may be revised as and when market conditions change. We are currently in the process of relocating households located on Lot 4, Lot 8 and Lot 6 and expect to commence construction on Lot 8 in the fourth quarter of 2006. The construction of Lot 4 and Lot 6 is expected to commence in the first quarter of 2007. As at the Valuation Date, relocation costs incurred were approximately RMB1 billion. As at the Valuation Date, approximately 31% of the total number of households in Lots 4, 6 and 8 have signed relocation agreements. See the sections entitled "Industry and Regulatory Overview — Regulatory Overview — Relocation of original residents" and "Risk Factors — Risks relating to our Business — For some of our development projects, we are required to relocate existing residents of our property developments and pay relocation costs".

Project details

We designed Shanghai Rui Hong Xin Cheng with a view to improving the urban environment and enhancing living standards for residents. Upon completion, approximately 35% of the site will consist of landscaped greenery, fountains and open areas. Each phase will have its own clubhouse with amenities such as exercise rooms, swimming pools, children's play areas, tennis courts, reading rooms, card rooms and conference facilities. Other amenities of Shanghai Rui Hong Xin Cheng will include underground car parks and retail shopping complexes. The master plan for the Shanghai Rui Hong Xin Cheng was developed by us in consultation with Pan Pacific Design and Development Group Ltd of Canada.

The following shows the mix of residential and commercial properties that we expect for the Shanghai Rui Hong Xin Cheng project when completed:

	Square metres
Residential	1,048,000[(1)]
Office	84,000
Retail	115,000
Clubhouse	29,000
Total	1,276,000



(1) Of which 151,000 square metres of GFA have been sold as at the Valuation Date.

In 2006, the Shanghai Rui Hong Xin Cheng project won the Gold Medal at Shanghai's 2006 Most Popular Property Competition, sponsored by Shanghai Newspaper Office and the Shanghai Real Estate Association.

Lot 149

Lot 149 consists of 1,759 units and has a total GFA of approximately 220,000 square metres. Part of Lot 149 is located above the new subway station. The design for Lot 149 features retail facilities with a GFA of approximately 28,000 square metres as well as residential accommodation with a GFA of approximately 187,000 square metres. Lot 149 was constructed in three different stages, commencing in May 2002, April 2003 and March 2004, with each stage taking approximately 24 to 30 months to complete.

Lot 149's amenities include a clubhouse, underground car park and commercial facilities. The commercial facilities comprise a two-level "northern" shopping complex and a two-level "southern" commercial podium located in the lower floors of the apartment buildings. The clubhouse, "northern" shopping complex and the nearby carparks are currently open, while the "southern" commercial podium and its nearby car park are partially completed.

As at the Valuation Date, 1,485 units in Lot 149 had been completed and construction of the remaining 274 units in two high-rise residential buildings is expected to be completed in the fourth quarter of 2006. As at the Valuation Date, 1,430 completed units, with a GFA of approximately 151,000 square metres, in eleven high-rise residential buildings in Lot 149 had been sold in three different stages. Presales of the last two high-rise residential buildings commenced in late June and early September 2006, respectively. As at the Valuation Date, the average presale selling price of apartments in these buildings was approximately RMB16,000 per square metre. During the first two days of the presales of the last building of Lot 149 in September 2006, we sold 100 units out of 137 units in total.

Subsequent lots of Shanghai Rui Hong Xin Cheng

Lots 4 and 8 will have a total GFA of approximately 118,000 square metres. Relocation of original residents commenced in the fourth quarter of 2005, and construction on Lot 8 is expected to commence in the fourth quarter of 2006. The construction on Lot 6 and Lot 4 is expected to commence in the first quarter of 2007. Lot 6 is also undergoing the process of relocation of original residents.

Lots 1, 2, 3, 7, 9 and 10 will be developed progressively with relocation expected to commence in the first quarter of 2007 and construction of Lot 2 and Lot 3 is planned to commence in the fourth quarter of 2007. Construction of each lot is expected to last from two to three years. All of our lots within Shanghai Rui Hong Xin Cheng will comprise apartment buildings and, with the exception of Lot 1 and Lot 6, properties for retail use. Lot 1 will include office buildings. Lot 6 will comprise only residential buildings. Lots 9 and 10 will be the largest development in Shanghai Rui Hong Xin Cheng with a total GFA of approximately 270,000 square metres. Construction for Lots 9 and 10 is expected to commence in the second half of 2008.

Shanghai Knowledge and Innovation Community

Description

The Shanghai Knowledge and Innovation Community project, also known as the Shanghai Chuangzhi Tiandi project, is a city-core development project that is located adjacent to numerous major universities and colleges in the Yangpu district northeast of downtown Shanghai. The Yangpu district is the largest district in Shanghai and the home to some of China's top universities and colleges, including Fudan University, Tongji University and 15 other universities and colleges offering primarily liberal arts and science degrees. The Shanghai Knowledge and Innovation Community project is designed to be a multi-functional community for people to study, live, work and engage in leisure activities. As a result, through the Shanghai Knowledge and Innovation Community project, we intend to transform Yangpu from an industrial and manufacturing zone to a knowledge and innovation centre by drawing on the readily available education and human resources surrounding the area and by creating an environment that we believe fosters education, technology (including digital technology), culture, research and business incubation, growth and development. We have signed a memorandum on strategic cooperation with Beijing Oracle Software Systems Co. Ltd., a subsidiary of Oracle Corporation, which we expect to be a strategic technology partner of the Shanghai Knowledge and Innovation Community project including the establishment of an advanced technology solution centre for the development of Oracle digital products.

Master planning

A map showing the location of the Shanghai Knowledge and Innovation Community project can be found in "Our Business — Our Property Projects — Our Shanghai projects".

Below is the plan of the Shanghai Knowledge and Innovation Community project after completion, which may not necessarily represent the eventual state of the actual property development.

In March 2004, Shui On Holdings Limited, a company within the Shui On Group, entered into a master agreement with the Yangpu District government. The master agreement shows the proposed development of a plot with a site area of 839,000 square metres into a comprehensive large-scale community for commerce, offices, education, science and research, culture and entertainment, sports and residential purposes. The master agreement contemplates the completion of the project by 2010. We expect metro line No. 10 to service this area by 2010.

Under the terms of the master agreement, the development of the site will be carried out by a Sino-foreign equity joint venture in which a company controlled by the Yangpu District government holds a 30% equity interest and our subsidiary Shanghai Yang Pu Centre Development Co., Ltd. holds the remaining 70% equity interest. We acquired our interest in Shanghai Yang Pu Centre Development Co., Ltd. from the Shui On Group in December 2004. In connection with that acquisition, the Shui On Group undertook to exercise all rights under this master agreement for our benefit and as we direct pursuant to a deed of undertakings entered into by us with Shui On Holdings Limited on 31 December 2004. For further information on the Knowledge and Innovation Community master agreement, see "Statutory and General Information — Agreements for our development projects" in Appendix IX.

The Shanghai Knowledge and Innovation Community will include:

- A "Hub Area", being a work, leisure, entertainment and cultural centre;

- A "Live and Work" area, being a mixed-use area comprising office buildings, retail shops and residential accommodation;

- A historic restoration zone, including the Jiangwan Sports Stadium; and

- A technology park, which is an area subject to the master agreement, but whose potential development we are currently negotiating with the Yangpu District government.

Project overview

The following table shows certain information for the Shanghai Knowledge and Innovation Community project as at the Valuation Date, as well as land grant contract we obtained since that date:

	Completed property developments		Properties under development		Landbank					Property by use					Totals and Miscellaneous				
					Properties under relocation		Properties under planning												
Lots	Leaseable GFA	Saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Others GFA	Residential GFA	Office GFA	Retail GFA	Hotels/ serviced apartments/ schools GFA	Clubhouse GFA	Total GFA	% ownership	Sold GFA	Tenure/ term of land use (years)[1]	Construction commencement/ expected construction commencement[2]
Obtained land use rights																			
R1[3]	4,000	39,000	3,000	40,000	—	—	—	—	—	42,000	37,000	7,000	—	—	**86,000**	70.0%	—	50	Construction completed in Q3 2006 and expected sales commencing in Q4 2006
R2[3]	—	—	—	—	5,000	75,000	—	—	3,000	39,000	36,000	5,000	—	3,000	**83,000**	70.0%	—	50	Q4 2006
Hub Area 1[3]	—	—	52,000	—	—	—	—	—	—	—	29,000	23,000	—	—	**52,000**	70.0%	—	50	Expected completion in Q4 2006
Entered into master agreement or similar arrangement and in the process of negotiating land grant contract																			
Hub Area 2[3] [6]	—	—	—	—	53,000	—	—	—	—	—	47,000	6,000	—	—	**53,000**	70.0%	—	—	Q4 2006
R3[3]	—	—	—	—	—	—	3,000	73,000	—	38,000	35,000	3,000	—	—	**76,000**	70.0%	—	—	Q3 2007
R4[3]	—	—	—	—	—	—	2,000	43,000	—	22,000	21,000	2,000	—	—	**45,000**	70.0%	—	—	Q1 2008
C1[3] [5]	—	—	—	—	—	—	10,000	40,000	—	—	40,000	10,000	—	—	**50,000**	70.0%	—	50	Q3 2007
C2[3]	—	—	—	—	5,000	44,000	—	—	—	—	44,000	5,000	—	—	**49,000**	70.0%	—	—	Q1 2007
C3[3]	—	—	—	—	—	—	43,000	—	—	—	38,000	5,000	—	—	**43,000**	70.0%	—	—	Q2 2008
Total	**4,000**	**39,000**	**55,000**	**40,000**	**63,000**	**119,000**	**58,000**	**156,000**	**3,000**	**141,000**	**327,000**	**66,000**	**—**	**3,000**	**537,000**[4]		**—**		

All GFA figures in the table are in square metres rounded to the nearest thousand.

(1) The tenure/term of land use depends on the use of land within a phase: 40 years for retail, tourism and office, 50 years for mixed use and 70 years for residential, commencing from the date of grant of the relevant land use rights.

(2) For lots where we have not yet obtained land use rights certificates, we expect to obtain those certificates shortly before foundation works are scheduled to commence.

(3) R1, 2, 3 and 4 and C1, 2 and 3 refer to the Live and Work Area and Hub Area 1 and 2 refer to the Hub Area.

(4) Excludes historic preservation zone and technology park.

(5) We have obtained a land use rights certificate for part of C1 with a site area of 4,299 square metres.

(6) We entered into a land grant contract for Hub Area 2 in July 2006.

The development of the Shanghai Knowledge and Innovation Community comprises restoration of the Jiangwan Sports Stadium, a historic athletic stadium originally built in 1935, and construction of office, residential and commercial buildings. Construction of this project is expected to be completed in 2010.

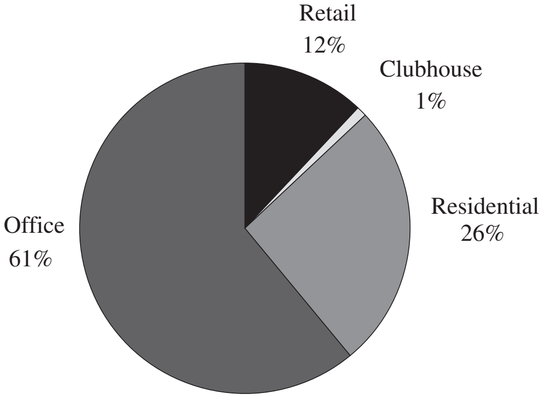
Relocation of original residents

Under our master agreement with the Yangpu District government we have agreed to pay compensation to residents to be relocated. To date, the relocation process in Yangpu District has been completed as planned, primarily because the pre-existing buildings were mostly state-owned factories which have been allocated alternative sites by the government. Almost all (approximately 100%) of the residents that needed to be relocated for the Shanghai Knowledge and Innovation Community project (R2, C2 and Hub Area 2) have already moved. The Yangpu District government is responsible for relocating existing residents from the land for this project, and has engaged relocation companies to handle the relocation. As at the Valuation Date, the relocation costs incurred were approximately RMB1,368 million. See the sections entitled "Industry and Regulatory Overview — Regulatory Overview — Relocation of original residents" and "Risk Factors — Risks relating to our Business — For some of our development projects, we are required to relocate existing residents of our property developments and pay relocation costs".

Project details

The Shanghai Knowledge and Innovation Community project is a mixed-use project, designed to be a multi-function community for education, technology, culture, research and development and business incubation uses. When completed, the Shanghai Knowledge and Innovation Community project is expected to comprise a GFA of approximately 537,000 square metres (excluding the historical zone and technology park). The master plan for the Shanghai Knowledge and Innovation Community was developed by us in consultation with Skidmore, Owings and Merrill. The following shows the mix of office, retail, residential and other properties that we expect for the Shanghai Knowledge and Innovation Community project when completed:

	Square metres
Residential	141,000
Office	327,000
Retail	66,000
Clubhouse	3,000
Total	537,000



In 2006, the Hub Area of the Shanghai Knowledge and Innovation Community won the Urban Design Citation Award from the AIA San Fransisco, a Chapter of the American Institute of Architects.

The Hub Area

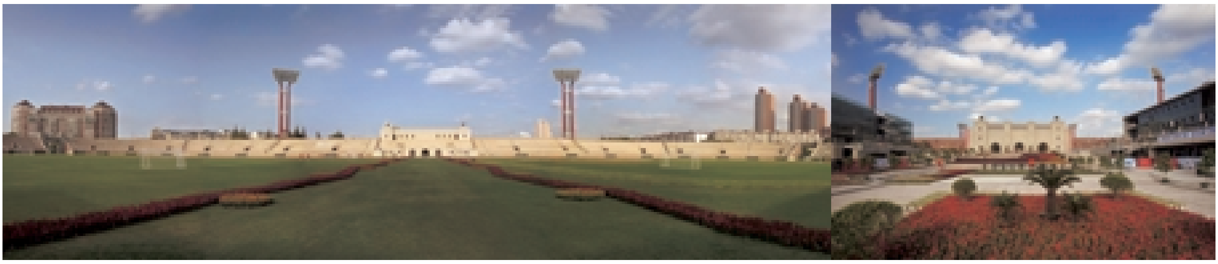
The Hub Area is located along Song Hu Road, in between Zheng Tong Road and Zheng Li Road. The Hub Area will serve as the commercial centre of the Shanghai Knowledge and Innovation Community project comprising office buildings, learning centres, exhibition halls, conference and convention facilities and commercial outlets serving the needs of students, professors, entrepreneurs and professionals studying, living and working in the area.

The Hub Area covers a site of approximately 62,000 square metres with a total GFA on completion of approximately 105,000 square metres. The development of the Hub Area is divided into two phases.

Hub Area 1 comprises office and commercial buildings which we intend to lease along the University Avenue leading to a plaza in front of the entrance of the stadium and the stadium itself. We entered into a land grant contract for Hub Area 2 in July 2006 and expect to obtain the land use rights for Hub Area 2 in the fourth quarter of 2006.

Construction of Hub Area 1 commenced in June 2004. Three of the four buildings were completed in July 2006 and the fourth building is expected to be completed in the fourth quarter of 2006. Construction of Hub Area 2 is expected to commence in the fourth quarter of 2006.

Below are pictures of the stadium and the Hub Area:



Live and Work Area

The Live and Work Area will consist of Lots R1, R2, R3 and R4 and C1, C2 and C3. It is located in the blocks surrounded by Zheng Tong Road, Guo Ding Road, Zheng Li Road and Song Hu Road. The Live and Work Area will be a mixed-use area comprising low-rise buildings with offices in the front and residential units at the back. The low-rise buildings will be targeted at entrepreneurs engaged in start-up ventures, professionals and faculty members of nearby universities. The buildings are designed in a loft style. The Live and Work Area will also have retail outlets serving the daily needs of residents such as restaurants, cafes, laundries and convenience stores.

We expect Lots R1, R2, R3 and R4 of the Live and Work Area to have a total GFA of approximately 290,000 square metres upon completion. We have obtained land use rights for all of the site required for construction of Lots R1 and R2. Lot R1 has a GFA of approximately 86,000 square metres and consists of mixed-use office and residential buildings along University Avenue. Construction of Lot R1 commenced in June 2004 and was completed in the third quarter of 2006, with sales expected to commence in October 2006. There are 360 residential units and 313 office units on this site. We intend to commence construction of the Lot R2 portion of the Live and Work area in the fourth quarter of 2006. We expect to enter into the land grant contracts for the remainder of the site in 2006, and expect to obtain the land use rights certificates for the remainder of the site by 2007.

Below are pictures of the Live and Work Area:

Other potential zone

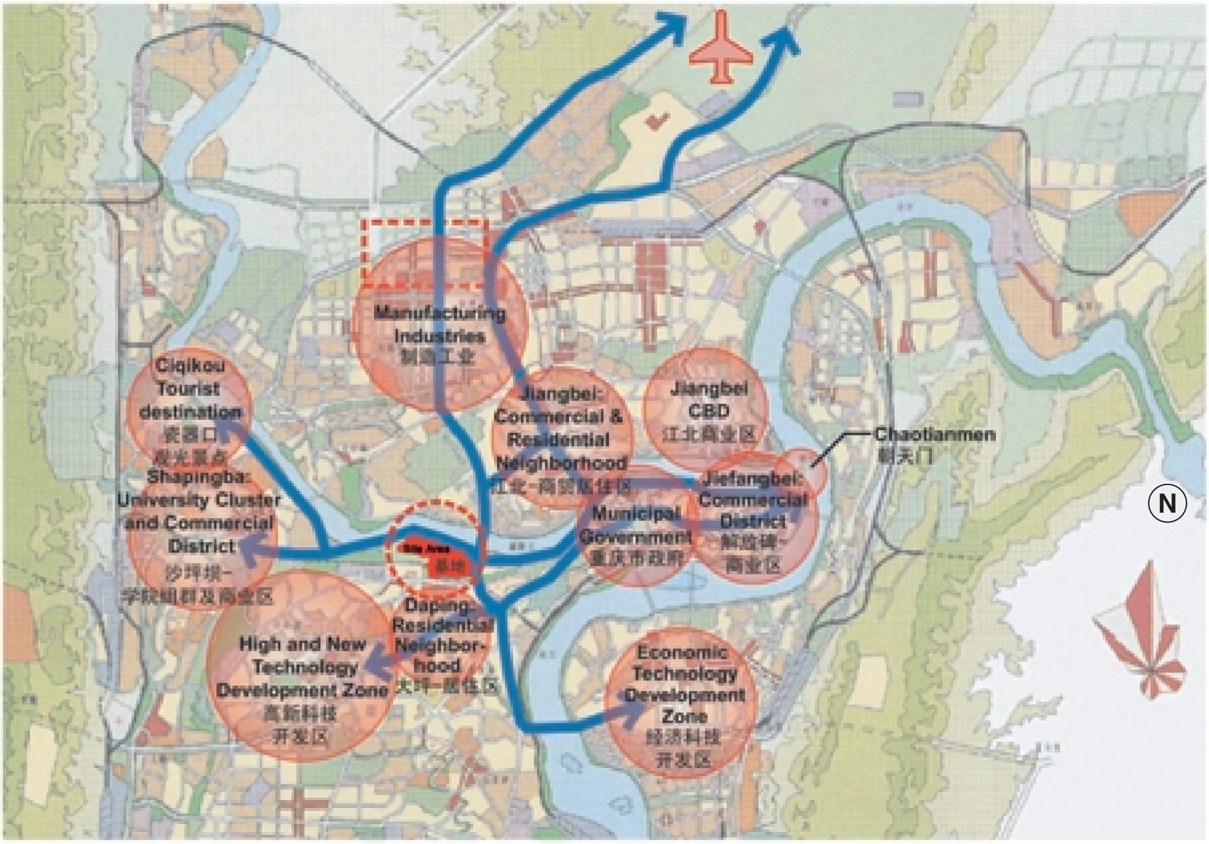
We are in the process of negotiating with the Yangpu District government for the potential development of a technology park in proximity to our development of the Shanghai Knowledge and Innovation Community project. The potential development zone does not currently form part of the Shanghai Knowledge and Innovation Community, and we are still in discussions with the Yangpu District government. No agreement has been reached yet.

Our projects outside of Shanghai

Chongqing Tiandi

Description

The Chongqing Tiandi project is a city-core development project comprising, on completion, an expected GFA of approximately 2.6 million square metres. The project is situated on the south bank of the Jialing River on the hillside, just upstream of the confluence of the Yangtze and Jialing Rivers. Chongqing Tiandi is located adjacent to the central business district in the Yuzhong District in Chongqing, an economic hub of south-west China. We intend this city-core development project to support and service Chongqing's extensive manufacturing and service industries. It will include facilities such as an exhibition and merchandise centre, luxury hotels and office buildings as well as residential and retail, food and beverage and entertainment properties. Below is a map showing the location of the Chongqing Tiandi project.



Master planning

Below is a plan of the Chongqing Tiandi project after completion, which may not necessarily represent the eventual state of the actual property development:

In August 2003 our subsidiary, Grand Hope Limited, entered into a master agreement with the Yuzhong District government in relation to the development of the Chongqing Tiandi project. The master agreement contemplates that the Chongqing Tiandi project will be developed to support and service Chongqing's extensive manufacturing and service industries and we expect it will be completed by 2014.

Under the terms of the master agreement, the development of the Chongqing Tiandi project will be carried out by a Sino-foreign equity joint venture in which Grand Hope Limited holds a 99% interest and a Chinese partner designated by the Yuzhong District government holds a 1% interest. For further information on the Chongqing Tiandi master agreement, see "Statutory and General Information — Agreements for our development projects" in Appendix IX.

Below is a site plan of Chongqing Tiandi project, showing the location of each relocation phase, which may not necessarily represent the eventual state of the actual property development:

On completion, we expect the Chongqing Tiandi plot will be integrated with and become a new part of Chongqing's central business district. The design takes advantage of the plot's unique landscape and envisions a commercial and residential space around a man-made lake and on the surrounding hillsides.

In September 2006, we entered into legally binding agreements with Winnington Capital Limited and Ocean Equity Holdings Limited respectively for the sale of 19.8% in total (9.9% to each of Winnington Capital Limited and Ocean Equity Holdings Limited) of our 99% indirect interest in the Chongqing Tiandi project. We will continue to consider further sales of interests in the Chongqing Tiandi project currently envisaged not to exceed 30% (inclusive of the 19.8% already agreed to be sold) in total.

Winnington Capital Limited is an independent third party investor. Ocean Equity Holdings Limited is an associate of Mr. Stephen Wong, who was a director of our Company within the 12 months preceding the Listing, and is also a holder of Preference Shares (which will be converted into Shares upon Listing). Equity Millennium Limited, an associate of both Mr. Stephen Wong and Ocean Equity Holdings Limited, holds a 20% interest in two of our subsidiaries engaged in the Shanghai Taipingqiao project, Globe State Properties Limited and Profitstock Holdings Limited. In addition, Ocean Equity Holdings Limited is an associate of Shun Hing China Investment Limited, which owns 10% of the shares in each of Profitstock Holdings Limited and Global State Properties Limited, both of which are our 70% owned subsidiaries. Save for these investments and associations, Ocean Equity Holdings Limited is otherwise unconnected with and independent of our Company and its controlling shareholder. Ocean Equity Holdings Limited is treated as a connected person for the purposes of the Listing Rules because it is an associate of Mr. Stephen Wong and by reason of the 20% and 10% interests in Globe State Properties Limited and Profitstock Holdings Limited held by Equity Millennium Limited and Shun Hing China Investment Limited respectively. For further details, see the sections entitled “Our Business — Connected Transactions — Edward Wong Development Company Limited”, “Our Business — Connected Transactions — Shun Hing Holdings Company Limited” and “Our Business — Connected Transactions — Sale of indirect interest in Chongqing Tiandi project company”.

Chongqing Shui On Tiandi Project Development Co., Ltd. is a Sino-foreign equity joint venture project company that was formed pursuant to a master agreement entered into between Grand Hope Limited, a 100% subsidiary of Score High Limited, a BVI company which is wholly owned by our Company, and the Yuzhong District government in relation to the development of the Chongqing Tiandi project. Grand Hope Limited holds a 99% interest in this project company and Chongqing Yuzhong State-owned Asset Management Co., Ltd. holds the remaining 1% interest.

Under the terms of the respective sale and purchase agreements, Winnington Capital Limited and Ocean Equity Holdings Limited will each purchase 9.9% of our Company’s interest in Score High Limited (19.8% in total). The consideration for the sale and purchase is benchmarked against the valuation of the underlying properties held under Score High Limited and the cost recorded on the books of Score High Limited. The sale and purchase agreements are conditional upon the mandatory conversion of all the Preference Shares into ordinary shares. In addition, either party to the respective sale and purchase agreements is entitled to terminate the sale and purchase agreement if any of the other parties’ warranties, which are material to the sale of the shares in Score High Limited as contemplated by that sale and purchase agreement, have been breached, or are untrue or misleading in a material manner. Winnington Capital Limited and Ocean Equity Holdings Limited have each been granted put options, which can be exercised no earlier than 7 years but no later than 7½ years after the signing of the sale and purchase agreements, to require Shui On Investment Company Limited to purchase their interests in Score High Limited at the prevailing market price based on the net asset value of the Chongqing Shui On Tiandi Project Development Co., Ltd. on an appraisal basis as determined by independent third parties. Shui On Investment Company Limited in turn, has granted our Company a call option to purchase its interest in Score High Limited on the same terms as the terms of the put options exercised by Winnington Capital Limited and Ocean Equity Holdings Limited. The decision whether to exercise this call option will be taken by the independent non-executive directors of our Company, subject to the requirements of the Listing Rules, including independent shareholders’ approval if appropriate. Exercise of the call option will be a connected transaction. See the section entitled “Our Business — Connected Transactions — Sale of indirect interest in Chongqing Tiandi project company”.

In connection with the sale of these interests to Winnington Capital Limited and Ocean Equity Holdings Limited, a shareholders’ agreement has been entered into between Shui On Development (Holding) Limited, Winnington Capital Limited and Ocean Equity Holdings Limited in relation to their investments in Score High Limited.

The shareholders' agreement is stipulated to come into effect on the date when completion under the sale and purchase agreement with Winnington Capital Limited and completion under the sale and purchase agreement with Ocean Equity Holdings Limited have both taken place. The following represents a summary of the principal terms.

The shareholders' agreement provides that each shareholder may appoint one director for every 8% of the shares in issue of Score High Limited held by that shareholder or its affiliated entities (as defined under the shareholders' agreement). Initially, therefore, Shui On Development (Holding) Limited is entitled to appoint ten directors of Score High Limited, and each of Winnington Capital Limited and Ocean Equity Holdings Limited is entitled to appoint one director each.

Under the shareholders' agreement, to the extent that Score High Limited requires funding from third parties and guarantees from the shareholders of Score High Limited are required in respect of such funding, each shareholder of Score High Limited will be required to provide such bank guarantees on a several basis proportionately to their shareholdings at that time and subject to the terms of the guarantees being agreed by all shareholders. If any shareholder does not agree to the terms of the guarantee, the other shareholders who agree to the terms of the guarantee shall be entitled to provide guarantees covering the full amount of the funding.

The shareholders' agreement requires the consent of all shareholders of Score High Limited for certain specified matters outside the ordinary course of business. These matters include the carrying on of any business outside the scope of the existing business of Score High Limited, any change to the share capital of Score High Limited or its subsidiaries, any alteration of the memorandum and articles of association of Score High Limited or its subsidiaries, the declaration and payment of any dividend other than in accordance with the stipulated dividend policy and transactions with shareholders or their affiliated parties. Additionally, consent is required from holders of not less than 85% of the issued share capital of Score High Limited for certain other matters affecting Score High Limited or its subsidiaries, including disposals of interests in subsidiaries, commencing or settling legal proceedings and entering into joint ventures or partnerships. The agreement contains deadlock resolution provisions in case shareholders (or the necessary majority of shareholders) are unable to agree on these matters.

The shareholders' agreement also provides for shareholder pre-emption rights on transfers of shares in Score High Limited and further issues of new shares. Other shareholders have tag-along rights if Shui On Development (Holding) Limited decides to sell shares so that the total holding of Shui On Development (Holding) Limited and its affiliated parties would fall below 60%.

In anticipation of the completion of the Chongqing Tiandi project or any part of it, the shareholders' agreement provides for Shui On Development (Holding) Limited (or such other companies as Shui On Development (Holding) Limited may nominate from time to time) to perform property management functions for all or part of the Chongqing Tiandi project upon completion of the Chongqing Tiandi project at a management fee to be determined by the board of Score High Limited.

Project overview

The following table shows certain information for the Chongqing Tiandi project as at the Valuation Date:

	Completed property developments		Properties under development		Landbank					Property by use					Totals and Miscellaneous				
					Properties under relocation		Properties under planning												
Phases	Leaseable GFA	Saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Other GFA$^{(1)}$	Residential GFA	Office GFA	Retail GFA	Hotels/ serviced apartments GFA	Clubhouse GFA	Total GFA	% ownership$^{(5)}$	Sold GFA	Tenure/ term of land use (years)$^{(2)}$	Construction commencement/ expected construction commencement$^{(3)}$
Obtained land use rights																			
Phase 1A	—	—	1,000	108,000	—	—	—	—	3,000	108,000	—	1,000	—	3,000	**112,000**	99.0%	—	40-70	Q4 2005
Entered into land grant contracts but have not yet received land use rights certificates																			
Phase 1B	—	—	—	—	7,000	194,000	—	—	—	194,000	—	7,000	—	—	**201,000**	99.0%	—	40-70	Q1 2007
Phase 1C	—	—	—	—	10,000	206,000	—	—	—	206,000	—	10,000	—	—	**216,000**	99.0%	—	40-70	1H 2008
Phase 1D	—	—	—	—	5,000	145,000	—	—	—	145,000	—	5,000	—	—	**150,000**	99.0%	—	40-70	After 2008
Phase 2A	—	—	—	—	60,000	14,000	—	—	—	14,000	—	50,000	10,000	—	**74,000**	99.0%	—	40-70	Q4 2006
Phase 2B	—	—	—	—	9,000	214,000	—	—	—	214,000	—	9,000	—	—	**223,000**	99.0%	—	40-70	Q3 2007
Phase 2C	—	—	—	—	8,000	208,000	—	—	—	208,000	—	8,000	—	—	**216,000**	99.0%	—	40-70	After 2008
Phase 2D	—	—	—	—	56,000	307,000	—	—	—	307,000	15,000	41,000	—	—	**363,000**	99.0%	—	40-70	After 2008
Phase 2E	—	—	—	—	931,000	46,000	—	—	—	46,000	688,000	169,000	74,000	—	**977,000**	99.0%	—	40-70	After 2008
Entered into master agreement or similar agreement and in the process of negotiating land grant contract																			
Phase 3$^{(4)}$	—	—	—	—	—	—	7,000	72,000	—	72,000	—	7,000	—	—	**79,000**	99.0%	—	—	After 2008
Total	**—**	**—**	**1,000**	**108,000**	**1,086,000**	**1,334,000**	**7,000**	**72,000**	**3,000**	**1,514,000**	**703,000**	**307,000**	**84,000**	**3,000**	**2,611,000**		**—**		

All GFA figures in the table are in square metres rounded to the nearest thousand.

(1) This relates to clubhouse(s) that are neither leased nor sold.

(2) The tenure/term of land use depends on the use of the land within a phase: 40 years for retail, tourism and office, 50 years for mixed use and 70 years for residential, commencing from the date of grant of the relevant land use rights.

(3) For lots where we have not yet obtained land use rights certificates, we expect to obtain those certificates shortly before foundation works are scheduled to commence.

(4) We have entered into a master agreement dated 19 August 2003 with the Yuzhong District government for the development of this phase and are in the process of negotiating the land grant contracts but have not obtained a land use rights certificate.

(5) We have entered into a strategic partnership in relation to the Chongqing Tiandi project, through sales of 19.8% of our 99% indirect interest to third party investors, Winnington Capital Limited and Ocean Equity Holdings Limited. Winnington Capital Limited is an independent third party investor. Ocean Equity Holdings Limited is an associate of Mr. Stephen Wong who was a director of our Company within the 12 months preceding the Listing, and Ocean Equity Holdings Limited and certain other of its and Mr. Stephen Wong's associates are existing investors in our Group. In addition, Ocean Equity Holdings Limited is an associate of Shun Hing China Investment Limited, which owns 10% of the shares in each of Profitstock Holdings Limited and Global State Properties Limited, both of which are our 70% owned subsidiaries. For these reasons, Ocean Equity Holdings Limited and other associates of Mr. Stephen Wong are treated as connected persons for the purposes of the Listing Rules but are otherwise unconnected with and independent of our Company and its controlling shareholder. For further details, see the sections entitled "Our Business — Our Property Projects — Our Projects Outside of Shanghai — Chongqing Tiandi", "Our Business — Connected Transactions — Edward Wong Development Company" and "Our Business — Connected Transactions — Sale of indirect interest in Chongqing Tiandi project company".

We have commenced negotiations with the Chongqing Municipal Land and Resources Bureau and expect to enter into the land grant contract for Phase 3 by the end of 2006.

Relocation of original residents

We negotiated a fixed price of approximately RMB1.5 billion with the land bureau in Chongqing for relocation costs in relation to Phase 1 and Phase 2 of the project and for the bureau to be responsible for relocating original residents. To date, the relocation process has been progressing according to our expected schedule. The first site of Phase 1 has been handed over to us for redevelopment. Substantially all of Phase 2A has been handed over to us, and we expect the remaining part to be handed over to us by October 2006. As at the Valuation Date, the relocation costs incurred for Phase 1 and Phase 2 were approximately RMB1.4 billion. Approximately 91% to 93% of households in each of the remaining Lots in Phase 1 and 2 have signed relocation agreements. See the sections entitled "Industry and Regulatory Overview — Regulatory Overview — Relocation of original residents" and "Risk Factors — Risks relating to our Business — For some of our development projects, we are required to relocate existing residents of our property developments and pay relocation costs".

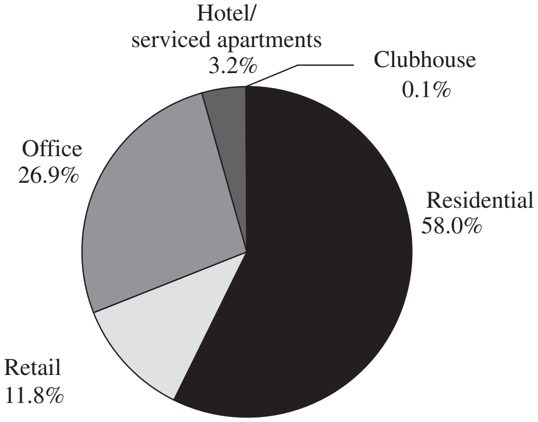
Project details

The master plan for the Chongqing Tiandi project was developed by us in consultation with Skidmore, Owings and Merrill. The main features of the Chongqing Tiandi project are planned to include:

- A man-made lake with pavilions and walkways along the shore;
- A commercial core comprising business service facilities including an exhibition and merchandise centre, luxury hotels and conference facilities and office buildings as well as retail and entertainment properties; and
- Residential clusters on the hillside replicating Chongqing's traditional hill-town characteristics and offering scenic views of the lake and the river.

The following shows the mix of office, residential, retail and hotel properties that we expect the Chongqing Tiandi project to comprise when completed:

	Square metres
Residential	1,514,000
Office	703,000
Retail	307,000
Hotels/serviced apartments	84,000
Clubhouse	3,000
Total	2,611,000



Construction of the Chongqing Tiandi project commenced in the fourth quarter of 2005 and is due to be completed in 2014.

Construction of the first site of Phase 1 (Phase 1A) commenced in the fourth quarter of 2005. The site is expected to comprise approximately 108,000 square metres of residential GFA and approximately 1,000 square metres of retail GFA and 3,000 square metres of clubhouse on completion.

Construction of the first site of Phase 2 (Phase 2A) is expected to commence in the fourth quarter of 2006.

Construction of Phase 3 is expected to commence after 2008.

Wuhan Hankou Tiandi

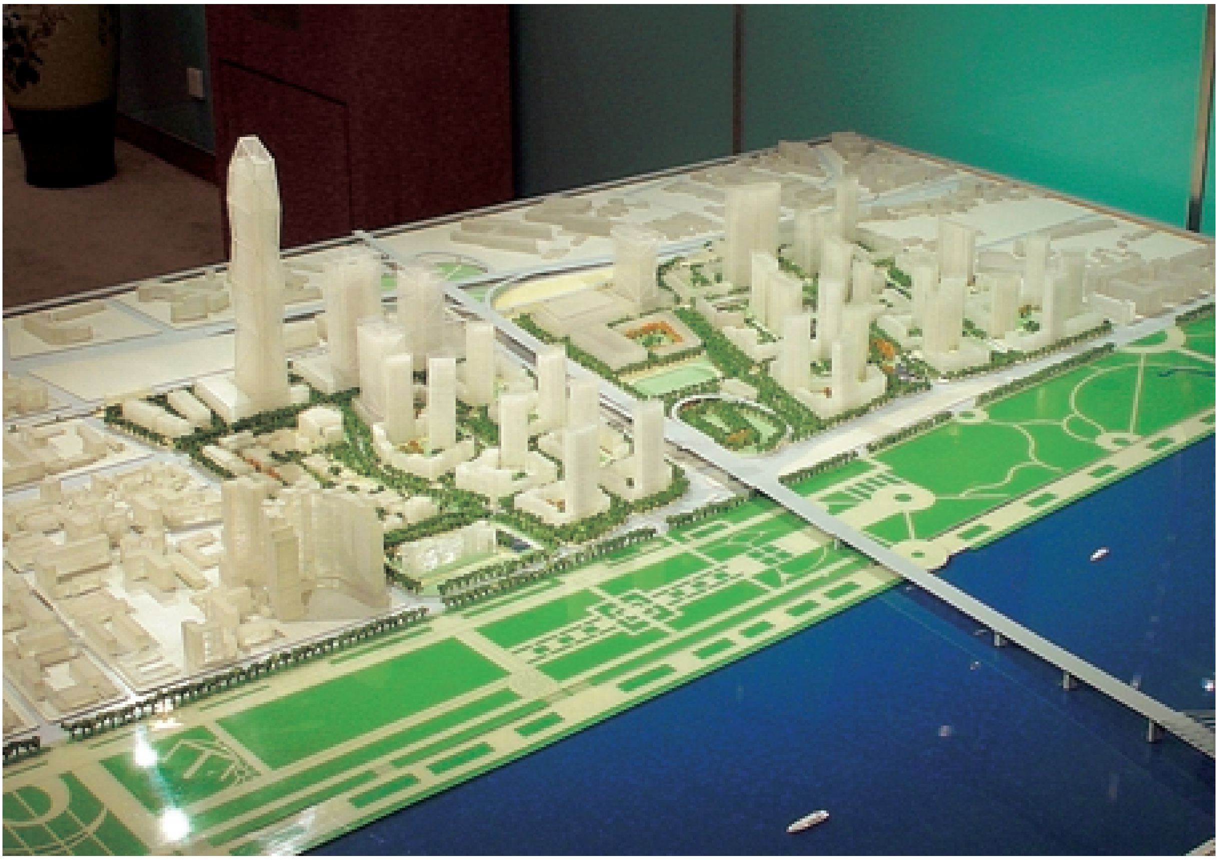
Description

In April 2005, we won the bid for the development of a site known as "Yong Qing Pian" (永清片) in Wuhan. Our project in Wuhan is known as the Wuhan Hankou Tiandi project. The Wuhan Hankou Tiandi project is a city-core development project with an estimated total GFA upon completion of approximately 1.4 million square metres. We plan to develop a large-scale, mixed-use urban property development on two main sites, Site A and Site B, comprising Grade A office buildings, high-end retail and residential properties and hotels. Construction of the Wuhan Hankou Tiandi project commenced in the first quarter of 2006 and is expected to be completed in 2014. Below is a map showing the location of the Wuhan Hankou Tiandi project.

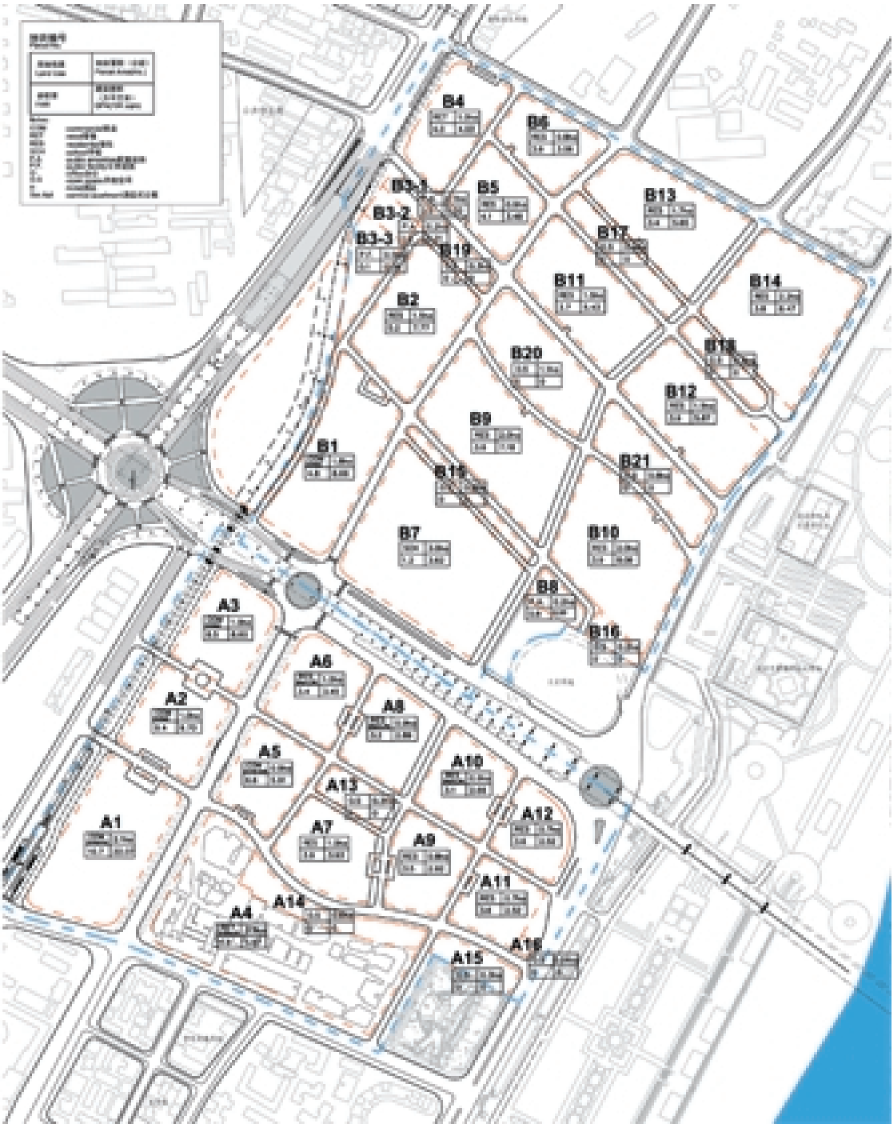
Master planning

Wuhan, the capital of Hubei Province, is a major transportation hub in China located between Shanghai and Chongqing, at the confluence of the Yangtze River and the Han River, a tributary of the Yangtze River. The site is located in Hankou's Jiang'an District, at a prominent position along the Yangtze River where the city's second bridge has been built connecting Hankou to Wuchang. The bridge is part of the roadwork system that forms Wuhan's inner ring road. The site is separated into Site A and Site B by the elevated road works linking to the bridge. Site A and Site B have a planned GFA of approximately 728,000 square metres and 677,000 square metres, respectively.

Below is a picture of a model of the Wuhan Hankou Tiandi project after completion and a plan of the project, which may not represent the eventual state of the property development.



The following is a plan of the Wuhan Hankou Tiandi project, showing the two main sites. This plan may not be representative of the eventual state of the property development.



Project overview

The following table shows certain information for the Wuhan Hankou Tiandi project as at the Valuation Date, as well as certain land use rights we obtained since that date:

	Completed property developments		Properties under development		Landbank					Property by use					Totals and Miscellaneous				
					Properties under relocation		Properties under planning												
Lots	Leaseable GFA	Saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Estimated leaseable GFA	Estimated saleable GFA	Others(1) GFA	Residential GFA	Office GFA	Retail GFA	Hotels/ serviced apartments GFA	Clubhouse GFA	Total GFA	% ownership	Sold GFA	Tenure/ term of land use (years)	Construction commencement/ expected construction commencement(2)
Entered into master agreement or similar arrangement and are in the process of negotiating land grant contracts(3)																			
Site A																			
A4	—	—	—	—	57,000(4)	—	—	—	—	—	10,000	30,000	17,000	—	**57,000**	100.0%	—	—	Q1 2006
A7	—	—	—	—	—	39,000	—	—	—	39,000	—	—	—	—	**39,000**	100.0%	—	—	Q4 2006
A8	—	—	—	—	—	29,000(5)	—	—	—	29,000	—	—	—	—	**29,000**	100.0%	—	—	2H 2008
A9	—	—	—	—	—	29,000(5)	—	—	—	29,000	—	—	—	—	**29,000**	100.0%	—	—	Q1 2006
A10	—	—	—	—	—	27,000(5)	—	—	—	27,000	—	—	—	—	**27,000**	100.0%	—	—	2H 2008
A11	—	—	—	—	—	25,000(5)	—	—	—	25,000	—	—	—	—	**25,000**	100.0%	—	—	After 2008
A12	—	—	—	—	—	25,000(5)	—	—	—	25,000	—	—	—	—	**25,000**	100.0%	—	—	After 2008
A2	—	—	—	—	97,000(5)	—	—	—	—	—	62,000	35,000	—	—	**97,000**	100.0%	—	—	Q4 2007
A3	—	—	—	—	86,000(5)	—	—	—	—	—	55,000	31,000	—	—	**86,000**	100.0%	—	—	Q4 2007
A5	—	—	—	—	59,000	—	—	—	—	—	34,000	13,000	12,000	—	**59,000**	100.0%	—	—	Q4 2006
A6	—	—	—	—	—	34,000(5)	—	—	—	34,000	—	—	—	—	**34,000**	100.0%	—	—	2H 2008
A1	—	—	—	—	221,000(5)	—	—	—	—	—	136,000	35,000	50,000	—	**221,000**	100.0%	—	—	Q4 2007
Entered into master agreement or similar arrangement(s)(3)																			
Site B	—	—	—	—	—	—	127,000	550,000	—	550,000	35,000	92,000	—	—	**677,000**	100.0%	—	—	2H 2008
Total	**—**	**—**	**—**	**—**	**520,000**	**208,000**	**127,000**	**550,000**	**—**	**758,000**	**332,000**	**236,000**	**79,000**	**—**	**1,405,000**		**—**		

All GFA figures in the table are in square metres rounded to the nearest thousand.

(1) This relates to clubhouse(s) that are neither leased nor sold.

(2) For lots where we have not yet obtained land use rights certificates, we expect to obtain those certificates shortly before foundation works are scheduled to commence.

(3) We won the bid for the property and entered into a land development compensation agreement with the Wuhan Land and Resources Bureau.

(4) We entered into land grant contracts and obtained land use rights certificates in August 2006 for a portion of the lot with an estimated leaseable GFA of approximately 16,000 square metres.

(5) We entered into land grant contracts and obtained land use rights certificates in August 2006 for a portion of the lot with an estimated leaseable and saleable GFA of approximately 573,000 square metres.

Relocation of original residents

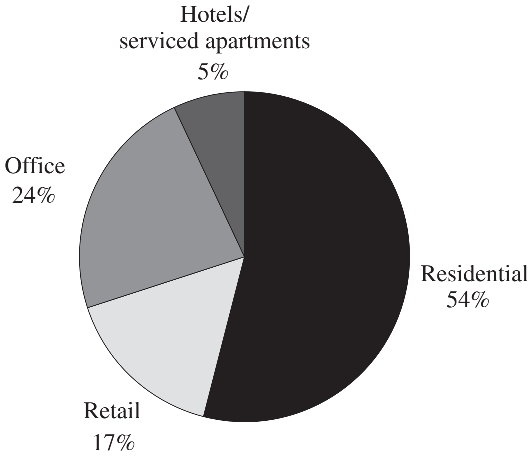
As part of the tender process for the Wuhan site, we made payments of approximately RMB505 million in May 2005 and approximately RMB500 million by November 2005 to the local government in Wuhan as land costs. The total fixed cost for the land for both Site A and Site B is approximately RMB3.39 billion. Pursuant to our tender agreement with the local government, they are required to deliver the site after the original residents have been relocated. Land clearance has been completed for approximately 80% of Site A and the cleared land has been delivered to us. The remaining part of Site A is expected to be cleared and delivered to us by the end of 2006. We expect delivery of the entire Site B by the end of 2008. See the sections entitled "Industry and Regulatory Overview — Regulatory Overview — Relocation of original residents" and "Risk Factors — Risks relating to our Business — For some of our development projects, we are required to relocate existing residents of our property developments and pay relocation costs".

Project details

In our plan, prepared by us in consultation with Skidmore, Owings & Merrill, we envision an urban mixed-use community that is intended to promote the redevelopment of Wuhan as one of the transportation hubs of China.

The following shows the mix of office, residential, retail, hotel and serviced apartment properties, as well as other uses, that we expect the Wuhan Hankou Tiandi project to comprise when completed:

	Square metres
Residential	758,000
Office	332,000
Retail	236,000
Hotels/serviced apartments	79,000
Total	1,405,000



Site A

The proposed total GFA of Site A is expected to be approximately 728,000 square metres when the site is completed.

Nine historic buildings on Site A will be restored to create buildings with historical and cultural characteristics similar to those restored at Shanghai Xintiandi. We propose to build a 250-metre tall landmark office tower next to the light rail transit station.

Site A will be developed in five phases. As approximately 80% of the land clearance work on Site A has been completed, the initial construction commenced in the first quarter of 2006, with part of the development scheduled to be completed in the first half of 2007, and the first phase of residential units is expected to come to market in 2008.

Site B

We expect the total GFA of Site B to be approximately 677,000 square metres when the site is completed, of which more than 80% will comprise residential units.

Site B will be developed in five phases, with initial construction scheduled to commence by the second half of 2008.

We believe the Wuhan Hankou project is not a "restricted" project within the meaning of applicable PRC regulations, and therefore our operation of this project is not affected by the requirements applicable to "restricted" projects. See "Appendix VII — Summary of Principal PRC Legal and Regulatory Provisions" for further details.

Hangzhou Xihu Tiandi

Description

The Hangzhou Xihu Tiandi project is a focal point development project located in Hangzhou, the capital city of Zhejiang Province. Hangzhou is a popular tourist destination and is particularly famous for its natural beauty and historical and cultural heritage. The city is also a major transportation hub, with an integrated network of railways and highways as well as an international airport, and is located approximately 180 kilometres away from Shanghai.

Master planning

Below is a plan of the Hangzhou Xihu Tiandi project after completion, which may not necessarily represent the eventual state of the actual property development.

The Hangzhou Xihu Tiandi project will comprise mixed-use, entertainment, retail, and food and beverage properties consisting of approximately 52,000 square metres of GFA. The project is divided into two phases, each of which involves the development, management and operation of retail properties including fine dining restaurants. Hangzhou Xihu Tiandi is another historic restoration project that is intended to offer a blend of traditional and modern architecture, set in a park on the southern edge of Hangzhou's scenic West Lake.

Project overview

The following table shows certain information for the Hangzhou Xihu Tiandi project as at the Valuation Date:

	Completed property developments		Properties under development		Landbank					Property by use		Totals and Miscellaneous				
					Properties under relocation		Properties under planning									
Phases	**Leaseable GFA**	**Saleable GFA**	**Estimated leaseable GFA**	**Estimated saleable GFA**	**Estimated leaseable GFA**	**Estimated saleable GFA**	**Estimated leaseable GFA**	**Estimated saleable GFA**	**Others(1) GFA**	**Retail GFA**	**Clubhouse GFA**	**Total GFA**	**% ownership**	**Sold GFA**	**Tenure/term of land use (years)(2)**	**Construction commencement/ expected construction commencement(3)**
Obtained land use rights																
Phase 1(4)	5,000	—	—	—	—	—	—	—	1,000	5,000	1,000	**6,000**	100.00%	—	N/A	Completed
Entered into land grant contracts but have not yet received land use rights certificates																
Phase 2A(5)	—	—	—	—	42,000	—	—	—	—	42,000	—	**42,000**	100.00%	—	50	Q1 2007
Entered into lease agreement																
Phase 2B(6)	—	—	—	—	4,000	—	—	—	—	4,000	—	**4,000**	100.00%(7)	—	N/A	Q1 2007
Total	**5,000**	**—**	**—**	**—**	**46,000**	**—**	**—**	**—**	**1,000**	**51,000**	**1,000**	**52,000**		**—**		

All GFA figures in the table are in square metres rounded to the nearest thousand.

(1) This relates to clubhouse(s) that are neither leased nor sold.

(2) The tenure/term of land use depends on the use of land within a phase: 40 years for retail, tourism and office, 50 years for mixed use and 70 years for residential, commencing from the date of grant of the relevant land use rights.

(3) For lots where we have not yet obtained land use rights certificates, we expect to obtain those certificates shortly before foundation works are scheduled to commence.

(4) We have the right to use the land for Phase 1 for a term of 20 years pursuant to the joint venture contract for the establishment of Hangzhou Xihu Tiandi Management Co., Ltd.

(5) We have entered into land grant contracts with the Hangzhou Municipal Bureau of Land and Resources for the land for Phase 2A but have not obtained land use rights certificates.

(6) We have entered into a lease agreement with the Hangzhou Municipal Bureau of Land and Resources for a term of five years, which we may renew by applying to the Hangzhou Municipal Bureau of Land and Resources 180 days before the expiration of the lease agreement.

(7) Leaseholder only.

With respect to the land for Phase 2B of Hangzhou Xihu Tiandi, in March 2004 we entered into a lease agreement with the Hangzhou Municipal Bureau of Land and Resources for a term of five years commencing from the date of issuance of the land use certificate (which has not been issued yet). We may renew the lease agreement by applying to the Hangzhou Municipal Bureau of Land and Resources 180 days before the expiration of the lease agreement. The land for Phase 2B is planned for the construction of a road by the Hangzhou District government. The lease agreement may not be renewed if the Hangzhou District government wants to implement the road building plan. Under the lease agreement, the land for Phase 2B can be used for commercial, office and tourism purposes. The land can be sub-leased subject to approval of the Hangzhou Municipal Bureau of Land and Resources. We have the right to use the land for Phase 1 of Hangzhou Xihu Tiandi for a term of 20 years, pursuant to the joint venture contract for the establishment of Hangzhou Xihu Tiandi Management Co., Ltd.

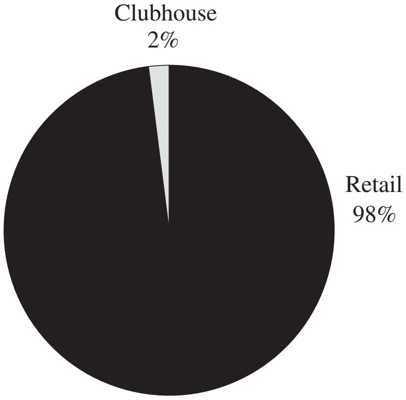
Relocation of original residents

All of the original residents living on the land for Phase 1 have been relocated by the Hangzhou District government, which is responsible for the relocation. Whilst we have experienced some delays in relation to Phase 2, as at the Valuation Date, approximately 73% of the residents living on the land for Phase 2A and Phase 2B had been relocated. We expect relocation of the remaining residents will be completed in the fourth quarter of 2006. As at the Valuation Date, relocation costs incurred were approximately RMB100 million. See the sections entitled "Industry and Regulatory Overview — Regulatory Overview — Relocation of original residents" and "Risk Factors — Risks relating to our Business — For some of our development projects, we are required to relocate existing residents of our property developments and pay relocation costs".

Project details

Hangzhou Xihu Tiandi is a leisure and lifestyle destination project incorporating food and beverage, entertainment and retail facilities designed by Wood and Zapata. The project has drawn design inspiration from Hangzhou's Southern Chinese architectural style and lush, green environment. The project has also been designed to conserve non-renewable energy and preserve the natural environment. Phase 2 of Hangzhou Xihu Tiandi was awarded the *2005 Platinum Precertification Certificate of the Leadership in Energy and Environmental Design Core and Shell (LEED-CS)* from the US Green Building Council. The following shows the mix of retail, commercial and other properties that we expect for the Hangzhou Xihu Tiandi project when completed:

	Square metres
Retail	51,000
Clubhouse	1,000
Total	52,000



When completed, we expect the Hangzhou Xihu Tiandi project to comprise a GFA of approximately 52,000 square metres (excluding carparks).

Phase 1

The Phase 1 site is located at No. 147 Nanshan Road, Shangcheng District, Hangzhou, on the southern edge of Hangzhou's scenic West Lake. Phase 1 has approximately 5,000 square metres of leasable GFA and features restaurants, cafes, retail shops and other entertainment properties. Our tenants include international food and beverage outlets such as Starbucks, Häagen Dazs and Crystal Jade. Phase 1 was completed in April 2003.

Phases 2A and 2B

Phases 2A and 2B are expected to have a total leasable GFA of approximately 46,000 square metres upon completion. Site clearance work commenced in 2003. We expect to commence construction in the first quarter of 2007 following completion of the relocation process, and for construction to be completed in 2008.

OVERVIEW OF OUR PRINCIPAL ACTIVITIES

Our principal business activities are discussed below.

Site Selection and Master Planning

We place a strong emphasis on the site selection process and consider it fundamental to the success of our property development projects. Our site selection process is led by members of our senior management including our Chairman and other executive directors. We conduct an in-depth market analysis in order to understand the relevant trends of a city before we commence or launch a property development. In addition to accepting invitations from PRC Government officials to review development prospects in their respective cities, we continually screen cities and locations in China to identify new property development opportunities. In the screening process, our research and strategic planning department, in conjunction with outside consultants, including economists, strategy advisors and urban planners as necessary, undertakes an in-depth analysis of a target site to evaluate its development potential. This analysis includes:

- An assessment of the economic environment;
- A study of the physical characteristics of the site;

- A positioning analysis; and

- A preliminary planning proposal to match the target development with its location and to determine the appropriate mix of office, residential and commercial building space available on the site.

Out of the cities that we have screened in the PRC, we have provisionally identified eight cities, including Kunming, as preferred locations for future projects. There is currently no definitive plan that has been developed for any of the projects. This process generally involves exploratory discussions with the relevant local governments to develop the plan, which may lead in due course to formal tenders. The timing and priority of the cities where such developments might take place has not yet been determined. Submission of proposals or suggested plans for any potential project does not mean that the Company has formed a definitive or advanced view on whether it will enter into any binding agreement relating to the project in question.

Once a site is selected, we discuss with local governments and provide them with ideas on how the site would be developed in a way that fits into the overall development plan of the city in question. We typically participate with affiliates of local governments in property development through joint ventures and we develop our projects in cooperation with local governments as part of our strategy to be closely involved in urban planning and to provide development and redevelopment solutions that integrate the project with the social and economic framework planned by the local government for the area.

The decision as to whether a phase of a project will be developed for sale or for investment usually depends on whether the phase is retail, residential or office. We typically develop residential properties for sale, and generally develop other properties, such as retail and office, for investment purposes.

In determining whether to enter into a new development, we consider, among others, the following factors and risks of development:

- The type of office, residential or retail community proposed at the development;

- The occupancy rate of and demand for properties of the required type, if any;

- Supply and demand of the relevant property market;

- The degree to which the proposed development fits in with our business and growth strategies, as well as the development plans of the relevant level of the PRC Government;

- Our assessment of the potential returns, including cash flow and capital appreciation, from the development;

- The terms of potential leases, including the potential for rent increases;

- The tax and regulatory environment in the geographic area in which the development is to be located;

- The availability of supporting infrastructure, as well as the availability of qualified construction contractors and construction workers and the quality of construction and other materials required for the project;

- The availability of suitable plots of land for the site, in terms of size and location;

- The presence of historically significant architectural details that can be preserved and incorporated into the project;

- The convenience of the site and any benefits from features or facilities located near the site, such as natural parks, lakes, rivers, greenery, schools, universities and commercial facilities;

- The extent of potential competition, taking into account zoning laws, building permit availability, supply of undeveloped or developable property, local building costs and construction labour costs, among other factors; and

- Existing competition from similar properties and development projects in the area.

Land Acquisition

We actively seek land suitable for our projects. We enter into master agreements or similar arrangements with respect to all of our projects. We seek to acquire land use rights directly by: (i) competitive bidding through public tenders, auctions or listing at a land exchange administered by the local government; and (ii) purchasing land use rights directly from third parties or acquiring companies that hold land use rights. In addition, where we are permitted by PRC law to do so, we acquire land use rights by agreement with local governments for the comprehensive redevelopment of urban areas.

Project Design, Interior Design and Product Positioning

We contract out all detailed project and interior design work for our projects to PRC and international architectural and interior design firms, which plan the architectural, landscape and interior designs of our projects in accordance with our specifications. For projects with historic features, we have appointed architects that share our vision to preserve and integrate the site's historical architecture.

In determining the design of our projects, we consider: (i) the environment and community surrounding the site; (ii) the site area; (iii) advice provided by our professional advisors, including architects, planning experts and sales and marketing personnel; and (iv) the most appropriate type of buildings to be developed.

Our planning and development department is responsible for overseeing the various aspects of design and interior design and for selecting the architects and interior design firms responsible for our projects. We shortlist architect and interior designer firms that are considered most appropriate for the project and issue a "Request for Proposal" and fee proposal to those selected firms. In making our decision, we consider the adequacy of their proposed scope of services required for the project, level of proposed professional fees, the strength and relevant experience of their proposed project team, including those of their engineering sub-consultants, as well as where they will carry out the design and how they would deliver the project. The project team continually monitors the progress and quality of the appointed design firms to ensure that they are meeting our specifications. Upon completion of our projects that are built for rental purposes, we also render design support to facilitate the fitting-out work for our tenants.

A steering committee is established for each new project to oversee and monitor its planning and development process and is typically chaired by our Chairman and generally consists of the Managing Director for Projects, the relevant project director/general manager, representatives from the planning and other departments as required.

Procurement and Construction Work

We engage independent contractors to provide construction, piling and foundation, building and property fitting-out work, interior decoration and installation of elevators. We also engage to a limited extent related parties in the Shui On Group and SOCAM to carry out the construction of development projects or supply materials to our development projects. Any transactions with these related parties are carried out on an arm's-length basis on normal commercial terms. See "Our Business — Connected Transactions". Our quantity surveying/procurement department is responsible for inviting pre-qualified contractors, material suppliers and consultants to submit competitive bids for the construction work. Competitive bids are sought for each construction contract (beyond a certain value), and the decision to award is vested with the procurement committee for the relevant project and is made on the basis of capability to satisfy contract requirements, reputation for quality and price. We conduct monthly reviews with the relevant project general manager in an effort to ensure that cost budgets are met. Our project teams work closely with the contractors in the execution of the development plans and supervising the construction phase of each project. The following are our top five contractors based on construction costs incurred under our construction contracts for the period 1 January 2006 to 31 March 2006:

- 上海第一建築服務有限公司 (Shanghai No. 1 Construction Services Co Ltd)
- 上海市電力公司 (Shanghai Municipal Electric Power Company)
- Shanghai Construction Group Ltd (上海建工(集團)總公司)
- Chongqing City Yuzhong District Construction Committee (重慶市渝中區建設委員會)
- Shanghai Construction Company Limited (上海建工股份有限公司)

During the construction phase, a project team, headed by a project general manager, is typically appointed for each development. These project teams, under the direction of our project management division, manage the project development process, ensure the quality and timely completion of each project and control the costs according to the approved budget. In managing the project development process, they are supported by external supervisory consultants required by the PRC Government to monitor the quality of our projects as well as internal quantity surveyors, site engineers, and procurement and design staff. The quality assurance department implements its procedures in compliance with ISO 9001:2000 requirements and also assists the project teams in ensuring the quality of each development. The project teams are further supported by sales and marketing, corporate finance and development, finance and accounting, research and strategic planning, legal, public relations and branding and communications personnel. A procurement committee has been established to oversee procurement and construction, and is typically chaired by our Managing Director of Project Management, Mr. Louis H.W. Wong.

Our contracts with our construction companies typically contain warranties for quality and requirements for timely completion of the construction process. In the event of delay or poor quality of work, the relevant contractor or supplier may be required to pay a penalty. In the past, we have not had any material disputes with any of our contractors or suppliers.

Fitting-out is generally performed by independent contractors in accordance with pre-approved interior design plans. Fitting-out contractors are also selected by a tender process similar to the one described above.

For the years ended 31 December 2003, 2004 and 2005, and the three months ended 31 March 2006, payments to our single largest construction contractor accounted for approximately 25.1%, 21.0%, 28.9% and 13.6%, respectively, of our total payments under our construction contracts. For the same periods, payments to our five largest construction contractors accounted for approximately 57.3%, 58.0%, 76.2% and 37.0%, respectively, of our total payments under our construction contracts. Except for Mr. Vincent H.S. Lo, who is deemed to be interested in approximately 66.5% of the ordinary shares of SOCAM, whose subsidiary, Shanghai Shui On Construction Co Ltd, was one of our five largest construction contractors in 2004, none of our directors, their associates or any shareholders holding more than 5% of the share capital of our Company has any interest in our five largest construction contractors.

Pre-Sales, Sales and Marketing

Upon satisfaction of certain requirements set out in the relevant laws and regulations, we typically conduct pre-sales of our property units prior to the completion of a project or a project phase. All of the proceeds from the pre-sales of our properties are required to be deposited into special accounts. Before the completion of the pre-sold properties, the proceeds deposited in the special accounts may be used for the restricted purposes of purchasing construction materials, equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities. See “The land system of the PRC — Pre-sales” in Appendix VII to this prospectus for details of regulations with which we must comply relating to pre-sales (including further details of pre-sales regulations which must be complied with in each of Chongqing, Wuhan and Hangzhou).

We have a team of sales and marketing personnel located in Shanghai, Chongqing, Wuhan and Hangzhou who are responsible for the branding, positioning and sales and marketing of our property developments. Our sales and marketing functions are delegated in part or in whole to our subsidiaries which specialise in marketing and sales agency. We have also established a sales management department to supervise, manage and coordinate such subsidiaries. Our sales and marketing team comprises 80 employees in total, all of whom receive training. The sales and marketing staff cooperate and co-ordinate closely in order to determine and execute appropriate advertising and sales plans for a particular property development.

Our target rental customer group is corporate and retail tenants looking to rent premises in the price range appropriate to a particular location and standard of leasing space, which in relation to our projects are:

- Shanghai Xintiandi: High end retailers, food and beverage operators and entertainment establishments;
- Lot 110 (Corporate Avenue): Multinational and domestic corporations, major professional firms, financial institutions, consulates and selective high-end retailers;
- Shanghai Rui Hong Xin Cheng: Sundry retailers, service providers, food and beverage operators and fashion retailers catering to the upper middle class; and
- The Hub Areas of the Shanghai Knowledge and Innovation Community: Multinational corporations, academic and technology research institutions.

We target sales of our residential properties at potential purchasers in the appropriate price range for a particular residential development:

- Shanghai Taipingqiao: High end clientele;
- Shanghai Rui Hong Xin Cheng and Shanghai Knowledge and Innovation Community: Middle to high end clientele;
- Chongqing Tiandi: Middle to high end clientele; and
- Wuhan Hankou Tiandi: Middle to high end clientele.

By their nature, property sales generally involve sales to a diverse group of purchasers. Due to the high capital outlay involved in property purchases, we expect that sales to purchasers may not be recurrent within a single year such that any one purchaser could be meaningfully considered as a "major customer". Accordingly, we have not named the major customers with regards to residential properties as we believe such information is not meaningful to investors. In each of the years ended 31 December 2003, 2004, 2005 and the three months ended 31 March 2006 (i) the largest purchase (in terms of value) of our property by a single entity or person did not, and (ii) the top five purchasers in terms of value in aggregate did not, amount to more than 30% of our consolidated turnover for the respective period.

An important part of our sales and marketing process is the branding and positioning of our property developments before and after their completion. During the planning and design phase, our sales and marketing personnel work closely with our planning and business development staff to develop the branding and positioning of each property development. This process includes a determination of the target customers of each project, as well as strategies to maximise usage of and turnover from the property. In our city-core property developments, such as our Shanghai Taipingqiao and Shanghai Knowledge and Innovation Community projects, the branding and positioning process is designed to build a particular type of community and lifestyle. After completion of a project, our sales and marketing staff also develop advertising and sales and rental plans for the office, retail, cultural and entertainment properties held rental, and for the residential properties sold.

We use various advertising media to market our property developments, including newspapers, magazines, television, radio, direct mail, e-marketing and outdoor billboards. We also participate in real estate exhibitions to enhance our brand name and promote our property developments.

We also set up on-site reception centres to display information relating to the relevant property development and off-site promotional centres in areas frequented by targeted customers in circumstances where on-site reception centres may not be suitable.

Property Management and After Sales Services

We emphasise customer service and efficient and effective maintenance services for our completed projects. Our property management staff also assist the project teams in handover inspections and the follow-up work required on our completed projects.

In accordance with local regulations, we manage properties developed by us on behalf of our customers for an initial period of up to 18 months, until the owners' committee of the relevant property is established and a new property manager is appointed. With respect to our completed residential property developments, the owners of units in these developments are free to choose their own property management company upon establishment of a homeowners' organisation but, to date, all of our completed residential properties are managed by Synergis Shui On Property Management (Shanghai) Limited, a wholly foreign-owned enterprise in the PRC in which we own a 50% equity interest and Synergis Property and Facility Management (China) Ltd. owns a 50% equity interest. We are committed to enhancing the value of our projects on a continuing basis through comprehensive management of our properties.

Shanghai Rui Hong Xin Cheng and Shanghai Taipingqiao

The services we provide in relation to the Shanghai Rui Hong Xin Cheng and Shanghai Taipingqiao projects include property management, residents' clubhouses, cleaning, security, building maintenance and related services.

Hangzhou Xihu Tiandi

Hangzhou Xihu Tiandi Management Co., Ltd. will be responsible for the operation of clubhouses and all aspects of Hangzhou Xihu Tiandi, once it is fully developed. Hangzhou Xihu Tiandi Management Co., Ltd. is a wholly foreign-owned enterprise in the PRC ultimately 100% owned by us.

The services we provide, or will provide once Hangzhou Xihu Tiandi is fully developed, include property management, cleaning, security, building maintenance and related services.

Shanghai Knowledge and Innovation Community

The services we intend to provide in relation to the Shanghai Knowledge and Innovation Community project include assisting residents in applying for applicable tax refunds for developing technology enterprises and obtaining their required business registrations.

We assist our customers in arranging for and providing information relating to financing, including information on potential mortgagee banks and the mortgage terms they offer. We also assist our customers in various title registration procedures relating to the property.

TENANTS AND LEASES

We usually retain ownership of our office, retail, cultural and entertainment buildings, renting these out to tenants. We seek to maintain long-term relationships with our tenants and to maintain a good balance in their composition.

Our office, retail, cultural and entertainment leases are generally for terms of 24 to 36 months (up to 72 months for anchor tenants, with rental escalation and/or review provisions) and typically require security deposits of three months' rent. The lease payments we receive under certain of our leases with restaurant and entertainment properties are based on a participation in the turnover of the properties.

Rents are typically set based upon prevailing market rates, and the rents payable by our retail tenants often include a turnover component. Our tenants are generally charged a monthly management fee, which covers building maintenance expenses and air-conditioning services. Tenants are also required to pay their own utility charges.

We regularly monitor the performance of the tenants of our retail properties. We may elect not to renew the leases of retail tenants whose performance is lagging in order to improve our rental income.

The following table sets out the top 10 tenants of our office properties in terms of space occupied as at 31 March 2006:

Tenant	Industry	Square metres	Percentage of completed office properties
PricewaterhouseCoopers Accounting Firm Limited	Financial services	7,544	9.1%
Sony (China) Co., Ltd., Shanghai Branch	Electronics	7,240	8.7%
PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd.	Consulting	3,814	4.6%
Kuehne&Nagel (China) Shipping Agent Co., Ltd.	Logistics	3,164	3.8%
Dow Chemical (China) Investment Co., Ltd.	Chemical	3,080	3.7%
Amway (China) Daily Necessities Co., Ltd.	Consumer products	2,737	3.3%
Analog Devices, Inc.	Information technology	2,712	3.3%
Beijing Oracle Software System Co., Ltd.	Information technology	2,585	3.1%
Walt Disney (Shanghai) Co., Ltd	Entertainment	2,087	2.5%
Regus Business Service (Shanghai) Co., Ltd.	Consulting	2,006	2.4%

The following table sets out the top 10 tenants of our retail and entertainment properties in terms of space occupied as at 31 March 2006:

Tenant	Industry	Square metres	Percentage of completed retail properties
Shanghai E-mart Supermarket Co. Ltd	Supermarket	13,208	15.4%
Shanghai Alexander Sports and Entertainment Co. Ltd	Spa and fitness	7,925	9.2%
Shanghai UME International Cineplex Co., Ltd	Cinema	3,324	3.9%
Kenchart Apparels (Shanghai) Co., Limited	Retail	2,758	3.2%
Crystal Jade Garden Restaurant	Food and beverage	2,713	3.2%
Shanghai Star East Restaurant and Entertainment Co., Ltd	Food and beverage	1,843	2.1%
Magic Sport Limited	Food and beverage	1,700	2.0%
Shanghai Va Bene Restaurant Management Co., Ltd	Food and beverage	1,365	1.6%
Shanghai Paulaner Food and Beverage Co., Ltd	Food and beverage	1,097	1.3%
Shanghai Simply Life Life Style Shop	Retail	929	1.1%

These top 10 office tenants and top 10 retail and entertainment tenants accounted for 36.2% of the total rental income received from our investment properties in 2005 and for 42.8% in the three months ended 31 March 2006.

Lease expirations

The following table sets out certain information relating to our leased properties as at 31 July 2006:

	GFA under expiring leases	Current annualised contractual rent under expiring leases[1]	Current annualised contractual rent under expiring leases per sq.m.	Percentage of total square metres expiring
	(sq.m.)	(in RMB million)	(in RMB/sq.m./day)	
Within 1 year	29,883	82	7.55	20%
In the 2nd to 5th years inclusive	90,582	279	8.43	61%
Over 5 years	27,292	28	2.80	19%
	147,757	389		

(1) Represents the monthly contractual rent under existing leases multiplied by twelve. The amount reflects total rent before any rent abatements and includes expense reimbursements, which may be estimates as at such date.

The percentages of turnover attributable to our five largest tenants combined for the years ended 31 December 2003, 2004 and 2005 were 2.3%, 3.6% and 7.5%, respectively and for the three months ended 31 March 2006 was 13.5%. None of our directors, their associates or any shareholders holding more than 5% of the share capital of our Company has any interest in our five largest tenants by attributable turnover.

FINANCING

We have three main sources of funding for our property development: internal resources, offerings of equity or debt securities and secured loans. Our financing methods vary from development to development. These project construction loans are generally secured by mortgages over the land use rights of the project companies, our equity interests in the project companies, insurance over their assets and properties, the proceeds of the rental and sale of our completed properties and bank accounts. We also generally guarantee the borrowings of our project companies.

Our memorandum and articles of association do not limit the amount or percentage of indebtedness that we may incur. However, certain of the agreements relating to our borrowings contain customary restrictions, requirements and other limitations on our ability to incur indebtedness.

PAYMENT AND END-USER FINANCING

Generally, all payments for the sale of our residential units are made in full by the purchasers no later than one month after the time of delivery of the property. We generally facilitate bank financing with various banks for the purchasers of units in our residential properties. In accordance with market practice, prior to the transfer of the property to a purchaser, we are required by domestic banks to provide guarantees to them to secure the obligations of the purchasers to repay the mortgages on the properties. Our obligation to provide such guarantees ceases when the property title is transferred to the purchasers.

In our experience, the guarantee periods may last for up to 18 months. If a purchaser defaults under the loan, and we repay all debt owed by the purchaser to the mortgagee bank under the loan, the mortgagee bank will assign its rights under the loan and the mortgage to us and, after the mortgage registration, we will have full recourse to the property. We do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As at the Latest Practicable Date, the directors are not aware of any default on mortgage loans guaranteed by us since the commencement of business. As at 31 December 2005 and 31 March 2006, we had provided guarantees over the mortgage loans of our customers for principal amounts of RMB16.4 million and RMB4.3 million, respectively.

We make arrangements with various banks to provide mortgage facilities to purchasers of the properties.

See the section entitled "Risk Factors — Risks relating to our Business — We provide short term performance guarantees for the purchasers of units in our residential properties and we may incur substantial costs if they are called."

QUALITY CONTROL

We place a strong emphasis on quality control to ensure that the quality of our projects complies with relevant regulations and meets market standards. Records that are necessary to provide evidence of conformity and the performance of quality control activities are kept in related functional departments in each project and by the construction supervisory consultant. We believe quality control is crucial to the successful development of our office, retail, entertainment, cultural and residential projects and to meet the requirements of our target customers. We implement our quality management system according to ISO 9001:2000 requirements for all aspects of our project management activities.

We establish and maintain approved registers of design consultants, other consultants, contractors and material suppliers to ensure that only those that are competent are permitted to participate in the tender process. The quality control of each of our projects is headed by the respective project management team and performed in accordance with approved ISO procedures and systems as well as the specifications of our projects. We construct and approve specific mock-ups of our projects to establish the quality standard required for each project. We regularly monitor and assess the performance of the design consultants, other consultants, contractors and material suppliers to ensure that they meet the specified requirements and appropriate follow-up action is taken against, and penalties imposed on, those that do not meet the required standards.

Our quality assurance department performs regular quality audits of each project site and reports irregularities or poor workmanship to the managing director of our project management division and to the project managers responsible for the projects. The responsible project teams are required to rectify the problem immediately. The managing director and the project general managers also inspect the projects regularly to ensure their compliance with the required quality standards. Each of the projects is also subject to periodic monitoring by a supervisory consultant, as required by PRC Government regulations.

As discussed above, we have received numerous awards in recognition of the high quality of our property developments.

ENVIRONMENTAL AND SAFETY MATTERS

As an operator and developer of property in the PRC, we are subject to various environmental laws and regulations set by the PRC national, provincial and local governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. We believe we are in compliance in all material respects with applicable national, provincial and municipal environmental laws and regulations, and have never received any penalties associated with the breach of any of them. Compliance with existing environmental laws and regulations has not had a material adverse effect on our financial condition and results of operations, and we do not believe it will have such an impact in the future. However, we cannot predict the impact of unforeseeable environmental contingencies or new or changed laws or regulations on our existing projects or properties that may be built or developed in the future.

REGULATORY COMPLIANCE

We are in compliance in all material respects with relevant laws and regulations directly relevant to the PRC property sector. Our directors are of the view that our Group has obtained all approvals and permits that are material for our Group's operations in the PRC.

COMPETITION

We believe that the real estate market in the PRC is highly fragmented. While there are a number of competitors who may target different segments and regions of the PRC real estate market from us, we currently are not aware of other property developers with the same record of property development coupled with master planning expertise relating to large-scale integrated property projects in the PRC.

On a city and district level, however, we face varying levels of competition for our products, depending on the location and positioning of our projects. Our existing and potential competitors in each city and district include major domestic state-owned and private developers in the PRC, as well as developers from Hong Kong and elsewhere in Asia and other parts of the world. For more information, please see the sections entitled "Industry and Regulatory Overview" and "Risk Factors — Risks relating to our Industry — The property market in the PRC is highly competitive."

LEGAL PROCEEDINGS

We are subject to various legal proceedings and claims that arise in the ordinary course of business such as disputes with tenants of our office and commercial properties and disputes with the owners of units in our residential properties. However, we are not presently subject to any material litigation nor, to our knowledge, is any material litigation threatened against us.

INTELLECTUAL PROPERTY RIGHTS

We rely on a combination of trademarks, service marks, domain name registrations, copyright protection and contractual restrictions to establish and protect our brand name and logos, marketing designs and Internet domain names.

We have registered trademarks relating to, among others, , and , in relation to our business in the PRC. Some of these marks and will also be registered, or are in the process of being registered, in Hong Kong where we believe it is important to establish our right to use these marks. We have also registered the Internet domain name “shuion.com.cn” and other related domain names.

Our trademark adviser, Shanghai Changan Trademark Service Company Limited, has advised us that we could not apply for registration of in the PRC in our name because the trademark is too similar to the seagull logo used by the Shui On Group, which is already registered in the name of Shui On Holdings Limited, a member of the Shui On Group, in the PRC, and that both logos must be registered in the name of one entity pursuant to PRC law. Shui On Holdings Limited is therefore registering in the PRC in its name.

We have entered into a licensing arrangement with Shui On Holdings Limited with regard to our exclusive right to use in the PRC of the trademarks and . The license is royalty-free for a term of 10 years from 30 May 2006 and can be renewed by notice from either party.

The Shui On Group has transferred certain trademarks and domain names to us. See the section entitled “Further Information About Our Business — A. Summary of material contracts” in Appendix IX for details of the transfer agreements. The Shui On Group is not entitled to use the same trademarks and domain names as used by the Group.

INSURANCE

We maintain insurance policies with insurance companies in the PRC which cover property damage due to natural hazards, including lightning, typhoons, tornadoes, floods, landslides and other natural phenomena, and accidents, including fire and explosion, and general liability under property all risk insurance, business interruption insurance, public liability insurance and money insurance. As at the Latest Practicable Date we have not experienced any significant loss or damage to our properties.

We maintain all risk and third party liabilities insurance coverage for our properties under construction, including those that have been completed and are pending delivery. There are no mandatory requirements to maintain insurance coverage in the PRC in respect of our property development operations. Since 1 January 2002, we have not suffered any losses or damages or incurred any liabilities relating to our properties that had a material adverse effect on our business.

Our property management subsidiaries maintain management liability insurance coverage in connection with their business operations. We maintain insurance coverage for certain clubhouses. In addition, we also purchase employee-related insurances, such as pension insurance, for our employees.

PROPERTIES OCCUPIED BY US

Our principal office and corporate headquarters are located at Shui On Plaza, 26th Floor, 333 Huai Hai Zhong Road, Shanghai, PRC. Our headquarters, which comprise approximately 4,847 square metres, are staffed by our management and office personnel. We lease our headquarters from the Shui On Group at market rates. Our lease with the Shui On Group is for a term which commenced on 29 April 2004 and expires on 31 December 2008. We do not anticipate any difficulty in renewing this lease or finding replacement facilities. We also maintain offices located at or close to each of our project sites, which are used by our project teams, as well as sales and rental offices. Of these offices, the Rui Hong Xin Cheng office is located on properties owned by the Shui On Group, and the Hangzhou, Wuhan and Chongqing offices are located in leased premises not owned by us.

CONNECTED TRANSACTIONS

Overview

Following the completion of the Global Offering, our Group will continue certain transactions, which constitute connected transactions within the meaning of the Listing Rules. Set out below is a summary of these transactions as well as the waivers from strict compliance with the relevant requirements of the Listing Rules that we have sought from the Stock Exchange and for which the Stock Exchange has indicated that it will grant such waivers.

Category	Nature of Transaction	Applicable Listing Rule	Waiver Sought
	Existing joint venture		
1.	Joint venture agreement between Shui On Construction Company Limited and us	—	None
	Sale of indirect interest in Chongqing Tiandi project company		
2.	Sale and purchase agreements between us and (i) Winnington Capital Limited, and (ii) Ocean Equity Holdings Limited respectively for the sale of an aggregate of 19.8% of our interest in Score High Limited	—	None
	De minimis connected transactions		
3.	Non-competition agreement between us, Shui On Company Limited and Mr. Vincent H.S. Lo	Rule 14A.31(2)	None

Category	Nature of Transaction	Applicable Listing Rule	Waiver Sought
4.	Deeds of undertakings in respect of the master agreements for the Shanghai Taipingqiao project and the Shanghai Knowledge and Innovation Community project	Rule 14A.31(2)	None
	De minimis continuing connected transactions		
5.	Trademark licence agreement between us and Shui On Holdings Limited	Rule 14A.33(3)	None
6.	Provision of management services by us to Shanghai Shui On Property Development Management Co. Ltd.	Rule 14A.33(3)	None
	De minimis exempt financial assistance		
7.	Provision of shareholder loans by Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. to us	Rule 14A.65(4)	None
8.	Guarantees provided by Edward Wong Development Company Limited and Shun Hing Holdings Company Limited for loan facility granted to us	Rule 14A.65(4)	None
9.	Provision of shareholder loans by Equity Millennium Limited and Shun Hing China Investment Limited to us	Rule 14A.65(4)	None
	Discloseable continuing connected transactions		
10.	Provision of project management services by Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. to us	Rule 14A.34	Waiver from announcement requirements
	Non-exempt continuing connected transactions and financial assistance		
11.	Leases of property by us from the Shui On Group	Rule 14A.35	Waiver from announcement and independent shareholders' approval requirements
12.	Provision of construction services by SOCAM to us	Rule 14A.35	Waiver from announcement and independent shareholders' approval requirements
13.	Guarantee provided by us for loan facility granted to Shanghai Jing Fu Property Co., Ltd.	Rule 14A.63	Waiver from announcement and independent shareholders' approval requirements
14.	Shareholder loans provided by us to Profitstock Holdings Limited and Globe State Properties Limited	Rule 14A.63	Waiver from announcement and independent shareholders' approval requirements
15.	Provision of shareholder loans by us to Shanghai Yangpu Centre Development Co. Ltd.	Rule 14A.63	Waiver from announcement and independent shareholders' approval requirements

Details of the connected parties and transactions referred to in the table above are set out below.

Connected persons as defined under the Listing Rules

Shui On Company Limited

Following the Global Offering and based on the Share Capital Assumptions, Shui On Investment Company Limited and Shui On Properties Limited will hold approximately 13.7% and 22.8% respectively (based on an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus) or approximately 13.9% and 23.1% respectively (based on the Maximum Offer Price) of our issued share capital (in both cases, before taking into account any exercise of the Over-allotment Option). Shui On Investment Company Limited and Shui On Properties Limited are both subsidiaries of Shui On Company Limited. As our controlling shareholder, Shui On Company Limited and its associates are our connected persons under the Listing Rules. The associates of Shui On Company Limited include:

- Shui On Investment Company Limited
- Shanghai Jiu Hai Rimmer Properties Co. Ltd.
- Shanghai Ruichen Property Co. Ltd.
- Shanghai Shui On Property Development Management Co., Limited
- Shui On Centre Co. Ltd.
- Shui On Holdings Limited
- Shui On Properties Limited

All the companies listed above are wholly owned subsidiaries of Shui On Company Limited except for Shanghai Jiu Hai Rimmer Properties Co. Ltd., in which Shui On Company Limited has an 80% interest.

SOCAM

Following the Global Offering and based on the Share Capital Assumptions, NRI Limited will hold approximately 18.1% (based on an Offer Price of HK$4.80 per Share, being the bottom end of the Offer Price range in this prospectus) or 18.3% (based on the Maximum Offer Price) of our issued share capital. NRI Limited is a subsidiary of SOCAM. As SOCAM is our substantial shareholder, SOCAM and its associates, including Shanghai Shui On Construction Co. Ltd. and Pat Davie (China) Limited, are our connected persons under the Listing Rules.

Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd.

Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. owns 30% of Shanghai Yangpu Centre Development Co. Ltd., our 70% owned subsidiary. As Shanghai Yangpu

Knowledge Innovation Zone Investment and Development Co., Ltd. is a substantial shareholder of our subsidiary, Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. and its associates are our connected persons under the Listing Rules. Shanghai Yangpu Centre Development Co., Ltd. itself is also our connected person as it is an associate of Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd.

Edward Wong Development Company Limited

Edward Wong Development Company Limited is an associate of Stephen Wong, who was a director of our Company within the 12 months preceding the Listing. In addition, an associate of Edward Wong Development Company Limited, Equity Millennium Limited, owns 20% of the shares in each of Profitstock Holdings Limited and Globe State Properties Limited, both of which are our 70% owned subsidiaries. Accordingly, Edward Wong Development Company Limited and its associates are our connected persons under the Listing Rules. In addition, since a connected person (other than at the level of our subsidiary) beneficially owns more than 10% of the shares in each of Profitstock Holdings Limited, Globe State Properties Limited and Shanghai Jing Fu Property Co., Ltd., each of Profitstock Holdings Limited, Globe State Properties Limited and Shanghai Jing Fu Property Co., Ltd. are also our connected persons under the Listing Rules.

Shun Hing Holdings Company Limited

Shun Hing Holdings Company Limited, through its associate, Shun Hing China Investment Limited, owns 10% of the shares in each of Profitstock Holdings Limited and Globe State Properties Limited, both of which are our 70% owned subsidiaries. Accordingly, Shun Hing Holdings Company Limited and its associates, including Shun Hing China Investment Limited, are our connected persons under the Listing Rules.

Existing joint venture

Joint venture between Shui On Construction Company Limited and us (Category 1)

We have entered into a joint venture agreement dated 13 September 2004 with Shui On Construction Company Limited, a wholly owned subsidiary of SOCAM for the formation of an unincorporated joint venture to engage in the design and construction of the Independent Commission Against Corruption Headquarters at North Point, Hong Kong, pursuant to a construction contract entered into with the Government of Hong Kong on 15 September 2004. Under the joint venture agreement, the maximum aggregate loan amount to be funded by the parties for the construction project is HK$30,000,000, which is apportioned between us and Shui On Construction Company Limited in the ratio of 1% and 99%, respectively. Profits and losses for the joint venture are also apportioned between us and Shui On Construction Company Limited in the same ratio. The joint venture is led by Shui On Construction Company Limited. As we are jointly and severally liable with Shui On Construction Company Limited for liabilities to the Government of Hong Kong under the construction contract including in respect of a performance bond in the amount of HK$6,730,000 in favour of the Government of Hong Kong, Shui On Construction Company Limited has undertaken to indemnify us for any loss in connection with the construction contract such that our portion of such loss will not exceed 1%.

This joint venture arrangement was entered into before the Listing and we were not subject to any connected transaction requirements under Chapter 14 of the Listing Rules at the time the transaction was entered into.

Sale of indirect interest in Chongqing Tiandi project company (Category 2)

In September 2006, we entered into legally binding agreements with Winnington Capital Limited and Ocean Equity Holdings Limited respectively for the sale of 19.8% in total (9.9% to each of Winnington Capital Limited and Ocean Equity Holdings Limited) of our 99% indirect interest in the Chongqing Tiandi project. For further details, see the sections entitled "Our Business — Our Property Projects — Our Projects Outside of Shanghai — Chongqing Tiandi".

Winnington Capital Limited is an independent third party investor. Ocean Equity Holdings Limited is an associate of Mr. Stephen Wong, who was a director of our Company within the 12 months preceding the Listing, and is also a holder of Preference Shares (which will be converted into Shares upon Listing). Equity Millennium Limited, an associate of both Mr. Stephen Wong and Ocean Equity Holdings Limited, holds a 20% interest in two of our subsidiaries engaged in the Shanghai Taipingqiao project, Globe State Properties Limited and Profitstock Holdings Limited. In addition, Ocean Equity Holdings Limited is an associate of Shun Hing China Investment Limited, which owns 10% of the shares in each of Profitstock Holdings Limited and Global State Properties Limited, both of which are our 70% owned subsidiaries. Save for these investments and associations, Ocean Equity Holdings Limited is otherwise unconnected with and independent of our Company and its controlling shareholder. Ocean Equity Holdings Limited is treated as a connected person for the purposes of the Listing Rules because it is an associate of Mr. Stephen Wong and by reason of the 20% and 10% interests in Globe State Properties Limited and Profitstock Holdings Limited held by Equity Millennium Limited and Shun Hing China Investment Limited.

Winnington Capital Limited and Ocean Equity Holdings Limited have each been granted put options which can be exercised no earlier than 7 years but no later than 7½ years after the signing of the sale and purchase agreements to require Shui On Investment Company Limited to purchase their interests in Score High Limited at the prevailing market price based on the net asset value of the Chongqing Shui On Tiandi Project Development Co., Ltd. on an appraisal basis as determined by independent third parties. Shui On Investment Company Limited in turn, has granted our Company a call option to purchase its interest in Score High Limited on the same terms as the terms of the put options exercised by Winnington Capital Limited and Ocean Equity Holdings Limited. The decision whether to exercise this call option will be taken by the independent non-executive directors of our Company. Exercise or non-exercise of either call option will be a connected transaction and will also be subject to the Listing Rules, including independent shareholders' approval if applicable.

In connection with the sale of these interests to Winnington Capital Limited and Ocean Equity Holdings Limited, a shareholders' agreement has been entered into between Shui On Development (Holding) Limited, Winnington Capital Limited and Ocean Equity Holdings Limited in relation to their investments in Score High Limited. For further details and a summary of the principal terms, see the sections entitled "Our Business — Our Property Projects — Our Projects Outside of Shanghai — Chongqing Tiandi".

De minimis connected transactions

Non-competition agreement between us, Shui On Company Limited and Mr. Vincent H.S. Lo (Category 3)

We have entered into a non-competition agreement with Shui On Company Limited and Mr. Vincent H.S. Lo pursuant to which Shui On Company Limited and Mr. Vincent H.S. Lo have severally undertaken not to compete with the business of our Company. See the section entitled "Relationship with the Shui On Group — Non-competition agreement" for details.

No consideration is payable in respect of the non-competition agreement and it will remain in effect with respect to Shui On Company Limited and Mr. Vincent H.S. Lo until they respectively cease to be our controlling shareholders as defined under the Listing Rules.

Deeds of Undertakings in respect of the Shanghai Taipingqiao project and Shanghai Knowledge and Innovation Community project (Category 4)

Shanghai Taipingqiao. In connection with the sale and purchase agreement dated 18 February 2004 for the Shanghai Taipingqiao project (see the section entitled "Corporate Structure — History and Corporate Reorganisation"), Shui On Properties Limited and Shui On Company Limited entered into a deed of undertakings on 29 April 2004 with us pursuant to which Shui On Properties Limited has irrevocably undertaken, among other things, to exercise all of its remaining rights under the master agreement for the Shanghai Taipingqiao project for our benefit and at our direction. The deed of undertakings forms part and parcel of the sale and purchase agreement and no separate consideration was or will be payable in respect of the deed of undertakings itself. Further information on the master agreement for the Shanghai Taipingqiao project is set out in the sections entitled "Our Business — Our Property Projects — Shanghai Taipingqiao Project" and "Further Information About Our Business — B. Agreements for our Development Projects" in Appendix IX. Shui On Company Limited has agreed to guarantee the performance of the obligations of Shui On Properties Limited under the deed of undertakings.

Pursuant to the deed of undertakings for the Shanghai Taipingqiao project, Shui On Properties Limited has irrevocably undertaken to:

- Take all reasonable steps necessary to procure that the land-use rights in respect of Lot 124 be granted to one of our subsidiaries within nine months from the date of completion of the acquisition of the Shanghai Taipingqiao project;

- Exercise all of its rights under the master agreement, as supplemented, and use all reasonable commercial efforts to procure that the land-use rights in relation to the future development projects are granted to us;

- Negotiate with the Luwan District government and the joint venture partners in respect of the future development projects on our behalf and at our direction;

- Nominate one of our subsidiaries as the joint venture party for purposes of entering into contractual arrangements and obtaining land-use rights for future development projects; and

- Take such other actions or to refrain from taking such actions as we may reasonably direct so as to put us, to the extent commercially practicable, in the same position as if we were the contracting party to the master agreement, as supplemented, for purposes of undertaking future development projects.

We have undertaken to Shui On Properties Limited that:

- We shall exercise reasonable commercial efforts to procure that the subsidiary nominated to enter into contractual arrangements for future development projects shall, to the extent commercially practicable, perform its contractual obligations; and

- We shall use reasonable commercial efforts to perform our obligations in accordance with the spirit and intent of the master agreement, as supplemented.

Shanghai Knowledge and Innovation Community. In connection with the sale and purchase agreement dated 31 December 2004 for the Shanghai Knowledge and Innovation Community project (see the section entitled "Corporate Structure — History and Corporate Reorganisation"), Shui On Holdings Limited and Shui On Company Limited entered into a deed of undertakings on 31 December 2004 with us pursuant to which Shui On Holdings Limited has irrevocably undertaken to, among other things, exercise all of its remaining rights under the master agreement for the Shanghai Knowledge and Innovation Community project for our benefit and at our direction. The deed of undertakings forms part and parcel of the sale and purchase agreement and no separate consideration was or will be payable in respect of the deed of undertakings itself. Further information on the master agreement for the Shanghai Knowledge and Innovation Community project is set out in the sections entitled "Our Business — Our Property Projects — Shanghai Knowledge and Innovation Community" and "Further Information About Our Business — B. Agreements for our development projects" in Appendix IX. Shui On Company Limited has agreed to guarantee the performance of the obligations of Shui On Holdings Limited under the deed of undertakings.

Pursuant to the deed of undertakings for the Shanghai Knowledge and Innovation Community project, Shui On Holdings Limited has irrevocably undertaken to:

- Exercise all of its rights under the master agreement and use all reasonable commercial efforts to procure that the land-use rights in relation to the Shanghai Knowledge and Innovation Community plot, except for the two plots of land of 33,476 square metres and 42,708 square metres, respectively, as granted pursuant to two land grant contracts dated 29 March 2004, are granted in favour of Shanghai Yangpu Centre Development Co., Ltd., one of our equity joint ventures, at our direction;

- Negotiate with the Yangpu District government in respect of the development of the Shanghai Knowledge and Innovation Community (except for the two plots of land referred to above) pursuant to the master agreement on our behalf and at our direction;

- Negotiate and agree with the Yangpu District government in respect of the land grant fees payable for the development of the public transport centre and the high-tech science park zone within the project on our behalf and at our direction within a reasonable time after our acquisition of the project; and

- Take such other actions and refrain from such actions as we may reasonably direct so as to put us, to the extent commercially practicable, in the same position as if we were the contracting party to the master agreement.

We have undertaken to Shui On Holdings Limited that:

- We shall exercise reasonable commercial efforts to procure that Shanghai Yangpu Centre Development Co., Ltd., the equity joint venture nominated to enter into contractual arrangements for future development projects shall, to the extent commercially practicable, perform its contractual obligations, including the entry into land grant contracts for the two plots referred to above;

- We shall use reasonable commercial efforts to perform our obligations in accordance with the spirit and intent of the master agreement; and

- We shall use reasonable commercial efforts to undertake the overall planning and design of the land parcel to the east of the stadium in Jiangwan in accordance with the spirit and intent of the master agreement, and to assist the District Sports Bureau in appointing appropriate enterprises to repair, renovate and maintain such land parcel and the stadium in Jiangwan.

De minimis continuing connected transactions

Trademark licence agreement between us and Shui On Holdings Limited (Category 5)

We entered into a trademark licence agreement on 30 May 2006 with Shui On Holdings Limited, pursuant to which Shui On Holdings Limited agreed to license the trademarks and for our use in connection with our business for a term of ten years on an exclusive and royalty-free basis. No consideration is payable by us to Shui On Holdings Limited for the use of the trademarks and the trademark license agreement was entered into on normal commercial terms.

Provision of management services by us to Shanghai Shui On Property Development Management Co. Limited (Category 6)

Pursuant to an agreement between us and Shanghai Shui On Property Development Management Co., Limited, we have since 1 June 2004 provided Shanghai Shui On Property Development Management Co., Limited with management services including leasing services in respect of certain property investments owned by the Shui On Group in Shanghai.

The service fees payable by Shanghai Shui On Property Development Management Co., Limited to us for the management services were determined based on the cost of staff resource, and related legal, managerial and administration costs. Our directors believe that the management services agreement, which will expire on 31 December 2008, and which term will be automatically renewed for consecutive one-year periods unless terminated with 60 days' prior written notice by either party, is on normal commercial terms.

We expect that the total annual amount payable to us by Shanghai Shui On Property Development Management Co., Limited for the management services will not exceed RMB960,000 in each of the three years ending 31 December 2008.

De minimis exempt financial assistance

Provision of shareholder loans by Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. to us (Category 7)

Pursuant to a shareholder loan agreement effective as of 23 August 2004 entered into with Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. and as extended by a supplemental agreement effective as of 19 August 2005, Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. has granted to Shanghai Yangpu Centre Development Co. Ltd., our 70% owned subsidiary, a shareholder loan in the principal amount of RMB84,000,000 for the payment of the land grant fee for the Shanghai Knowledge and Innovation Community project.

This shareholder loan was granted by Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. in proportion to its 30% shareholding in Shanghai Yangpu Centre Development Co. Ltd. We have granted a corresponding shareholder loan to Shanghai Yangpu Centre Development Co. Ltd in the principal amount of HK$185,000,000 being in proportion to our shareholding. See "Non-exempt continuing connected transactions and financial assistance". It is normal commercial practice for a company within a group to provide loans to other members of the same group and it is also normal commercial practice for shareholders of a company in the PRC to provide shareholder loans in proportion to their respective shareholdings in such company. Both shareholder loans are due for repayment on 22 August 2007 subject to renewal and bear interest at a rate of 5% per annum. Our directors believe that such rate reflects the prevailing rate offered by commercial banks in the PRC at the time the shareholder loan agreement became effective and thus the loan is on normal commercial terms. No security over our assets has been granted in respect of any outstanding amount under the shareholder loan.

Accordingly, the continuance of the shareholder loan after the Listing is exempt from compliance with the reporting, announcement and independent shareholders' approval requirements under Rule14A.65(4) of the Listing Rules.

Pursuant to a second shareholder loan agreement dated 6 September 2005, Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. granted to Shanghai Yangpu Centre Development Co. Ltd. a loan in the principal amount of RMB200,000,000 also for the payment of the land grant fee for the Shanghai Knowledge and Innovation Community project. This shareholder loan was provided to Shanghai Yangpu Centre Development Co. Ltd. by Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. on behalf of the Yangpu District government in accordance with the Shanghai Knowledge and Innovation Community master agreement. Further information on the master agreement for the Shanghai Knowledge and Innovation Community project is set out in the sections entitled "Our Business — Our Property Projects — Shanghai Knowledge and Innovation Community" and "Further Information About Our Business — B. Agreements for our development projects" in Appendix IX.

RMB100,000,000 of this shareholder loan is due for repayment on 31 March 2008 with the balance due on 31 March 2009. This shareholder loan is unsecured and interest free and as such, its terms are more favourable to us than normal commercial terms. Accordingly, the continuance of the shareholder loan after Listing is exempt from compliance with the reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

Guarantees provided by Edward Wong Development Company Limited and Shun Hing Holdings Company Limited for loan facility granted to us (Category 8)

Edward Wong Development Company Limited and Shun Hing Holdings Company Limited have entered into separate guarantees both dated 19 July 2006 in favour of Bank of China Limited, Shanghai Luwan Branch in respect of a bridging loan facility in the aggregate amount of up to HK$500,000,000 provided by Bank of China Limited to Shanghai Jing Fu Property Co., Ltd, our indirect 69.3% owned subsidiary. This bridging loan replaced a previous loan facility in the aggregate amount of up to HK$750,000,000 provided to Shanghai Jing Fu Property Co., Ltd. by Standard Chartered Bank, Shanghai Branch (on its own behalf and as agent for Development Bank of Singapore, Hang Seng Bank and Wing Hang Bank). Under the respective guarantees, Edward Wong Development Co., Ltd. is liable as a guarantor for 20% of the liabilities of Shanghai Jing Fu Property Co., Ltd. under the bridging loan facility, while Shun Hing Holdings Company is liable as a guarantor for 10% of the liabilities of Shanghai Jing Fu Property Co., Ltd. under the bridging loan facility. The guarantees will continue while any indebtedness remains outstanding under the loan facility, which has a term of 12 months expiring on 31 July 2007.

The guarantees were granted by the guarantors in their capacity as the associates of the respective shareholders, and in the proportions of their associates' respective beneficial shareholdings in Profitstock Holdings Limited, the holding company of Shanghai Jing Fu Property Co., Ltd., the developer company for Lot 114 of the Shanghai Taipingqiao project. We have also provided a guarantee for the indebtedness of Shanghai Jing Fu Property Co., Ltd. in proportion to our beneficial shareholding. See "Non-exempt continuing connected transactions and financial assistance". The guarantees were entered into in the ordinary course of business for the purpose of facilitating the grant of the bridging loan facility to Shanghai Jing Fu Property Co., Ltd. The purpose of the bridging loan facility is to refinance a prior loan facility taken out by Shanghai Jing Fu Property Co., Ltd. for its payment obligations in respect of site clearance and relocation costs and construction costs for Lot 114. The guarantors have not charged any fees to us in relation to the provision of the guarantees and will continue to provide the guarantees at no charge to us after Listing. Accordingly, the terms of the guarantees are more favourable to us than normal commercial terms and as no security over our assets has been granted in respect of the provision of the guarantees, the continuance of the guarantees after Listing is exempt from compliance with the reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

Provision of shareholder loans by Equity Millennium Limited and Shun Hing China Investment Limited to us (Category 9)

Equity Millennium Limited and Shun Hing China Investment Limited have together provided a shareholder loan to Profitstock Holdings Limited, our 70% owned subsidiary, in the principal amount of RMB121,080,117 as evidenced by a deed dated 5 January 2006. The shareholder loan was provided for the payment of land premium, relocation costs and construction costs, each in respect of Lot 114 of the Shanghai Taipingqiao project. The shareholder loan was granted in proportion to Equity

Millennium Limited and Shun Hing China Investment Limited's aggregate 30% interest in Profitstock Holdings Limited. We have also granted a shareholder loan to Profitstock Holdings Limited in proportion to our 70% shareholding. Please see "Non-exempt continuing connected transactions and financial assistance".

Equity Millennium Limited and Shun Hing China Investment Limited have also together provided a shareholder loan to Globe State Properties Limited, our 70% owned subsidiary, in the principal amount of RMB55,635,972 as evidenced by a deed dated 5 January 2006. The shareholder loan was provided for the payment of land premium, relocation costs and construction costs, each in respect of Lot 117 of the Shanghai Taipingqiao project. The shareholder loan was granted in proportion to Equity Millennium Limited and Shun Hing China Investment Limited's aggregate 30% interest in Globe State Properties Limited. We have also granted a shareholder loan to Globe State Properties Limited in proportion to our 70% shareholding. Please see "Non-exempt continuing connected transactions and financial assistance".

Shareholder loans represent a common form of financing to joint ventures in the PRC. Both shareholder loans are unsecured, interest free and repayable on demand. Accordingly, the terms of these shareholder loans are more favourable to us than normal commercial terms and as no security over our assets has been granted in respect of the shareholder loans, the continuance of the shareholder loans after Listing is exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14.65(4) of the Listing Rules.

Discloseable continuing connected transactions

Provision of project management services by Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. to us (Category 10)

Pursuant to an agreement between us and Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. which commenced on 26 August 2003, Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. provides Shanghai Yangpu Centre Development Co. Ltd, our 70% owned subsidiary, with advisory services in respect of the Shanghai Knowledge and Innovation Community project including assisting with obtaining the relevant regulatory and government approvals and permits as well as the marketing and administrative aspects of the Shanghai Knowledge and Innovation Community project.

Pursuant to a supplemental agreement signed on 30 May 2006, the project management services agreement will terminate on 31 December 2008 but will be automatically renewed for consecutive one-year periods unless terminated with 60 days prior written notice by either party.

On the expiry of the project services agreement on 31 December 2008, we will comply with the requirements set out under Chapter 14A of the Listing Rules, including but not limited to the announcement and/or independent shareholders' approval requirement, as applicable.

The total service fees payable by us to Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. for the advisory services is fixed at 0.9% of the construction costs for the Shanghai Knowledge and Innovation Community project incurred by Shanghai Yangpu Centre

Development Co. Ltd, the developer of the Shanghai Knowledge and Innovation Community project. Our directors believe that the advisory services agreement is on normal commercial terms and the service fee rate of 0.9% was determined based on the rate of 3% generally charged to independent third parties for similar services, and adjusted to reflect Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd.'s shareholding.

For the two years ended 31 December 2005, the total annual service fees paid by us to Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. for advisory services amounted to RMB2,454,300 and RMB3,272,400, respectively. No fees for advisory services were paid for the year ended 31 December 2003.

We expect that the total amount payable by us to Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. for advisory services for the three years ending 31 December 2008 will not in aggregate exceed RMB6,300,000, RMB10,500,000 and RMB10,500,000, respectively. The increase in the amount of fees for advisory services we expect to pay to Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. is due to the expected increase in construction work for the Shanghai Knowledge and Innovation Community project for the three years ending 31 December 2008. Whereas past fees for advisory services were based on construction costs for Lots R1 and Hub Area 1, we expect construction to have commenced for all sites at the Shanghai Knowledge and Innovation Community project by 31 December 2008 and as a result, the construction costs are expected to increase substantially during the three year period ending 31 December 2008.

Non-exempt continuing connected transactions and financial assistance

Leases of property by us from the Shui On Group (Category 11)

In the ordinary course of our business, we, as tenants, have entered into a number of property leasing agreements with subsidiaries of Shui On Company Limited. In Shanghai, we have entered into property leasing agreements with Shanghai Jiu Hai Rimmer Properties Co. Ltd., which is 80% owned by Shui On Company Limited, for various units in Shui On Plaza at an aggregate monthly rent of approximately RMB1,116,000 (inclusive of building management fees and rental of fixed assets) for a term ending on 31 December 2008, subject to renewal. These properties are used for offices and a showroom. We have also entered into a property leasing agreement dated 8 May 2005 and supplemented on 12 April 2006 with Shanghai Ruichen Property Co. Ltd., which is wholly-owned by Shui On Company Limited, for a site office at Rui Hong Xin Cheng in Shanghai at an average monthly rent of approximately RMB33,000 (inclusive of building management fees) for a term ending on 31 December 2008, subject to renewal. In Hong Kong, we have entered into property leasing and licensing agreements with Shui On Centre Co. Ltd and Shui On Investment Company Limited, both of which are wholly-owned by Shui On Company Limited, for various units in Shui On Centre at an aggregate monthly rent of approximately HK$207,000 (inclusive of building management fees and rates) for a term ending on 9 October 2006 and 31 May 2007, respectively, with an option to extend to 31 December 2008 (other than for the leasing of the 3rd floor of Shui On Centre) at the then prevailing market rent. These properties are used for offices and a showroom.

Our directors believe that the property leasing agreements are on normal commercial terms and the rentals payable by us under the property leasing agreements are fair and reasonable and Knight Frank Petty Limited, an independent valuer, has confirmed that the rental payments payable by us did not exceed prevailing market rates in the cities in question at the time they were entered into.

For the two years ended 31 December 2005, the rental payable to the Shui On Group for the properties in Shanghai was RMB5,828,000 and RMB13,572,000, respectively, and for the properties in Hong Kong was HK$1,045,300 and HK$2,492,700, respectively.

We have entered into a framework lease agreement on 30 May 2006 with Shui On Company Limited expiring on 31 December 2008, subject to renewal, pursuant to which we may lease from the Shui On Group such other properties as are necessary for our future business needs on normal commercial terms and at the prevailing market rent.

We expect that the total annual amount payable by us to the Shui On Group for leasing of the premises under the property leasing agreements and the framework lease agreement for the three years ending 31 December 2008 for the properties in Shanghai will not exceed RMB17,100,000, RMB20,900,000 and RMB24,500,000, respectively, and for the properties in Hong Kong will not exceed HK$3,720,000, HK$3,760,000 and HK$4,360,000, respectively. We calculated the estimates based on the agreed rent under the current property leasing agreements, the areas which we intend to lease, our estimated future needs, and the estimated increase in market rates in the cities in question.

Provision of construction services by SOCAM to us (Category 12)

In the ordinary course of our business, we have in the past entered into a number of construction contracts with Shanghai Shui On Construction Co., Ltd. and Pat Davie (China) Limited (the "SOCAM Contractors") as the contractors for construction works in relation to our projects in the PRC. The construction contracts include renovation works contracts, building decoration works, mechanical and electrical system materials procurement and building materials procurement. The SOCAM Contractors are each subsidiaries of SOCAM and are therefore connected persons of our Company.

For contracts over RMB1,000,000, construction contracts were generally put out to tender and contractors selected through a bidding process under which each potential contractor was assessed on its qualifications, reputation for reliability, quality and price. The construction contracts with SOCAM Contractors of over RMB1,000,000 were entered into pursuant to and on the basis of bids tendered. For contracts of RMB1,000,000 or less, the price was agreed with SOCAM Contractors with reference to prevailing market rates.

The total annual amounts payable by us to the SOCAM Contractors under the construction contracts for the three years ended 31 December 2005 were as follows:

	2003	2004	2005
		(in RMB million)	
Shanghai Shui On Construction Co., Ltd	23.8	36.5	98.1
Pat Davie (China) Limited	1.3	39.5	8.5
Total	25.1	76.0	106.6

The aggregate outstanding contract sums payable to the SOCAM Contractors under the existing construction contracts as at 1 January 2006 was approximately RMB49,000,000. These sums will be payable in instalments in accordance with the progress of the relevant construction works.

It is expected that Shanghai Shui On Construction Co., Ltd. will continue to provide construction services to us including where it successfully bids for construction contracts put out to tender by us. In this connection, we have entered into a construction services framework agreement with Shanghai Shui On Construction Co., Ltd. on 4 June 2006 for a term expiring on 31 December 2008 subject to renewal, whereby the parties have agreed that:

For construction contracts less than RMB1,000,000:

(a) Shanghai Shui On Construction Co., Ltd. may continue to provide us with construction services from time to time on such normal commercial terms as we may agree with them provided that the contract price shall be based on prevailing market rates or, if no prevailing market price is available, fair and reasonable prices based on arm's length negotiations with reference to prevailing rates for material and labour as published in the relevant provincial or city guidelines; and

(b) we are not bound to contract with Shanghai Shui On Construction Co., Ltd. for construction services and have the right to choose independent third party contractors at our discretion;

For construction contracts of RMB1,000,000 or more:

(a) Shanghai Shui On Construction Co., Ltd. may continue to bid for construction contracts put out to tender by us in accordance with our tendering procedures from time to time in place and on the same terms as offered to other independent third parties; and

(b) if any construction contract is granted in favour of Shanghai Shui On Construction Co., Ltd. as a result of a successful bid, Shanghai Shui On Construction Co., Ltd. will provide construction services based on the terms of the successful bid.

Our directors believe it is in our best interest to enter into the construction services framework agreement with Shanghai Shui On Construction Co., Ltd. having considered the track record, experience, and expertise of Shanghai Shui On Construction Co., Ltd. and its understanding of our construction requirements and standards and familiarity with our management style.

We propose that the annual total payment for all construction services provided by Shanghai Shui On Construction Co., Ltd. to us for the three years ending 31 December 2008, shall not exceed RMB285 million, RMB535 million and RMB750 million, respectively. We determined these annual caps based on the estimated total expenditure for our construction works for the three years ending 31 December 2008 as well as the proportion of expenditure for construction works paid to the SOCAM Contractors of about 10% in each of the three years ended 31 December 2005.

The percentage of total expenditure for construction works payable to Shanghai Shui On Construction Co., Ltd is expected to decrease for the three years ending 31 December 2008 due to: (i) the high proportion of the estimated construction work being located outside Shanghai whereas Shanghai Shui On Construction Co., Ltd is mainly based in Shanghai and we will consider engaging contractors in other locations with similar qualifications and expertise to undertake a larger proportion of the construction works; and (ii) the limit on the number of projects that can be handled by Shanghai Shui On Construction Co., Ltd, like any other construction company, at any one time. Nevertheless, the amount expected to be payable to Shanghai Shui On Construction Co., Ltd in absolute terms is expected to increase substantially for the three years ending 31 December 2008 due to the large volume of additional construction work budgeted as a result of the commencement of construction projects in Shanghai, Wuhan and Chongqing.

Guarantee provided by us for loan facility granted to Shanghai Jing Fu Property Co., Ltd. (Category 13)

We have entered into a guarantee dated 19 July 2006 as guarantor in favour of Bank of China Limited, Shanghai Luwan Branch in respect of a bridging loan facility in the aggregate amount of up to HK$500,000,000 provided by Bank of China Limited to Shanghai Jing Fu Property Co., Ltd., our indirect 69.3% owned subsidiary. This bridging loan replaced a previous loan facility in the aggregate amount of up to HK$750,000,000 provided to Shanghai Jing Fu Property Co., Ltd. by Standard Chartered Bank, Shanghai Branch (on its own behalf and as agent for Development Bank of Singapore, Hang Seng Bank and Wing Hang Bank).

Under the guarantee, we are liable as guarantor for 70% of the indebtedness of Shanghai Jing Fu Property Co., Ltd. under the bridging loan facility. The guarantee continues while the indebtedness remains outstanding under the bridging loan facility, which has a term expiring on 31 July 2007.

The guarantee was granted by us in our capacity as a shareholder of, and in the proportion of our beneficial shareholding in Profitstock Holdings Limited, the holding company of Shanghai Jing Fu Property Co., Ltd., the developer company for Lot 114 of the Shanghai Taipingqiao project. The guarantee was entered into in the ordinary course of business for the purpose of facilitating the grant of the bridging loan facility to Shanghai Jing Fu Property Co., Ltd.. The other shareholders of

Shanghai Jing Fu Property Co., Ltd. have also procured corresponding guarantees in proportion to their respective beneficial shareholdings. See “De minimis exempt financial assistance”. It is common practice in the PRC that the lending banks require the provision of corporate guarantees or other forms of security from a borrower’s shareholders. It is also normal commercial practice for a company within the group to provide guarantees and security in respect of bank loans of another member of the same group.

The guarantee will continue after Listing and will constitute financial assistance. We have not charged any fees in relation to the provision of the guarantee and will continue to provide the guarantee at no charge after Listing.

The proposed annual amount of the financial assistance by us to Shanghai Jing Fu Property Co., Ltd. will not exceed 70% of the loan and interest amount secured under the guarantee, that is HK$370,000,000.

After taking into account the common banking practice in the PRC and the guarantees provided by the other shareholders of Shanghai Jing Fu Property Co., Ltd. in proportion to their respective beneficial ownership, our directors are of the view that such arrangements are fair and reasonable, on normal commercial terms and in our interests and those of our shareholders as a whole.

Shareholder loans provided by us for loan facility granted to Profitstock Holdings Limited and Globe State Properties Limited (Category 14)

We have provided a shareholder loan to Profitstock Holdings Limited, our 70% owned subsidiary, in the principal amount of RMB282,520,273 as evidenced by a deed dated 5 January 2006. This shareholder loan was entered into in the ordinary course of business for the purpose of the payment of land premium, relocation costs and construction costs, each in respect of Lot 114 of the Shanghai Taipingqiao project. We have also provided a shareholder loan to Globe State Properties Limited, our 70% owned subsidiary, in the principal amount of RMB129,817,268 as evidenced by a deed dated 5 January 2006. This shareholder loan was entered into in the ordinary course of business for the purpose of the payment of land premium, relocation costs and construction costs, each in respect of Lot 117 of the Shanghai Taipingqiao project.

Both the shareholder loans to Profitstock Holdings Limited and Globe State Properties Limited were granted by us in our capacity as a shareholder of, and in the proportion of our beneficial shareholding in, each of these two companies. The other shareholders of Profitstock Holdings Limited and Globe State Properties Limited have also provided corresponding shareholder loans in proportion to their aggregate beneficial shareholding. See “De minimis exempt financial assistance”. It is normal commercial practice for a company within a group to provide loans to other members of the same group and it is also normal commercial practice for shareholders of a company to provide shareholder loans in proportion to their respective shareholdings in such company in the PRC.

Both shareholder loans are unsecured, interest free and repayable on demand and are expected to continue after Listing. We propose that for the three years ending 31 December 2008 the annual amount of the financial assistance by us to Profitstock Holdings Limited and Globe State Properties Limited will not exceed the aggregate of the loan amounts, that is RMB412,337,541.

After taking into account the shareholder loans provided by the other shareholders of Profitstock Holdings Limited and Globe State Properties Limited in proportion to their beneficial ownership, our directors are of the view that the shareholder loans provided by us to Profitstock Holdings Limited and Globe State Properties Limited are fair and reasonable, on normal commercial terms and in our interests and those of our shareholders as a whole.

Provision of shareholder loans by us to Shanghai Yangpu Centre Development Co. Ltd (Category 15)

Pursuant to a shareholder loan agreement effective as of 23 August 2004 and as extended by a supplemental agreement effective as of 19 August 2005, we granted a shareholder loan in the principal amount of HK$185,000,000 to Shanghai Yangpu Centre Development Co. Ltd, our 70% owned subsidiary in connection with the Shanghai Knowledge and Innovation Community project. The shareholder loan was granted by us in proportion to our shareholding in Shanghai Yangpu Centre Development Co. Ltd. A corresponding shareholder loan was granted by the other shareholder in Shanghai Yangpu Centre Development Co. Ltd in proportion to its shareholding. See "De minimis exempt financial assistance". This shareholder loan was granted for the purpose of paying part of the land grant fee for the Shanghai Knowledge and Innovation Community project and is repayable on 22 August 2007, subject to renewal.

We have granted a further shareholder loan in the principal amount of US$25,000,000 to Shanghai Yangpu Centre Development Co. Ltd pursuant to a loan agreement signed on 26 October 2005. This second loan was granted for the purpose of paying part of the land grant fee and for construction costs in relation to the Shanghai Knowledge and Innovation Community project and is repayable on 25 October 2007, subject to renewal.

Both shareholder loans bear interest at a rate of 5% per annum and are unsecured. Our directors believe that such rate reflects the then prevailing rates offered by banks in the PRC and that the loans are on normal commercial terms. The shareholder loans will continue after Listing and will constitute financial assistance. We propose that the annual capped exposure under the loans granted by us to Shanghai Yangpu Centre Development Co. Ltd for the three years ending 31 December 2008 will not exceed HK$194,250,000 and US$26,250,000, representing the principal and interest for the two loans.

Waivers

Our directors (including the independent non-executive directors) are of the opinion that the transactions described above have been entered into, and will be carried out following the completion of Listing, in the ordinary and usual course of business of the members of our Group, are on normal commercial terms or more favourable to our Company, and are fair and reasonable so far as the interests of our shareholders are concerned.

No waivers applied for certain categories of connected transactions

We have notified the Stock Exchange in relation to Categories 1 to 9 that no waivers are applied for. For each of the types of continuing connected transactions under Categories 5 and 6, each of the percentage ratios (other than profits ratio), where applicable, calculated by reference to Rule 14.07 of the Listing Rules, is expected on an annual basis to be less than 0.1% for each of the years ending 31 December 2008. Accordingly, these transactions qualify under Rule 14A.33(3) of the Listing Rules as de minimis transactions and are exempt from the reporting, announcement and independent shareholders' approval requirements.

The connected transactions under Categories 7 to 9 constitute financial assistance exempted under Rule 14A.65(4) from announcement and independent shareholders' approval requirements, for the reasons set out in "— De minimis exempt financial assistance".

Waivers from compliance with announcement or announcement and independent shareholders' approval requirements

In relation to the types of continuing connected transactions under Category 10, each of the percentage ratios (other than the profit ratios), where applicable, in relation to each of this category is, on an annual basis, expected to be less than 2.5% under Rule 14A.34(1) of the Listing Rules. Accordingly, such transactions are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

Under the Listing Rules, the continuing connected transactions under Category 11 to 15 are considered to be non-exempt continuing connected transactions under Rule 14A.35 or non-exempt financial assistance under Rule 14A.63 and would require compliance with the announcement requirements set out in Rules 14A.45 to 14A.47 and the prior independent shareholders' approval requirement set out in Rule 14A.48 on each occasion on which they arise.

In respect of Rules 14A.35(2) and 14A.36(1) of the Listing Rules, the maximum aggregate annual value, if any, for the transactions in Categories 10 to 15 shall not exceed the applicable limit set out below:

Category	Nature of Transaction	Annual Cap	Historical Figures
10.	Provision of project management services by Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. to us	For the three years ending 31 December 2008, the cap is set at RMB6,300,000, RMB10,500,000 and RMB10,500,000, respectively. These caps are equivalent to the forecast figures for the three years ending 31 December 2006, 2007 and 2008.	For the two years ended 31 December 2005, the annual consideration was RMB2,454,300 and RMB3,272,400, respectively.
11.	Leases of property by us from the Shui On Group	For the properties in the PRC, for the three years ending 31 December 2008, the cap is set at RMB17,100,000, RMB20,900,000 and RMB24,500,000. For the properties in Hong Kong, for the three years ending 31 December 2008, the cap is set at HK$3,720,000, HK$3,760,000 and HK$4,360,000. These caps are equivalent to the forecast figures for the three years ending 31 December 2008 based on the respective lease agreements.	For the two years ended 31 December 2005, the annual rent for the Shanghai premises was RMB5,828,000 and RMB13,572,000, respectively, and for the Hong Kong premises was HK$1,045,300 and HK$2,492,700, respectively.
12.	Provision of construction services by SOCAM to us	For the three years ending 31 December 2008, the cap is set at RMB285,000,000, RMB535,000,000 and RMB750,000,000, respectively. These caps are equivalent to the forecast figures for the three years ending 31 December 2006, 2007 and 2008.	For the three years ended 31 December 2005, the annual consideration was RMB25,100,000, RMB76,000,000 and RMB106,600,000, respectively.
13.	Guarantee provided by us for loan facility granted to Shanghai Jing Fu Property Co., Ltd	For the three years ending 31 December 2008, the cap is set at HK$370,000,000. This cap is equivalent to the loan amount and interest secured under the guarantee.	For the three years ended 31 December 2005, the annual amount of the financial assistance under the previous loan facility was HK$554,000,000.

Category	Nature of Transaction	Annual Cap	Historical Figures
14.	Shareholder loans provided by us for loan facility granted to Profitstock Holdings Limited and Globe State Properties Limited	For the three years ending 31 December 2008, the cap is set at RMB412,337,541. This cap is equivalent to the loan amounts provided by us.	For the three years ended 31 December 2005, the aggregate annual amount of the financial assistance was RMB412,337,541.
15.	Provision of shareholder loans by us to Shanghai Yangpu Centre Development Co. Ltd	For the three years ending 31 December 2008, the cap is set at HK$194,250,000 and US$26,250,000. This cap is equivalent to the principal and interest under the loans.	The annual cap for the year ended 31 December 2004, was HK$194,250,000 and for the year ended 31 December 2005, was HK$194,250,000 and US$26,250,000.

As the continuing connected transactions in Categories 10 to 15 are expected to continue on a recurring basis after the listing of our Shares on the Stock Exchange, our directors consider that compliance with the announcement and/or independent shareholders' approval requirements would be impractical and would add unnecessary administrative costs for us. Accordingly, we have requested the Stock Exchange, and the Stock Exchange has granted us a waiver pursuant to its discretion under Rule 14A.42(3) of the Listing Rules, to exempt the transactions contemplated in Categories 10 to 15 from compliance with the announcement and independent shareholders' approval requirements under the Listing Rules. The waiver is granted subject to the condition that all relevant agreements in respect of the continuing connected transactions in Categories 10 to 15 do not exceed a period of three years ending 31 December 2008. In addition, we confirm that we will comply with Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules in relation to the transactions contemplated in Categories 10 to 15.

Confirmation from the Joint Sponsors

The Joint Sponsors have participated in due diligence and discussions among us and our advisors to satisfy themselves of the reliability of the information provided in relation to the connected transactions described above. The Joint Sponsors are of the view that the connected transactions in Categories 10 to 15 are in the usual and ordinary course of our business and on normal commercial terms and that the terms of the continuing connected transactions and the annual caps set out above are fair and reasonable as far as our shareholders taken as a whole are concerned.

DIRECTORS

Our board currently consists of 10 directors, comprising 3 executive directors and 7 independent non-executive directors.

The following table sets out the name, age and position of our directors as at the date of this prospectus.

Name	Age	Position
Mr. Vincent H.S. Lo	58	Chairman and Chief Executive Officer
Mr. Wilfred Y.W. Wong	53	Vice Chairman and Chief Operating Officer
Mr. William T. Addison	54	Managing Director and Chief Financial Officer
Sir John R. H. Bond	65	Independent non-executive director
The Honourable Chun Ying Leung	52	Independent non-executive director
Dr. Edgar W.K. Cheng	62	Independent non-executive director
Dr. William K.L. Fung	57	Independent non-executive director
Professor Gary C. Biddle	54	Independent non-executive director
Dr. Roger L. McCarthy	57	Independent non-executive director
Mr. David J. Shaw	60	Independent non-executive director

Executive directors

Mr. Vincent Hong Sui LO, GBS, JP, aged 58, has served as our Chairman and Chief Executive Officer since the inception of our company in February 2004. He is also Chairman and Chief Executive Officer of the Shui On Group, which he founded in 1971, and Chairman of SOCAM. He is a member of The Tenth National Committee of the Chinese People's Political Consultative Conference, the Honorary Life President of the Business and Professionals Federation of Hong Kong, the President of the Shanghai-Hong Kong Council for the Promotion and Development of Yangtze, Vice Chairman of the All-China Federation of Industry and Commerce, an economic advisor of the Chongqing Municipal Government, Vice Chairman of the Chamber of International Commerce Shanghai, a court member of the Hong Kong University of Science and Technology, Director of Great Eagle Holdings Limited, Non-Executive Director of Hang Seng Bank Limited, and an Independent Non-Executive Director of China Telecom Corporation Limited. He was an Independent Non-Executive Director of New World China Land Limited from June 1999 to December 2004. He was awarded the Gold Bauhinia Star in 1998 and appointed Justice of the Peace in 1999 by the Government of Hong Kong. He was made an Honorary Citizen of Shanghai in 1999. He was named Businessman of the Year at the Hong Kong Business Awards in 2001 and won the Director of the Year Award in the category of Listed Company Executive Directors from the Hong Kong Institute of Directors in 2002.

During the three years preceding the date of this document, Mr. Lo has been a director on the boards of the following listed public companies: China Telecom Corporation Limited, Great Eagle Holdings Limited, Hang Seng Bank Limited, SOCAM and New World China Land Limited.

Mr. Wilfred Ying Wai WONG, JP, aged 53, has served as our Vice Chairman and Chief Operating Officer since our inception in February 2004. Mr. Wong is also responsible for the sales and marketing functions of our Company's residential, office and retail properties. He was formerly Vice Chairman of SOCAM and Shui On Holdings Limited, having resigned as Vice Chairman of SOCAM and Shui On Holdings Limited and as an Executive Director of Shui On Company Limited on 1 June 2006. Mr. Wong has over 13 years of working experience in real estate development in China. He was previously Deputy Chief Executive of K.Wah International Limited, a Hong Kong-listed group engaged in real estate and hotel development in Hong Kong and the PRC. Before joining the Shui On Group, he was Managing Director of Henderson China Holdings Limited, which was engaged in real estate development in the PRC. He was a Non-Executive Director of CIG Yangtze Ports PLC from November 2003 to May 2006. He is currently a Deputy to The Tenth National People's Congress, Chairman of the HKSAR Social Welfare Advisory Committee, a board member of HKSAR Airport Authority, a board member of the Hong Kong Tourism Board, a member of HKSAR Commission on Strategic Development, a member of HKSAR Commission on Poverty, Chairman and a trustee of the Business and Professionals Federation of Hong Kong, Vice President of the Shanghai-Hong Kong Council for the Promotion and Development of Yangtze, Chairman of Hong Kong International Film Festival Society Limited and Deputy Chairman of the Court and Council of Hong Kong Baptist University. Mr. Wong graduated with a Bachelor of Social Science degree from the University of Hong Kong. He received a Diploma in Management from the Chinese University of Hong Kong and studied Post-graduate Administrative Development at Oxford University. Mr. Wong also holds a Master's degree in Public Administration from Harvard University.

During the three years preceding the date of this document, Mr. Wong has been a director of CIG Yangtze Ports plc and SOCAM which are listed public companies.

Mr. William Timothy ADDISON, aged 54, has served as our Director since April 2005. Upon Listing, he will be our Managing Director and Chief Financial Officer, and will also be in charge of all aspects relating to our legal and corporate finance affairs. Mr. Addison has extensive experience in all aspects of corporate finance in Asia with HSBC where he worked for over 21 years. He was a Director of HSBC Corporate Finance Limited from 1992 until he left HSBC in 2002, at which time he held the position of Chief Operating Officer, Corporate Finance of HSBC Markets (Asia) Limited.

Mr. Addison has not been a director of any other listed public company during the three years preceding the date of this document.

Independent non-executive directors

Sir John Reginald Hartnell BOND, aged 65, has served as Independent Non-Executive Director of our Company since September 2006. He was previously the Group Chairman of HSBC Holdings Plc and was with HSBC from 1961 until May 2006. He is the Chairman of Vodafone Group Plc and a Non-Executive Director of Ford Motor Company. He is also the Co-Chairman of the Mayor of Shanghai's International Business Leaders' Advisory Council.

During the three years preceding the date of this document, Sir John Bond has been a director of HSBC Holdings PLC, which is a listed public company.

The Honourable Chun Ying LEUNG, GBS, JP, aged 52, has served as an Independent Non-Executive Director of our Company since May 2006. He is Chairman of DTZ Debenham Tie Leung Limited. Mr. Leung is the Convenor of the Executive Council of Hong Kong. He is also a member of the National Standing Committee of the Chinese People's Political Consultative Conference, a member of the Commission on Strategic Development, a member and Chairman of the Council, Lingnan University, a member of the Court of Lingnan University, a member of the Honours Committee, Chairman of the Professional Services Advisory Committee, Hong Kong Trade Development Council, a member of the Services Promotion Programme Committee, Hong Kong Trade Development Council, Chairman, Coalition of Professional Services and Chairman of One Country Two Systems Research Institute Ltd. Mr. Leung holds a Bachelor of Science degree in Valuation and Estate Management from Bristol Polytechnic, England. He is an Honorary Doctor of Business Administration, University of the West of England, an Honorary Doctor of Business Administration, Hong Kong Polytechnic University, a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Hong Kong Institute of Surveyors.

The Honourable CY Leung has not been a director of any other listed public company during the three years preceding the date of this document.

Dr. Edgar Wai Kin CHENG, aged 62, has served as an Independent Non-Executive Director of our Company since September 2006. He has pursued several careers in the fields of medicine, public service and business and finance in the United States and Hong Kong over the past thirty-five years. A graduate from the University of Notre Dame and the Medical College of Wisconsin, USA, Dr. Cheng was Clinical Associate Professor of Medicine at Cornell University Medical College and practised medicine and conducted clinical research at the Memorial Sloan-Kettering Cancer Centre in New York. A former Chairman of the University Grants Commission in Hong Kong, and a member of the Education Commission, he is at present Chairman of the Council of the Chinese University of Hong Kong. Dr. Cheng is currently the Chairman of the World-Wide Investment Co. Ltd. and has been in other financial market positions such as Chairman of the Stock Exchange of Hong Kong, Vice-Chairman and Non-Executive Director of the Hang Seng Bank Ltd., Vice President of the International Federation of Stock Exchange, Founding Chairman of the Hong Kong Securities Institute, Member of the Board of Directors of the Hong Kong Futures Exchange Ltd., and Member of the Conference Board's Global Advisory Council. He is currently a member of the Board of Directors of the Hong Kong Institute for Monetary Research, a Non-Executive Director of Standard Chartered Bank (Hong Kong) Ltd, an Independent Non-Executive Director of CNOOC Limited and an Independent Non-executive Director of American International Assurance Co. Ltd. He is also an Independent Director of Goldman Sachs Guo Hua Securities Co. Ltd. Dr. Cheng served as the Head of the Central Policy Unit of the Government of Hong Kong Special Administrative Region from 1999 — 2001. He is currently a member of the Commission on Strategic Development as well as the Vice-Chairman of the Council for Sustainable Development. He is also a member of the Greater Pearl River Delta Business Council and a member of the Judicial Officers Recommendation Commission. Dr. Cheng also plays an active role in Hong Kong-China affairs. He was appointed by the PRC Government as a Hong Kong Affairs Advisor (1991 — 1997). He became a Member of the Preparatory Committee and also the Selection Committee for the Hong Kong Special Administrative Region of the National People's Congress (1996-1997). At present, he is a member of The Tenth National Committee of the Chinese People's Political Consultative Conference.

During the three years preceding the date of this document, Dr. Cheng has been a director of the following listed public companies: Standard Chartered Bank (Hong Kong) Limited and CNOOC Limited.

Dr. William Kwok Lun FUNG, JP, aged 57, has served as an Independent Non-Executive Director of our Company since May 2006. Dr. Fung is Group Managing Director of Li & Fung Limited and has held key positions in major trade associations. He was Chairman of the Hong Kong General Chamber of Commerce, Hong Kong Exporters' Association and Hong Kong Committee for Pacific Economic Cooperation Council. Currently he is a member of the Trade Development Council and the Hong Kong Logistics Development Council. Dr. Fung graduated from Princeton University with a Bachelor of Science in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred an Honorary Doctorate of Business Administration by Hong Kong University of Science and Technology in 1999. Dr. Fung is also a non-executive director of HSBC Holdings plc., CLP Holdings Limited, VTech Holdings Limited, as well as other listed Li & Fung group companies including Convenience Retail Asia Limited and Integrated Distribution Services Group Ltd.

During the three years preceding the date of this document, Dr. Fung has been a director of the following listed public companies: CLP Holdings Limited, Convenience Retail Asia Limited, HSBC Holdings PLC, Integrated Distribution Services Group Limited, Li & Fung Ltd., VTech Holdings Limited, Bank of Communications Co., Ltd. and CDC Corporation.

Professor Gary Clark BIDDLE, aged 54, has served as an Independent Non-Executive Director of our Company since May 2006. Professor Biddle is Chair Professor, Department Head of Accounting, and Associate Dean of the School of Business and Management of Hong Kong University of Science and Technology ("HKUST"). He is also a Court Member of HKUST and served as Council Member from 2003 to 2005. Professor Biddle obtained his MBA and Ph.D. degrees from the University of Chicago. He served as professor at the University of Chicago and the University of Washington before joining HKUST in 1996. He is a member of the American Accounting Association, American Chamber of Commerce of Hong Kong, American Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants, Washington Society of Certified Public Accountants, and is past President and co-founding Council Member of the Hong Kong Academic Accounting Association.

During the three years preceding the date of this document, Professor Biddle has been a director of Kingdee International Software Group Co., Ltd., which is a listed public company.

Dr. Roger Lee McCARTHY, aged 57, has served as Independent Non-Executive Director of our Company since May 2006. Dr. McCarthy is Chairman Emeritus and Executive Director of Exponent, Inc., (NASDAQ symbol "EXPO"). He is also Chairman of Exponent Science and Technology Consulting Co., Ltd. (Hangzhou) (毅博科技咨詢(杭州)有限公司), a wholly owned subsidiary of Exponent, Inc., which he founded in 2005 to expand Exponent Inc.'s services to the PRC. Dr. McCarthy is Non-Executive Director of Failure Analysis B.V., which he incorporated in the Netherlands in 1991 to expand Exponent, Inc.'s services to the European Union. Dr. McCarthy holds five academic degrees: an Arts Bachelor (A.B.) in Philosophy from the University of Michigan; a Bachelor of Science in Mechanical Engineering (B.S.E. M.E.) from the University of Michigan; an S.M. degree in Mechanical Engineering from the Massachusetts Institute of Technology ("MIT"); the professional degree of Mechanical Engineer (Mech.E.) from MIT; and a Ph.D. in Mechanical Engineering from MIT. He graduated from the University of Michigan Phi Beta Kappa, summa cum laude, the Outstanding Undergraduate in Mechanical Engineering in 1972. He was a National Science Foundation Fellow. Dr. McCarthy is one of approximately 150 Mechanical Engineers elected to the US National Academy of Engineering. He currently serves on the External Advisory Boards of the Department of Mechanical Engineering at the University of Michigan and the Material Sciences Department at Stanford University.

Dr. McCarthy has not been a director of any other listed public company during the three years preceding the date of this document.

Mr. David John SHAW, aged 60, has served as an Independent Non-Executive Director of our Company since May 2006. Mr. Shaw is employed by the HSBC Group as Adviser to the Board of HSBC Holdings PLC, a London-based appointment which he took up in June 1998. Mr. Shaw is a solicitor, admitted in England and Wales and in Hong Kong. He was a partner of Norton Rose from 1973 until 1998 and during that period spent approximately 20 years working in Hong Kong. Mr Shaw obtained a law degree from Cambridge University. He is also a Non-Executive Director of certain companies within the HSBC Group, including HSBC Private Banking Holdings (Suisse) SA and The Bank of Bermuda Limited.

Mr. Shaw has not been a director of any other listed public company during the three years preceding the date of this document.

SENIOR MANAGEMENT

Mr. Louis Hak Wood WONG, aged 55, is Managing Director responsible for project management. From November 2002 until May 2004, he was Managing Director of Shui On Properties Limited. He joined the Shui On Group in 1981. He resigned as a non-executive director of SOCAM and executive director of Shui On Company Limited on 1 June 2006. He is currently a member of the Chinese People's Political Consultative Conference Committee of Luwan District of Shanghai, Vice President of the Shanghai Real Estate Trade Association, Vice President of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Ltd., a governing council member of the Construction Industry Institute of Hong Kong and a member of the Occupational Safety and Health Council in Hong Kong. He has also served as a member of the Construction Industry Training Authority, First Vice President of the Hong Kong Construction Association, a director of the Real Estate Developers Association of Hong Kong, a member of the Construction Advisory Board in Hong Kong, chairman of the Departmental Advisory Committee for the Department of Building and Construction of the City University of Hong Kong, a member of the Provisional Construction Industry Co-ordination Board, a member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption and Honorary President of the Hong Kong Institution of Construction Engineers. He holds a Bachelor of Science degree in Civil Engineering from the University of Manchester and is a Fellow Member of the Institution of Civil Engineers and a member of the Hong Kong Institution of Engineers.

Mr. Shing Sun HUI, aged 50, is Director of Projects of our Company and is also an Executive Director of Shui On Development Limited. He is responsible for the overall management of projects in Shanghai. Mr. Hui joined the Shui On Group in 1982 and has over 20 years of working experience in project management. Mr. Hui holds a Bachelor of Science degree in Architectural Studies and Structural Design from the University of Aston, England.

Mr. Maximus Kai Man LI, aged 48, is Director of Projects and is responsible for all aspects of our Chongqing Tiandi project. Mr. Li is also an Executive Director of Shui On Development Limited. Mr. Li joined the Shui On Group in 2002. He holds a Bachelor's degree in Social Sciences from the University of Hong Kong.

Mr. Clement Ching Chi LAU, aged 57, is Director of Project Planning and Design. He is responsible for project planning and design of our Company's development projects. He joined our Company in August 2004. Prior to that, from 1994 he was Deputy Director of Wong Tung & Partners Ltd and Wong & Tung International Ltd. He is currently a Chartered Member of the Royal Institute of British Architects, a member of the Royal Australian Institute of Architects and a Fellow Member of the Hong Kong Institute of Architects. He is also a Registered Architect in Hong Kong and China. Mr. Lau holds degrees in Bachelor of Arts (Architectural Studies) and Bachelor of Architecture from the University of Hong Kong.

Mr. Albert Kain Bon CHAN, aged 47, is Director of Planning and Development. He is currently responsible for the conceptualisation and master planning of our Company's new projects. He was previously responsible for the overall planning and design of the Shanghai Xintiandi development project. Mr. Chan joined Shui On Properties Limited in 1997. Prior to joining our Company, he was a Project Director at the Department of Design and Construction, New York City. Mr. Chan holds a Bachelor's degree in Architectural Design from the University of Minnesota, a Master's degree in Architecture from the University of California, Berkeley, and a Master's degree in Science in Architecture and Urban Design from Columbia University. He also holds an MBA, majoring in finance from New York University. He is a member of the American Institute of Architects, a member of the American Planning Association, a member of the Urban Land Institute and a Registered Architect of New York State.

Mr. David Pit Kwong WONG, aged 51, is Chief Economist of our Company. His primary responsibilities include monitoring changes in economic trends and business environment, and provision of market intelligence and views to support our Company's investment in the PRC. He joined the Shui On Group in 1996 and has over 15 years of working experience researching the urban and regional economy in the PRC. His prior appointments include Assistant Chief Economist, Hong Kong Trade Development Council, Senior Consultant, Coopers & Lybrand, Corporate Research Manager, Fuji Bank, and Assistant Professor, Loyola College in Maryland. Mr. Wong is a trustee of Shui On Provident and Retirement Scheme, and a member of the Business and Professionals Federation of Hong Kong. Mr. Wong holds a Bachelor of Science (magna cum laude) degree from the University of Minnesota, Minneapolis and a Master of Arts degree in Economics from the University of California, Berkeley.

Mr. Charles Wing Ming CHAN, aged 50, is Director of Business Development of our Company and is responsible for identifying new sites and projects for development through acquisitions or joint ventures across the PRC. Mr. Chan joined the Shui On Group in January 2004. Prior to joining our Company Mr. Chan was Deputy Managing Director of Vision Century Corporation Limited (now known as Frasers Property (China) Limited), Executive Director of SunCorp Technologies Limited, Vice President of Citibank N.A. and Manager of PricewaterhouseCoopers. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in Australia. Mr. Chan holds a Bachelor's degree in Economics from the University of Sydney.

Mr. Eddie Kong Kheong HENG, aged 41, is Director of the Chairman's Office and his main responsibilities include working with the Chairman in strategy development and implementation as well as organisational development. He also works with the senior management in new business ideas development for the Group. Mr. Heng joined the Company in 2006 and has worked in management consulting with McKinsey & Co. in the USA. Mr. Heng holds an MBA from the International Institute for Management Development (IMD), Lausanne, Switzerland and Bachelor of Business Administration (Marketing and Finance) from the Universiti Kebangsaan Malaysia (the National University of Malaysia).

Mr. Freddy Chun Kong LEE, aged 44, is Acting Director of Projects and is responsible for all aspects of our project in Wuhan. He joined the Shui On Group in 1986 and has over 15 years of working experience in construction management and four years of working experience in property development in the PRC. He is currently a member of the Royal Institution of Chartered Surveyors in the United Kingdom and a member of the Hong Kong Institute of Surveyors. Mr. Lee holds a Master's degree in construction management from the City University of Hong Kong and a Bachelor's degree in quantity surveying from Reading University, England.

Mr. Ka Wah TANG, aged 46, is General Manager, Projects, and is responsible for the development of the Shanghai Taipingqiao Project. He joined the Shui On Group in 1985 and has over 20 years of working experience in the construction industry. He is a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineers. Mr. Tang is a Chartered Engineer. Mr. Tang holds a Bachelor's degree in Engineering from the University of Hong Kong and a Master's degree in Business Administration — E-Commerce from the West Coast Institute of Management & Technology, West Australia.

Mr. Eric Lai Soon GOH, aged 45, is General Manager, Projects of our Shanghai Rui Hong Xin Cheng Project. He joined our Company in 2005. He is a member of the Royal Institution of Chartered Surveyors in the United Kingdom and a member of the Singapore Institute of Surveyors and Valuers. He holds a Bachelor's degree in Science (Building) from the National University of Singapore and a Master's degree in Business Administration, with distinction, from the University of Bradford, England.

Mr. Stephen Chun Ki LI, aged 53, is General Manager, Projects and is responsible for the project management of our Chongqing Tiandi project. He joined the Shui On Group in 1985 and has over 28 years of experience in construction. Mr. Li is currently a member of The Hong Kong Institution of Engineers, a member of The Institution of Civil Engineers and a Chartered Engineer. Mr. Li holds a Bachelor's degree in Applied Science from the University of Toronto, Ontario, Canada.

Mr. Raymond Ping HO, aged 56, is General Manager, Projects and is responsible for the project management of our Knowledge and Innovation Community project. He joined our Company in 2006 and has over 30 years of working experience in construction and project management. Mr. Ho is currently a Fellow of The Institution of Civil Engineers, a Fellow of The Hong Kong Institution of Engineers, a Fellow of The American Society of Civil Engineers and a Fellow of the Institution of Structural Engineers. He is also a Registered Structural Engineer in Hong Kong and the PRC. Mr. Ho holds a Bachelor of Science degree in Civil Engineering from University of Manchester and a Master's degree in Business Administration from The Chinese University of Hong Kong.

Mr. Mike To HUNG, aged 37, is General Manager, Leasing of our Company. He joined our Company in 2005. Prior to joining our Company, Mr. Hung was the National Director and Head of the Retail Department of Jones Lang LaSalle in Shanghai for two years. Mr. Hung holds a Bachelor's degree of Science in Land Management from the Hong Kong Polytechnic University.

Mr. James C.H. TAN, aged 35, has been General Manager, Corporate Finance and Development of our Company since July 2005. He was formerly Director, Corporate Finance and Advisory at HSBC Investment Bank, Asia Pacific. He has a decade of experience in equity capital markets, corporate finance, debt restructuring and mergers and acquisitions in Asia including China and Hong Kong. He graduated from the University of Cambridge with a First Class Honours degree in Law. He is a qualified English barrister and an advocate and solicitor in Singapore. Mr. Tan is a Chartered Financial Analyst.

Mr. Frankie Kwok Fai LAI, aged 48, is Acting General Manager, QS & Procurement and is responsible for the overall monitoring and planning of the quantity surveying and procurement functions. Mr. Lai joined the Shui On Group in 1997. He is currently a member of The Royal Institution of Chartered Surveyors, The Hong Kong Institute of Surveyors, The Chartered Institute of Building and The Hong Kong Institution of Engineers. Mr. Lai holds a Master's degree in Construction Management from The University of New South Wales, a Master of Arts degree in Arbitration and Dispute Resolution from The City University of Hong Kong and a Bachelor's degree in Law from the University of Wolverhampton, England.

Mr. Admond Wah Shing CHEUK, aged 57, is Deputy General Manager, Project Management and is responsible for all aspects of our Hangzhou Xihu Tiandi Project. He joined the Shui On Group in 2003 and has over 20 years of working experience in construction and project management. Before joining the Shui On Group, he worked for Henderson (China) Ltd., K Wah Management Service Limited, New World Development Company Limited, Hip Hing Construction Limited and Hsin Chong Construction Co. Ltd.

Mr. Alan Wai Keung TIN, aged 48, is Deputy General Manager, Human Resources of our Company. Mr. Tin joined the Shui On Group in 1989 and has over 20 years of working experience in human resources. He obtained a Diploma in Management Studies from the Hong Kong Polytechnic Institute. He holds a Master's degree in Business Administration and is a member of the Hong Kong Institute of Human Resources Management.

QUALIFIED ACCOUNTANT

Mr. Derek Wo Yin FENG, aged 44, is the Assistant General Manager, Finance, of our Company and is responsible for financial and treasury management. He joined our Company in 2005 and has over 21 years of experience in the auditing and financial management of large corporations. Mr. Feng is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He also obtained a Master's degree in business administration from the University of Hull, England.

COMPANY SECRETARY

Mr. Kim Lun UY, aged 43, is our General Counsel and Company Secretary. He joined our Company in 2005 and is responsible for the legal, company secretarial and compliance issues of our Company. Mr. Uy holds a Bachelor's degree, with honours, in Laws and a Postgraduate Certificate in Laws from the University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1994. He has over 14 years of post-qualification experience and has worked in the legal departments of different blue-chip companies in Hong Kong before joining our Company.

COMPLIANCE ADVISER

We will appoint Deutsche Bank A.G., Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and J.P. Morgan Securities (Asia Pacific) Ltd., as compliance advisers as from the Listing Date and until we distribute our first annual report or summary financial report under the Listing Rules. The compliance advisers shall exercise all due care and skill in the performance of their duties under the compliance advisers agreement. The liability of each compliance adviser shall be several and not joint and several. For further details of the material terms of the appointment of the compliance advisers see "Appendix IX — Statutory and General Information — Compliance Advisers".

BOARD COMMITTEES

Audit Committee

We established an audit committee in June 2004. The audit committee was re-constituted in May 2006 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The audit committee comprises 3 members, namely Professor Gary Biddle, Dr. Edgar Cheng and Dr. Roger McCarthy, who are independent non-executive directors. The chairman of the audit committee is Professor Gary Biddle. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and nominate and monitor external auditors.

Remuneration Committee

We established a remuneration committee in June 2004. The remuneration committee was re-constituted in May 2006 with written terms of reference in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The remuneration committee comprises 3 members, namely Dr. William Fung, Mr. Vincent H.S. Lo and Professor Gary Biddle. Dr. William Fung and Professor Gary Biddle are independent non-executive directors. The chairman of the remuneration committee is Dr. William Fung. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration package of our directors and senior management and evaluate and make recommendations on employee benefit arrangements.

EMPLOYEES

We had 1,019 employees as at the Latest Practicable Date. The following table sets out the number and location of our employees categorised by function as at that date.

	PRC	Hong Kong
Management	17	2
Project and quality assurance	182	0
Sales and marketing	107	1
Planning and development	42	0
Research and strategic planning	19	0
Quantity survey and procurement	49	0
Operations	229	0
Food and beverage	124	0
Corporate service	240	7
Total	**1,009**	**10**

Employee Benefits

We provide our employees with salaries and discretionary bonuses, as well as employee benefits, including retirement schemes, medical insurance schemes and housing benefits to qualified employees. We intend to introduce a share option scheme for our employees. After Listing, our directors will consider proposals relating to the establishment of such a scheme submitted by the senior management members of the Company before determining the terms and conditions for such scheme. Any such scheme will be compliant with the Listing Rules and will be subject to the approval of our Shareholders.

Our employees located in the Chinese Mainland are covered by the retirement schemes defined by PRC local practice and regulations, which are essentially defined contribution schemes. The PRC Government is directly responsible for the payment of the benefits to these employees.

In Hong Kong, we participate in both a defined benefit plan which is registered under the Occupational Retirement Schemes Ordinance and a mandatory provident fund scheme established under the Mandatory Provident Fund Schemes Ordinance. Certain of our employees in Hong Kong and China have joined one or other of these retirement schemes.

Contributions to the defined benefit plan are made by the employees at 5% of our employees' salary and by us which are based on the recommendations made by the actuary of the plan. The current employer contribution rate ranges from 5% to 10% of the employees' salary.

Contributions to the mandatory provident fund scheme are made by the employees at 5% of their relevant income and by us at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of services with the relevant company.

Training and Development

We provide a wide range of internal and external training programmes for our employees. These include language training, management skills and technical training, accounting and auditing training, project management training and sales training. Overseas management and executive programmes at internationally-renowned business schools are also arranged for staff that we believe demonstrate high potential. We also have a management trainee programme for recent graduates as preparation for management positions and a management cadet programme for employees who have demonstrated general management potential.

To cultivate promising graduates and help them become the backbone of our management team, we have designed a three year management trainee training programme. The programme includes personal development, management skills training and job rotation. Trainees are also assigned special projects designed to allow them to understand the operation of other departments. In addition, each trainee is assigned a senior manager as a mentor, who will provide the trainee with guidance and counsel on his or her career development. Trainees who have successfully completed the programme will be assigned to a junior management position with our Company. As at 31 March 2006, we had 38 management trainees in the programme. Eighteen of these trainees have successfully completed the programme and are currently assuming managerial positions.

There is another talent development programme, the management cadet programme, which is a fast track development programme for high potential staff to eventually take up core management positions in our Company in an accelerated time frame. The management cadet programme is open to all internal staff who have at least two years working experience and have demonstrated potential for development. A rigorous, fair and transparent selection process including multiple tests is used to select the best candidates. Top management and an external consultant are the principal assessors. Successful candidates are posted to challenging job assignments and/or corporate service departments to gain breadth and depth of understanding of our operations and business. The cadets are mentored by top management including the Chairman, Vice Chairman and Managing Directors. The cadets are given exposure and learning opportunities through special assignments, high level meetings and contacts, knowledge and experience sharing sessions, internal and external workshops, overseas programmes and visits. As at 31 March 2006, we had eight management cadets.

In addition to our formal training, we also organise social events and team building activities for our employees.

Relationship with our Employees

We maintain good working relations with our employees. We have not suffered from any material disruption of our normal business operations as a result of any labour dispute, strike or employee dispute. Our employees are not party to any collective bargaining agreements or represented by any labour unions.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of compensation (including fees, salaries, housing allowances, other allowances and benefits in kind) paid and granted by us to our directors for the three years ended 31 December 2005 and the three months ended 31 March 2006 were approximately nil, RMB15.4 million, RMB22.7 million and RMB3.6 million, respectively.

The aggregate amount of contributions to provident funds and bonuses paid to our directors for each of the three years ended 31 December 2005 and the three months ended 31 March 2006 were approximately nil, RMB 9.6 million, RMB11.1 million and RMB0.2 million respectively.

Since 31 March 2006, and in anticipation of the Listing of our Company, our board structure has changed. Dr. William Fung, Professor Gary Biddle, Dr. Roger McCarthy, Mr. David Shaw and The Honourable Chun Ying Leung were appointed as independent non-executive directors on 29 May 2006 and Sir John Bond and Dr. Edgar Cheng were appointed as independent non-executive directors on 7 September 2006. As at 31 March 2006, we had 17 directors, of whom 5 were executive directors and 12 were non-executive directors. Our board now comprises 10 directors, of whom 3 are executive directors and 7 are independent non-executive directors. The compensation paid to our directors for the three years ended 31 December 2005 and the three months ended 31 March 2006 therefore includes payments to individuals who are no longer serving as our directors.

During the three years ended 31 December 2005 and the three months ended 31 March 2006 and other than as set out below:

- No remuneration was paid by us to or receivable by our directors as an inducement to join or upon joining us.

- No compensation was paid by us to or receivable by our directors or past directors for the loss of office as a director or for loss of any other office in connection with the management of our affairs.

- None of our directors waived any emoluments.

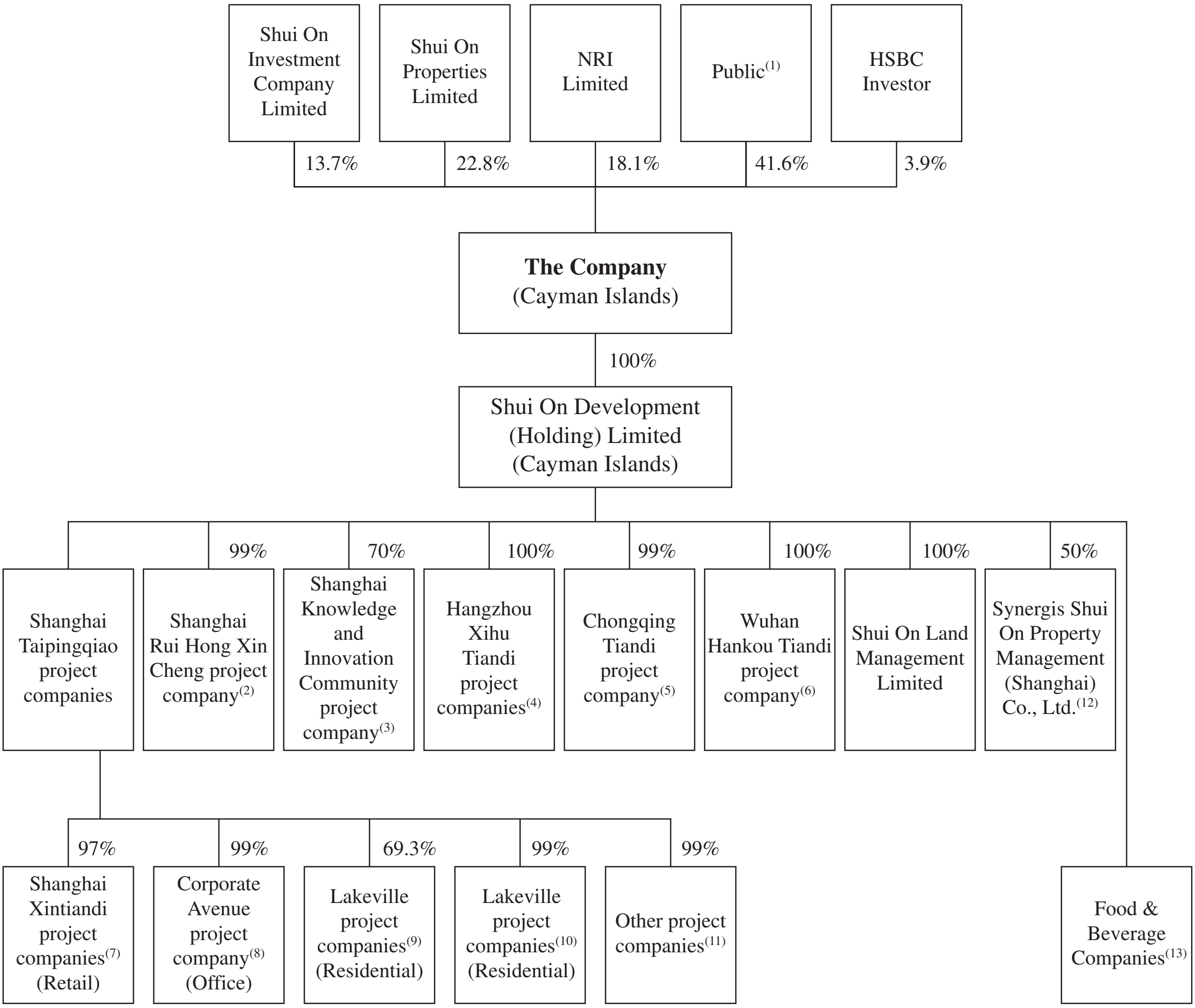
The remuneration of members of our senior management team is determined by the remuneration committee of our board and is reviewed on an annual basis taking into consideration performance criteria such as achieving revenue and net profit targets.

The five highest paid individuals of our Company include 2 directors for the year ended 31 December 2004, 3 directors for the year ended 31 December 2005 and 3 directors for the three months ended 31 March 2006, whose aggregate compensation has been included in the aggregate compensation of our directors above. Excluding the compensation of such directors, the aggregate amount of fees, salaries, housing allowances, contribution to retirement benefits plans, bonuses paid or receivable, and other allowances and benefits in cash or in kind paid by us to the five highest paid employees during the three years ended 31 December 2005 and the three months ended 31 March 2006 were approximately RMB 5.6 million, RMB 21.7 million, RMB 26.6 million and RMB5.3 million respectively. No compensation was paid by us to or receivable by such employees for the three years ended 31 December 2005 and the three months ended 31 March 2006 for loss of office in connection with the management of our affairs, or as an inducement to join or upon joining us.

Save as disclosed above, no other payments have been paid or are payable by us or any of our subsidiaries to our directors, in respect of the three years ended 31 December 2005 and the three months ended 31 March 2006. It is estimated that an aggregate of approximately RMB17.7 million, including benefits and contributions, but excluding discretionary bonus, will be paid by us to our directors as remuneration in respect of the year ending 31 December 2006, according to the present arrangements.

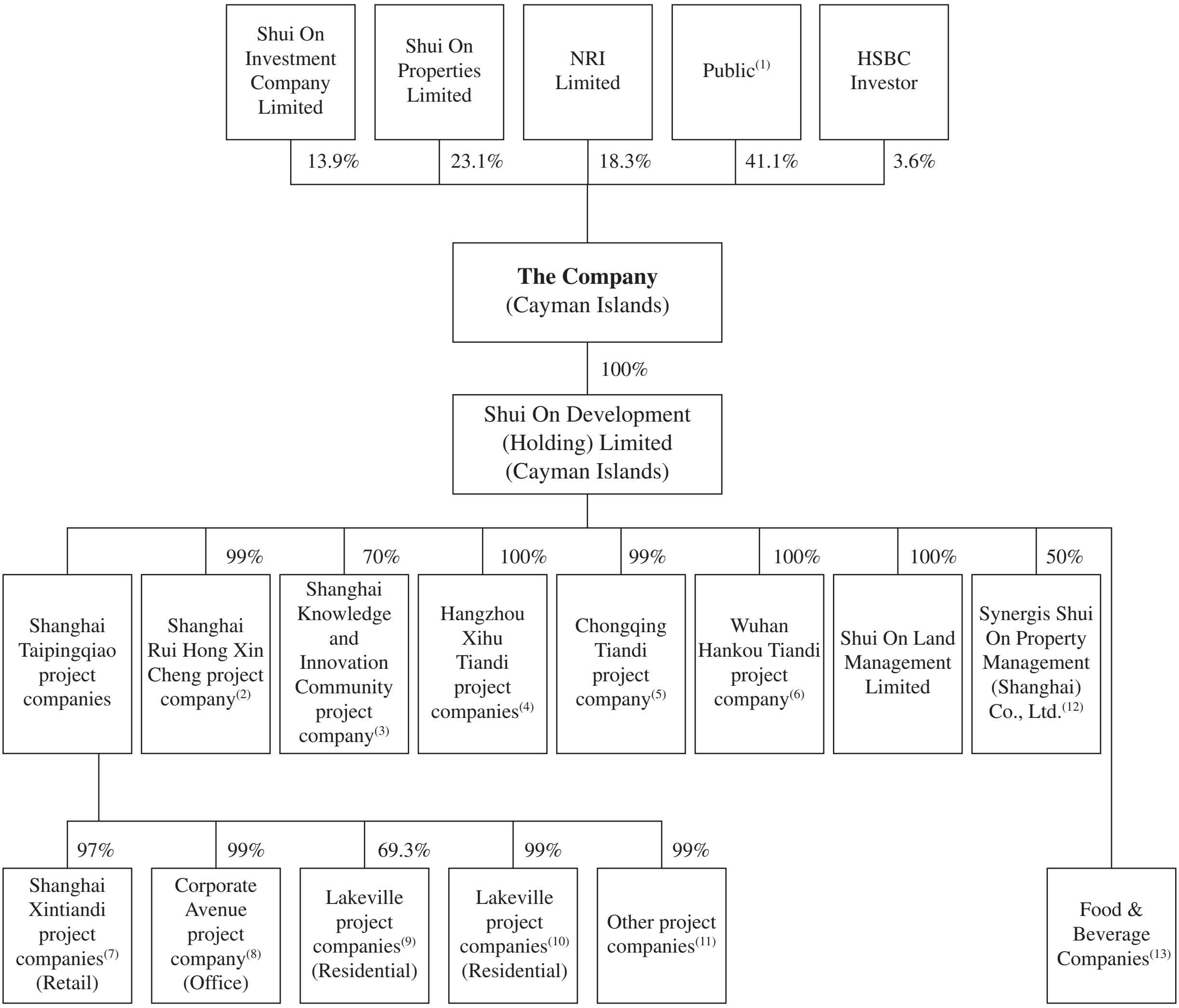
CORPORATE STRUCTURE

The following chart and table show our simplified corporate and shareholding structure as at the Listing Date assuming the Over-allotment Option is not exercised and otherwise based on the Share Capital Assumptions and an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus:



	Assuming an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus	
Shareholders of the Company	**No. of Shares**	**Percentage of shareholding in our Company**
Shui On Investment Company Limited	564,131,948	13.7%
Shui On Properties Limited	940,000,000	22.8%
NRI Limited	746,695,324	18.1%
HSBC Investor	161,625,000	3.9%
Public shareholders	1,715,635,772	41.6%
Total	4,128,088,044	100.0%

The following chart and table show our simplified corporate and shareholding structure as at the Listing Date assuming the Over-allotment Option is not exercised and otherwise based on the Share Capital Assumptions and the Maximum Offer Price:



	Assuming the Maximum Offer Price	
Shareholders of the Company	**No. of Shares**	**Percentage of shareholding in our Company**
Shui On Investment Company Limited	563,713,901	13.9%
Shui On Properties Limited	940,000,000	23.1%
NRI Limited	746,695,324	18.3%
HSBC Investor	145,009,345	3.6%
Public shareholders	1,673,804,001	41.1%
Total	4,069,222,571	100.0%

Notes:

(1) Public includes the shareholdings of our Financial Investors whose Preference Shares will be converted into Shares upon conversion as at the Listing Date, including the Shares to be sold by those of the Financial Investors which are Selling Shareholders.

(2) The project company of Shanghai Rui Hong Xin Cheng is Shanghai Rui Hong Xin Cheng Co., Ltd., which is incorporated in the PRC.

(3) The project company of Shanghai Knowledge and Innovation Community is Shanghai Yang Pu Centre Development Co., Ltd., which is incorporated in the PRC.

(4) The project companies of Hangzhou Xihu Tiandi are Hangzhou Xihu Tiandi Properties Co., Ltd. and Hangzhou Xihu Tiandi Management Co., Ltd., each of which is incorporated in the PRC.

(5) The project company of Chongqing Tiandi is Chongqing Shui On Tiandi Property Development Co., Ltd., which is incorporated in the PRC. We have entered into strategic partnerships in relation to Chongqing, through sales of 19.8% of our 99% indirect interest to third party investors, Winnington Capital Limited and Ocean Equity Holdings Limited. Winnington Capital Limited is an independent third party investor. Ocean Equity Holdings Limited is an associate of Mr. Stephen Wong who was a director of our Company within the 12 months preceding the Listing, and Ocean Equity Holdings Limited and certain of its and Mr. Stephen Wong's associates are existing investors in our Group. In addition, Ocean Equity Holdings Limited is an associate of Shun Hing China Investment Limited, which owns 10% of the shares in each of Profitstock Holdings Limited and Global State Properties Limited, both of which are our 70% owned subsidiaries. For these reasons, Ocean Equity Holdings Limited and other associates of Mr. Stephen Wong are treated as connected persons for the purposes of the Listing Rules but are otherwise unconnected with and independent of our Company and its controlling shareholder. For further details, see the sections entitled "Our Business — Our Property Projects — Our Projects Outside of Shanghai — Chongqing Tiandi", "Our Business — Connected Transactions — Edward Wong Development Company" and "Our Business — Connected Transactions — Sale of indirect interest in Chongqing Tiandi project company".

(6) The project company of Wuhan Hankou Tiandi is Wuhan Shui On Tiandi Property Development Co., Ltd., which is incorporated in the PRC.

(7) Project companies include Shanghai Ji-Xing Properties Co., Ltd., Shanghai Bai-Xing Properties Co., Ltd., Shanghai Xintiandi Plaza Co., Ltd., Shanghai Xing-Qi Properties Co., Ltd., each of which is incorporated in the PRC.

(8) The project company is Shanghai Xing-Bang Properties Co., Ltd. (Lot 110), which is incorporated in the PRC.

(9) Project companies include Shanghai Lakeville Properties Co., Ltd. (Lot 117) and Shanghai Jing-Fu Property Co., Ltd. (Lot 114), each of which is incorporated in the PRC.

(10) This includes Shanghai Fu-Xiang Properties Co. Ltd. (Lot 113) in which we have a 99% interest.

(11) Project companies include Shanghai Fu-Ji Properties Co., Ltd. (for Lot 122-3), Shanghai Xing-Qiao Properties Co., Ltd. (for Lot 126) and Shanghai Le-Fu Properties Co., Ltd. (for Lot 127), each of which is incorporated in the PRC.

(12) This subsidiary is a wholly foreign-owned enterprise in the PRC, in which we and Synergis Property and Facility Management (China) Ltd. each hold a 50% interest. This subsidiary holds a 100% interest in Shanghai Synergis Shui On Yangpu Property Management Co., Limited, which is incorporated in the PRC.

(13) Food & Beverage Companies include Shanghai Rui Zhen Food & Beverage Co., Ltd., Shanghai Xintiandi Huting Food & Beverage Co., Ltd. and Hangzhou Hucui Food Services Pte. Ltd., each of which is incorporated in the PRC.

We conduct our property development activities and hold our interest in our property development projects through subsidiaries, joint ventures and associated companies. Most of our property development projects are held through joint ventures. Our joint venture partners are generally affiliates of the local district governments with which we have arrangements for our property development projects. Our interest in these joint ventures is generally between 97% and 99% with the exception of certain of our Lakeville, Lakeville Regency and our Shanghai Knowledge and Innovation Community project company. The establishment of joint ventures is a common feature of the PRC property industry. For further details on these joint venture arrangements, see the section entitled "Further Information About Our Business — C. Our joint venture arrangements" in Appendix IX.

We also have associated companies. Our associated companies include (1) Synergis Shui On Property Management (Shanghai) Co., Ltd., which provides property management services to our property developments, and in which we have a 50% interest and Synergis Property and Facility Management (China) Ltd. has a 50% interest and (2) Shanghai Song Hu Public Traffic Hinge Construction Development Co., Ltd., which will operate a bus terminal at the Shanghai Knowledge and Innovation Community project, and in which we have a 25% interest, with Shanghai Baoshan Public Transport Company holding a 40% interest and Shanghai Yangpu University Town Property Development Company Limited, holding the remaining 35% interest.

The following table sets out certain information on our subsidiaries, joint ventures and associated companies as at the Latest Practicable Date:

Name of company	**Effective equity interest**	**Place of incorporation**	**Main activities**
Shanghai Taipingqiao project:			
Atlantic Best Limited	100%	Hong Kong	Investment holding
Billion World Limited	100%	Hong Kong	Investment holding
Bondwise Profits Limited(1)	70%	BVI	Investment holding
Brixworth International Limited	100%	BVI	Investment holding
Century Team Limited	100%	Hong Kong	Investment holding
Cititop Pacific Limited(1)	70%	Hong Kong	Investment holding
Costworth Investments Limited	100%	BVI	Investment holding
East Trend Limited	100%	Hong Kong	Investment holding
Excel Efficient Limited	100%	BVI	Investment holding
Focus Top Limited	100%	Hong Kong	Investment holding
Galore Profits Limited(1)	70%	BVI	Investment holding
Global Ocean Investments Limited	100%	BVI	Investment holding
Globaland Limited	100%	Hong Kong	Investment holding
Globe State Properties Limited(1)	70%	BVI	Investment holding
Infoshore International Limited	100%	BVI	Investment holding
Interchina International Limited	100%	BVI	Investment holding
Join Legend Limited	100%	Hong Kong	Investment holding
Keen Allied Investments Limited	100%	BVI	Investment holding
Kinmax Limited	100%	Hong Kong	Investment holding
Legend City Limited	100%	Hong Kong	Investment holding
Lucky Gain Limited	100%	Hong Kong	Investment holding
Marble Way Limited	100%	BVI	Investment holding
Modern Prosper Investments Limited	100%	BVI	Investment holding
Onfair Limited	100%	Hong Kong	Investment holding
Onwin Limited	100%	Hong Kong	Investment holding
Oriental Gain Limited(1)	70%	Hong Kong	Investment holding
Portspin Limited	100%	BVI	Investment holding
Princemax Limited	100%	Hong Kong	Investment holding
Profitstock Holdings Limited(1)	70%	BVI	Investment holding
Shanghai Bai-Xing Properties Co., Ltd.(2)	97%	PRC	Property development
Shanghai Fu-Ji Properties Co., Ltd.(2)	99%	PRC	Property development

CORPORATE STRUCTURE

Name of company	Effective equity interest	Place of incorporation	Main activities
Shanghai Fu-Xiang Properties Co., Ltd.(2)	99%	PRC	Property development
Shanghai Jing-Fu Property Co., Ltd.(3)	69.3%	PRC	Property development
Shanghai Ji-Xing Properties Co., Ltd.(2)	97%	PRC	Property development
Shanghai Lakeville Properties Co., Ltd.(3)	69.3%	PRC	Property development
Shanghai Le-Fu Properties Co., Ltd.(2)	99%	PRC	Property development
Shanghai Taipingqiao Properties Management Co., Ltd.(2)	99%	PRC	Property management
Shanghai Xing-Bang Properties Co., Ltd.(2)	99%	PRC	Property development
Shanghai Xing-Qi Properties Co., Ltd.(2)	97%	PRC	Property development
Shanghai Xing-Qiao Properties Co., Ltd.(2)	99%	PRC	Property development
Shanghai Xintiandi Plaza Co., Ltd.(2)	97%	PRC	Property development
Sino Wisdom Investments Limited	100%	BVI	Investment holding
Sinoco Limited	100%	Hong Kong	Investment holding
Sinothink Holdings Limited	100%	BVI	Investment holding
Timezone Management Limited	100%	BVI	Investment holding
Union Grow Limited	100%	Hong Kong	Investment holding
Shanghai Rui Hong Xin Cheng project:			
Foresight Profits Limited	100%	BVI	Investment holding
Hollyfield Holdings Ltd	100%	Mauritius	Investment holding
Shanghai Rui Hong Xin Cheng Co., Ltd.(4)	99%	PRC	Property development
Hangzhou Xihu Tiandi project:			
Billion Glory Limited	100%	Hong Kong	Investment holding
Bright Winner Limited	100%	Hong Kong	Investment holding
Grand Rich Limited	100%	Hong Kong	Investment holding
Hangzhou Xihu Tiandi Management Co., Ltd	100%	PRC	Property management and operation
Hangzhou Xihu Tiandi Properties Co., Ltd	100%	PRC	Property development
Pacific Gain Limited	100%	Hong Kong	Investment holding
Smart Silver Limited	100%	BVI	Investment holding
Chongqing Tiandi project:			
Chongqing Shui On Tiandi Property Development Co., Ltd.(10)	99%	PRC	Property development
Grand Hope Limited	100%	Hong Kong	Investment holding
Score High Limited	100%	BVI	Investment holding
Shanghai Knowledge and Innovation Community project:			
Bright Continental Limited	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	100%	BVI	Investment holding
Cybricity Limited	100%	Hong Kong	Investment holding
Shanghai Yang Pu Centre Development Co., Ltd.(5)	70%	PRC	Property development
Wuhan Hankou Tiandi project:			
Citichamp Limited	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	100%	BVI	Investment holding
Super Field Limited	100%	Hong Kong	Investment holding
Tip Profit Limited	100%	BVI	Investment holding
Wuhan Shui On Tiandi Property Development Co., Ltd.	100%	PRC	Property development
Food and beverage operations:			
Bestwealth Holdings Limited	100%	BVI	Investment holding

Name of company	Effective equity interest	Place of incorporation	Main activities
Chinalink Capital Limited	100%	BVI	Investment holding
New Power Profits Limited	100%	BVI	Investment holding
China Wealth (H.K.) Limited	100%	Hong Kong	Investment holding
New Asia Limited	100%	Hong Kong	Investment holding
Shanghai Rui Zhen Food & Beverage Co., Ltd.(6)	99%	PRC	Food & beverage services
Shanghai Xintiandi Huting Food & Beverage Co., Ltd.	100%	PRC	Food & beverage services
Others:			
Shui On Land Management Limited	100%	Hong Kong	Provision of management services
Shui On Development Limited	100%	PRC	Management consultancy and property management
Associated companies:			
Synergis Shui On Management Services (Shanghai) Ltd.(7)	50%	Hong Kong	Investment holding
Synergis Shui On Property Management (Shanghai) Co., Ltd.(8)	50%	PRC	Property management
Shanghai Synergis Shui On Yangpu Property Management Co., Ltd.	50%	PRC	Property management
Shanghai Song Hu Public Traffic Hinge Construction Development Co., Ltd.	25%	PRC	Traffic center development
Crystal Jade Food & Beverage (Hangzhou) Ltd.(9)	50%	Hong Kong	Investment holding
Hangzhou Hucui Food Services Pte Ltd	50%	PRC	Food & beverage services

Notes:

(1) The remaining interest is held by Equity Millennium Limited and Shun Hing China Investment Limited, which hold effective equity interests of 20% and 10%, respectively. Equity Millennium Limited is an associate of Mr. Stephen Wong, a former director of our Company.

(2) The remaining interest is held by Shanghai Fu-Xing Construction Development Co., Ltd., the joint venture partner of this project company.

(3) The remaining 30.7% interest in Shanghai Jing-Fu Property Co., Ltd. reflects an indirect 29.7% interest held by Equity Millennium Limited and Shun Hing China Investment Limited, the other shareholders of Profitstock Holdings Limited and a 1% interest held by Shanghai Fu-Xing Construction Development Co., Ltd., the joint venture partner of this project company. The remaining 30.7% interest in Shanghai Lakeville Properties Co., Ltd. reflects an indirect 29.7% interest held by Equity Millennium Limited and Shun Hing China Investment Limited, the other shareholders of Globe State Properties Limited and a 1% interest held by Shanghai Fu-Xing Construction Development Co., Ltd, the joint venture partner of this project company.

(4) The remaining interest is held by Shanghai Zhonghong (Group) Co., Ltd., the joint venture partner of this project company.

(5) The remaining interest is held by Shanghai Yang Pu Knowledge Innovation Zone Investment and Development Co., Ltd., the joint venture partner of this project company.

(6) The remaining interest is held by Shanghai Xintiandi Mall Commercial Co., Ltd., the joint venture partner of this project company.

(7) The remaining interest is held by Synergis Property and Facility Management (China) Ltd.

(8) This associated company is a wholly foreign-owned enterprise in the PRC, in which we own a 50% interest and Synergis Property and Facility Management (China) Ltd. owns a 50% interest.

(9) The remaining 50% interest is held by New Gallant Limited.

(10) The remaining 1% interest is held by Chongqing Yuzhong State-owned Asset Management Co. Ltd, the joint venture partner of this project company respectively.

HISTORY AND CORPORATE REORGANISATION

Our Company was incorporated as a Cayman Islands exempted company on 12 February 2004 by the Shui On Group and is the holding company of our Group. Prior to that date, we did not exist as a separate legal entity and certain of our assets were held and our business was conducted by the Shui On Group. In connection with our establishment, the Shui On Group transferred to us its property development business in the PRC, including the equity interests in certain of its subsidiaries as described below.

The following are important milestones in our corporate and shareholding history to date:

Year	Event
1971	• The Shui On Group was founded by Mr. Vincent H.S. Lo
1985	• The Shui On Group entered the PRC real estate market
1987	• Shui On Centre, the Shui On Group's headquarters in Hong Kong, was completed
1988	• Backdoor listing of Shui On (Contractors) Limited (the then holding company of the Shui On Group's construction businesses) on the Stock Exchange
1989	• City Hotel was completed in Shanghai. The Shui On Group has a 30% interest in this joint venture hotel project
1990	• Privatisation of Shui On (Contractors) Limited
1994	• The Shui On Group acquired the development rights for the current location of Shui On Plaza on Huai Hai Zhong Road in Shanghai in September 1994
1996	• The Shui On Group acquired the development rights for the Shanghai Rui Hong Xin Cheng project in April 1996 • The Shui On Group acquired the development rights for the Shanghai Taipingqiao project in December 1996 • Shui On Plaza, a Grade A office and commercial development located in Shanghai, was completed by the Shui On Group in December 1996 and became the Shui On Group's headquarters in the PRC
1997	• Listing of SOCAM on the Stock Exchange
1999	• The first phase development of the Shanghai Taipingqiao project was named Shanghai "Xintiandi" in March 1999
2001	• The northern part of Shanghai Xintiandi was opened to the public in the first half of 2001 • Completion of the Taipingqiao lake and park in June 2001

Year	Event
2002	• The southern part of Shanghai Xintiandi was officially opened in September 2002
	• 88 Xintiandi, the boutique hotel located in the southern part of Shanghai Xintiandi, was officially opened in November 2002
2003	• The garden phase (Phase 1) of the Hangzhou Xihu Tiandi project was officially opened at the end of April 2003
	• The Shui On Group acquired the development rights for the Chongqing Tiandi project in August 2003
2004	• Our Company was established in February 2004 as the flagship property company of the Shui On Group
	• The Shui On Group acquired the development rights for the Shanghai Knowledge and Innovation Community project in March 2004
	• Contribution of the Shanghai Taipingqiao project by the Shui On Group in April 2004
	• Contribution of the Shanghai Rui Hong Xin Cheng project by SOCAM in May 2004
	• Introduction of the Financial Investors
	• Contribution of the Shanghai Knowledge and Innovation Community, Chongqing Tiandi and Hangzhou Xihu Tiandi projects by the Shui On Group in December 2004
2005	• Addition of site in Wuhan to our property development portfolio in April 2005
	• Contribution of the food and beverage operations by the Shui On Group in July 2005
	• Shui On Development (Holding) Limited (the "Note Issuer") was established in July 2005
	• Issue and placement by the Note Issuer and our Company of US$375 million of 8.5% Notes due 2008 and 3,874,250 Warrants in October 2005
2006	• Investment of US$100 million in our Company by the HSBC Investor

Our origins

The Shui On Group was founded in 1971 by Mr. Vincent H.S. Lo, our Chairman and Chief Executive Officer. It is a Hong Kong-based privately-held diversified group with employees throughout Asia. The cement operations, construction, construction contracting and construction materials businesses of the Shui On Group, are held under SOCAM, a publicly listed company on the Stock Exchange. The Shui On Group, which originally focused on the Hong Kong market, entered the PRC real estate market in 1985. The Shui On Group completed the Shui On Centre in Hong Kong in 1987 and, in 1989, completed the City Hotel in Shanghai, a joint venture hotel project with a Chinese partner. In September 1994, the Shui On Group acquired the development rights for the current location of Shui On Plaza on Huai Hai Zhong Road in Shanghai.

The Shui On Group acquired the development rights for the Shanghai Rui Hong Xin Cheng and Shanghai Taipingqiao projects in April and December 1996, respectively. Shui On Plaza, a Grade A office and commercial development located in Shanghai, was completed in December 1996 and became the Shui On Group's headquarters in the PRC. It is now the location of our principal office and corporate headquarters. In March 1999, the first phase development of the Shanghai Taipingqiao project was named Shanghai "Xintiandi". The northern part of Shanghai Xintiandi was opened to the public in the first half of 2001 and the Taipingqiao lake and park was completed in June 2001. The southern part of Shanghai Xintiandi was officially opened in September 2002 and 88 Xintiandi, the boutique hotel, was officially opened in November 2002. The garden phase (Phase 1) of the Hangzhou Xihu Tiandi project was officially opened at the end of April 2003 and, in August 2003, the Shui On Group acquired the development rights for the Chongqing Tiandi project. The Shui On Group acquired the development rights for the Shanghai Knowledge and Innovation Community project in March 2004.

Formation of our Company and contribution of the Shanghai Taipingqiao and Shanghai Rui Hong Xin Cheng projects

In February 2004, our Company was formed as the flagship property company of the Shui On Group in the PRC, focusing on city-core development projects and integrated residential development projects. To this end, pursuant to a sale and purchase agreement entered into on 18 February 2004 among ourselves, Shui On Investment Company Limited and Shui On Company Limited (both of which are members of the Shui On Group), the Shui On Group contributed to us its equity interests in subsidiary companies owning the property and development rights for the Shanghai Taipingqiao project (including Shanghai Xintiandi) for an initial consideration of approximately US$301 million paid in Shares, with deferred consideration payable depending on the achievement of certain performance targets. This transaction was completed on 29 April 2004.

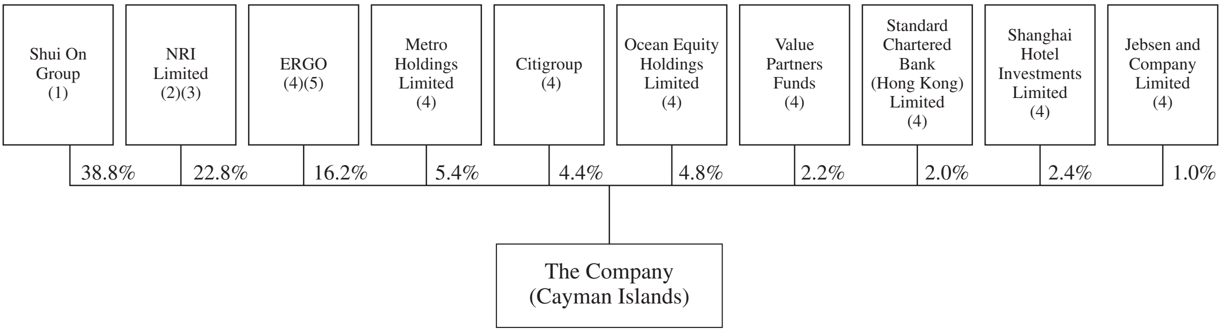
In February 2004, SOCAM contributed to us its equity interests in subsidiary companies owning the property and development rights for Phases 2 to 9 of the Shanghai Rui Hong Xin Cheng project for an initial consideration of approximately US$130 million paid in Shares, with deferred consideration payable depending on the achievement of certain performance targets. The transaction was completed on 31 May 2004.

In conjunction with these transactions, certain key members of our management team and other operational and administrative personnel joined us from the Shui On Group and SOCAM and we acquired equipment and facilities required for our business.

Introduction of the Financial Investors

On 18 February 2004, our Financial Investors, along with NRI Limited (a wholly owned subsidiary of SOCAM) subscribed 180 million Senior Preference Shares and 220 million Junior Preference Shares for an aggregate purchase price of US$400 million.

Immediately following completion of the Reorganisation and the issue of the full 400,000,000 Preference Shares, the shareholding structure of the Company was as follows:



Notes:

The percentages are based on the number of ordinary shares held by Shui On Investment Company Limited, Shui On Properties Limited and NRI Limited and the ordinary shares to which all holders of Preference Shares were entitled on conversion of those shares as at 30 June 2005 assuming full conversion at the conversion rate as at the date of issue of the full 400,000,000 Preference Shares. See the section entitled "Further Information About The Company — B. Changes in share capital" in Appendix IX for a summary of the issuances of our Preference Shares.

(1) Held by Shui On Investment Company Limited and Shui On Properties Limited.

(2) A wholly owned subsidiary of SOCAM.

(3) Holder of Preference Shares and ordinary shares.

(4) Holders of Preference Shares but not ordinary shares. Jebsen subsequently converted all of its Preference Shares to ordinary shares.

(5) Transferred its Preference Shares to Asia Real Estate Income Fund SICAV on 30 December 2005.

Contribution of the Shanghai Knowledge and Innovation Community, Chongqing Tiandi and Hangzhou Xihu Tiandi projects

In December 2004, the Shui On Group contributed to us its equity interests in certain subsidiary companies owning the property and development rights in relation to certain projects planned for future development, namely, the Shanghai Knowledge and Innovation Community project, the Chongqing Tiandi project and the Hangzhou Xihu Tiandi project, for a consideration of approximately US$115 million paid in cash.

Addition of site in Wuhan to our property development portfolio

On 28 April 2005, we won the bid for the development of the Hankou Tiandi site in Wuhan for RMB3.39 billion.

Contribution of the food and beverage operations

In July 2005, the Shui On Group contributed to us its equity interests in subsidiary companies owning certain food and beverage operations for the Shanghai Xintiandi portion of our Shanghai Taipingqiao project and Phase 1 of the Hangzhou Xihu Tiandi project for a consideration of RMB6,297,033 paid in cash.

Establishment of the Note Issuer and issue and placement of Notes and Warrants

Shui On Development (Holding) Limited (the "Note Issuer") was established with limited liability under the laws of the Cayman Islands on 27 July 2005 to act as the issuer of the Notes. The Note Issuer is a wholly owned subsidiary of the Company and is the holding company of all our other subsidiaries. The Note Issuer does not have any business other than acting as a holding company and issuer of the Notes.

On 12 October 2005, the Note Issuer issued US$375 million of 8.5% Notes due 2008 and we issued 3,874,250 Warrants attached to the Notes, exercisable for the subscription of ordinary shares equal to approximately 3.1% (on a fully diluted basis and assuming conversion of all Preference Shares) of our then outstanding shares of US$0.01 each. The Warrants are exercisable at an exercise price of US$0.01 per Share, at any time on or after the Listing Date and will expire on 12 October 2008. See the section entitled "Financial Information — Indebtedness and Contingent Liabilities — Warrants and Notes" for more details.

As a result of these transactions:

- The Shui On Group, together with SOCAM, became a majority shareholder in our Company;
- The Financial Investors became minority shareholders in our Company;
- Our Company became the holding company of our Group;
- The prime PRC developments of the Shui On Group and its 20 years of experience in developing properties in China have been consolidated in our Company; and
- We hold our real estate assets and development projects in the PRC.

Since the formation of our Group in 2004, we have expanded our business by the addition of the Wuhan Hankou Tiandi project. As at the Latest Practicable Date, the Group consisted of 21 group members incorporated in the PRC and 4 associated companies incorporated in the PRC. See Appendix I for more details.

Acquisition of minority interest in certain project companies for Shanghai Taipingqiao project

On 7 December 2005, we acquired the remaining 30% interest in the issued share capital of Interchina International Limited not held by us, from Equity Millennium Limited, as to 20%, and Shun Hing China Investment Limited, as to 10%.

The registered address of Equity Millennium Limited is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The registered address of Shun Hing China Investment Limited is at 15th Floor, New East Ocean Centre, 9 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong. Equity Millennium Limited and Shun Hing China Investment Limited hold interests in the share capital of certain other of our subsidiaries. See the section entitled "Corporate Structure".

Equity Millennium Limited is an associate of Mr. Stephen Wong, a former director of our Company. Ocean Equity Holdings Limited, a Preference Shareholder and Selling Shareholder, is an associate of both Equity Millennium Limited and Shun Hing China Investment Limited.

Interchina International Limited is the indirect sole legal and beneficial shareholder of Atlantic Best Limited, which is the registered and beneficial owner of 99% of the equity interest in Shanghai Xing Bang Properties Company Limited, the project company for, and sole registered owner of, Lot 110.

Interchina International Limited is also the indirect sole legal and beneficial shareholder of Costworth Investments Limited, which is the registered and beneficial owner of 99% of the equity interest in Shanghai Fu Xiang Properties Company Limited, the project company for, and sole registered owner of, Lot 113.

The aggregate consideration payable for the acquisition of the 30% interest in Interchina International Limited is RMB894,240,000, of which RMB596,160,000 is payable to Equity Millennium Limited and RMB298,080,000 to Shun Hing China Investment Limited. This consideration included the purchase of the benefit of shareholder loans in the amount of RMB61,168,000 owed to Equity Millennium Limited and RMB30,584,000 owed to Shun Hing China Investment Limited. The consideration is payable in two instalments. The first instalment in the sum of RMB268,270,000 (RMB178,846,667 to Equity Millennium Limited and RMB89,423,333 to Shun Hing China Investment Limited) was paid at completion on 22 December 2005 and the second instalment of RMB625,970,000 (RMB417,313,333 to Equity Millennium Limited and RMB208,656,667 to Shun Hing China Investment Limited) is required to be paid within seven business days after the Listing Date or 30 June 2007, whichever is earlier. The consideration is based on the market value of the assets at the relevant time.

Amendment to the terms of the Warrants

We have amended the terms of the Warrants such that they will be exercised automatically upon Listing and satisfied by the issue of Shares. Together with the Shares being issued in the Global

Offering (excluding any Shares issuable on exercise of the Over-allotment Option), this will result in the issue of 108,990,200 new Shares based on an Offer Price of HK$4.80 (being the bottom end of the Offer Price range in this prospectus) or 107,370,582 new Shares based on the Maximum Offer Price.

Investment of US$100 million in our Company by the HSBC Investor

In June 2006, the HSBC Investor subscribed US$100 million for new Shares of our Company. See the section entitled "The HSBC Investment" for more details.

Status of the Financial Investors

As at 1 January 2006, 10 million Senior Preference Shares held by one of our Financial Investors, Jebsen and Company Limited, were converted into 8,115,547 shares of US$0.01 each, which were later subdivided into 32,462,188 Shares. On Listing, the remaining 390 million Preference Shares will be mandatorily converted into Shares based on the aggregate of the original subscription price and accrued and unpaid dividends calculated up to the Listing Date at a conversion rate, which for the Senior Preference Shares, will be US$0.3375, after adjusting for the subdivision of our shares. The number of Shares issuable to holders of Senior Preference Shares is subject to further adjustment to provide that the holders achieve a maximum internal rate of return of 27.5% on their investment in those Senior Preference Shares and hence is dependent on the Offer Price. At Offer Prices of HK$4.80 and HK$5.35, being, respectively, the bottom end of the Offer Price range in this prospectus and the Maximum Offer Price, the aggregate number of Shares that will be issued to the Senior Preference Shareholders (or at their direction) on conversion at the Listing Date will be 395,231,232 Shares or 354,601,032 Shares, respectively.

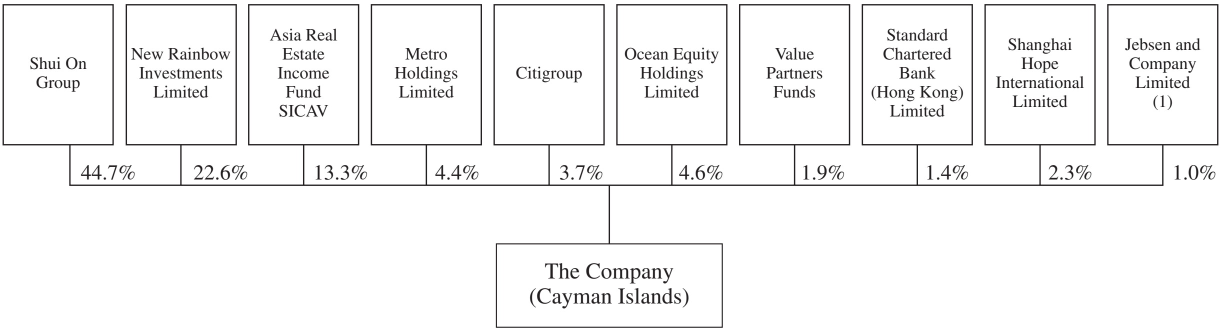
The conversion rate for the Junior Preference Shares will be US$0.2675, after adjusting for the subdivision of our shares. The aggregate number of Shares that will be issued to the Junior Preference Shareholders (or at their direction) on conversion at the Listing Date will be 842,579,424 Shares.

For further information on the issuance and conversion of the Preference Shares, see the section entitled "Further Information About The Company — B. Changes in share capital" in Appendix IX.

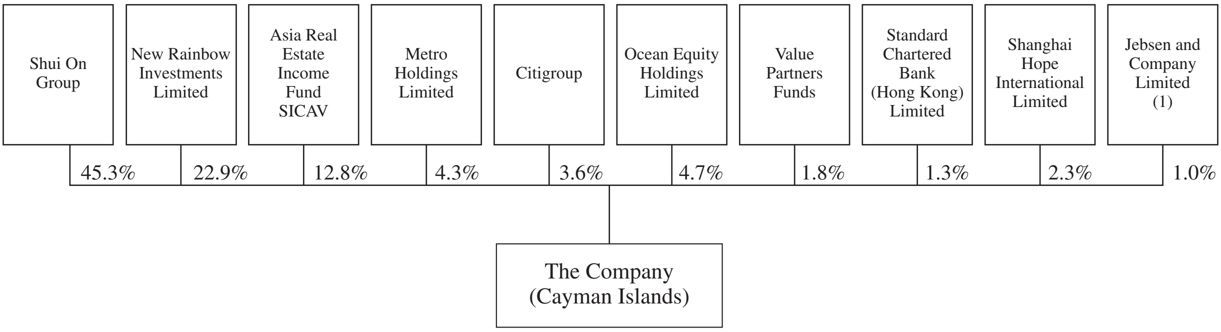
Bonus consideration due to Shui On Investment Company Limited and NRI Limited

Under the sale and purchase agreements relating to the Shanghai Taipingqiao project and the Shanghai Rui Hong Xin Cheng project, Shui On Investment Company Limited and NRI Limited are entitled to receive bonus consideration if certain performance targets are met. The bonus consideration is satisfied by the issue and allotment of Shares. On 9 December 2005, we issued and allotted 5,866,667 Shares of US$0.01 each to NRI Limited by way of bonus consideration in part satisfaction of its entitlement to receive performance-related consideration pursuant to the Shanghai Rui Hong Xing Cheng sale and purchase agreement, which number was later subdivided into 23,466,668 Shares. On 2 March 2006, we issued and allotted a further 2,933,333 ordinary shares of US$0.01 each to NRI Limited in final satisfaction of the bonus consideration due to it, which number was later subdivided into 11,733,332 Shares. It is anticipated that, as at the Listing Date, we will issue and allot 272,000,000 Shares to Shui On Investment Company Limited in full satisfaction of its entitlement to receive performance-based consideration pursuant to the Shanghai Taipingqiao sale and purchase agreement. See the section entitled "Further Information About The Company — B. Changes in share capital" in Appendix IX. As at the Listing Date, immediately following the issue of 272,000,000 Shares to Shui On Investment Company Limited, assuming full conversion of the Preference Shares, but without taking account of the HSBC Investment or the issue of any Shares on conversion of the Warrants or any of the new Shares offered for subscription pursuant to the Global Offering (or the exercise of the Over-allotment Option), the shareholding structure of the Company would be as follows:

Assuming an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus



Assuming an Offer Price of HK$5.35, being the Maximum Offer Price



Notes:

(1) Holder of 32,462,188 Shares, reflecting the subdivision of our shares following Jebsen's election to convert its 10,000,000 Senior Preference Shares into Shares with effect from 1 January 2006.

See the charts and tables at the beginning of this "Corporate Structure" section for details of our corporate and shareholding structure at Listing following conversion of the Preference Shares and based on the other Share Capital Assumptions. Following the Listing, none of the Financial Investors with the exception of Ocean Equity Holdings Limited will be connected parties of the Company for the purposes of the Listing Rules.

The Company does not depend upon financial support from the Shui On Group. The directors' confirmation of their belief that the Company has sufficient working capital for its present requirements, which is for at least the next 12 months from the date of this prospectus, is given without reliance on loans or guarantees from the Shui On Group. See the section entitled "Financial Information — Working Capital".

Other than Mr. Vincent H.S. Lo, who is Chairman and Chief Executive Officer of the Company, there is no overlap of management between the Company and the Shui On Group or SOCAM. Mr. Lo is also Chairman of SOCAM and Chairman and Chief Executive Officer of the Shui On Group. SOCAM is managed by its Chief Executive Officer Mr. Frankie Y.L. Wong. Mr. Lo will continue to devote all his time and attention to the affairs of the Group and SOCAM, and will focus a substantial majority of his time on the business of the Group. He has no day-to-day involvement with the affairs of the Shui On Group and will not spend any significant amount of time on the affairs of the Shui On Group.

In June 2006, Messrs. Wilfred Y.W. Wong and Louis H.W. Wong resigned their directorships of SOCAM, Shui On Company Limited and (in the case of Mr. Wilfred Y.W. Wong) Shui On Holdings Limited to focus on the business of the Company. Other than Mr. Lo, the management of the Company and the Group are not involved in managing the businesses of the Shui On Group and SOCAM.

Except for a number of property leasing and trademark licensing arrangements, which we have entered into with subsidiaries of our controlling shareholder, Shui On Company Limited, there is no operational dependence by the Company on the Shui On Group. See the section entitled "Our Business — Connected Transactions" for details of the property leasing and trademark licensing arrangements.

Although members of the Shui On Group entered into the master agreements for the Shanghai Taipingqiao and Shanghai Knowledge and Innovation Community projects, the Group enjoys the benefit of the rights under these master agreements pursuant to the deeds of undertaking entered into between the Company and the relevant Shui On Group subsidiaries. The relevant Shui On Group subsidiaries have, pursuant to the deeds, irrevocably undertaken to, among other things, exercise all of their remaining rights under the master agreements at the direction of the Company. See the section entitled "Further Information About Our Business — B. Agreements for our development projects" in Appendix IX for more details. Pursuant to these deeds of undertaking, the management and employees of the Group deal with the day-to-day management and execution of the Shanghai Taipingqiao and Shanghai Knowledge and Innovation Community projects under the relevant master agreements, without any involvement of the Shui On Group. Further, the Group's project companies which develop these project sites (or the immediate parent companies of those project companies, if they have not yet been formed) have entered and will enter into land grant contracts with the relevant land bureaus pursuant to the master agreements. The relevant District government or PRC authorities (as the case may be) deal directly with the Group's project companies (or their parent companies) and those project companies are the grantees of the land use rights certificates, pursuant to the land grant contracts.

The master agreements for the Shanghai Taipingqiao and Shanghai Knowledge and Innovation Community projects are the only master agreements that have been entered into by members of the Shui On Group which did not become subsidiaries of the Company pursuant to the Reorganisation. Members of the Shui On Group will not enter into master agreements in relation to any of the Group's future development projects.

On the basis of the matters described in this section, our directors are of the view that the Company is capable of carrying on its business independently of its controlling shareholder and its associates following Listing.

OUR CONTROLLING SHAREHOLDER

On completion of the Global Offering and based on the Share Capital Assumptions, the Shui On Group will hold approximately 36.4% (based on an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus) or approximately 37.0% (based on the Maximum Offer Price) of our Shares (before taking into account any exercise of the Over-allotment Option), and will be our controlling shareholder. On completion of the Global Offering (and on the same basis and assumptions), the Shui On Group and SOCAM will together hold approximately 54.5% (based on an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus) or approximately 55.3% (based on the Maximum Offer Price) of our Shares. The ultimate controlling shareholder of the Shui On Group is our Chairman and Chief Executive Officer, Mr. Vincent H.S. Lo. For further details regarding our substantial shareholders, see the section entitled "Substantial Shareholders".

The Shui On Group has given certain undertakings to us concerning its investment in future property development projects in the PRC. See "Non-competition agreement" for details of the non-compete arrangements we have entered into with Mr. Vincent H.S. Lo and the Shui On Group. Shui On Company Limited, the ultimate holding company of the Shui On Group, has also agreed to give certain indemnities in respect of litigation and taxation matters in favour of the Group. See the section entitled "Other Information — A. Litigation and tax indemnity and estate duty" in Appendix IX for details of the indemnities.

THE SHUI ON GROUP

The Shui On Group was founded in 1971 by Mr. Vincent H.S. Lo, our Chairman and Chief Executive Officer. Mr. Lo has developed the Shui On Group from a small construction company into a diversified group with employees throughout Asia. The Shui On Group divides its businesses into three core businesses, namely, construction, construction materials and properties. The construction and construction materials businesses are grouped under SOCAM, which was listed on the Stock Exchange in February 1997. The full-time senior executives of SOCAM are Messrs. Frankie Y.L. Wong, Lawrence Y.K. Choi, Raymond F.L. Wong and Ms. Vivien H.W.W. Lowe.

The properties business is grouped under Shui On Investment Company Limited and Shui On Properties Limited, which were the property investment and development arms of the Shui On Group prior to the formation of our Company in 2004. Shui On Company Limited is the ultimate holding company of the Shui On Group. The board of Shui On Company Limited comprises Messrs. Vincent H.S. Lo, Frankie Y.L. Wong and Lawrence Y.K. Choi. The day-to-day management of the Shui On Group is headed by the board of directors of the relevant operating subsidiaries.

The Shui On Group, which originally focused on the Hong Kong market, expanded its business into the Chinese mainland in 1985 and built a sizeable portfolio of property development and investment projects in the Chinese mainland. Its prime developments in the Chinese mainland have been injected into the Company.

THE SHUI ON GROUP'S EXISTING PROPERTY INTERESTS

The Shui On Group focuses on property investments with interests in Hong Kong and New York in addition to certain property development projects it has retained in the Chinese mainland. The Shui On Group currently has the following property interests in the PRC (the "Shui On Group's Existing PRC Interests"):

Shui On Plaza

Shui On Plaza is a 23-storey Grade A office and commercial development located on Huai Hai Zhong Road, Shanghai with a total GFA of approximately 78,000 square metres, including 30,000 square metres of commercial space. The project was completed in early 1997. Shui On Plaza is owned by Shanghai Jiu Hai Rimmer Properties Co., Ltd. ("Shanghai Rimmer"), in which the Shui On Group holds an 80% interest. Shanghai Nine Sea Industry and Commerce Corporation (上海九海實業公司) ("Shanghai Nine Sea"), an affiliated entity of the Luwan District government, holds the remaining 20% interest. Shui On Plaza is managed by Synergis Shui On Property Management (Shanghai) Co., Ltd. ("Synergis Shanghai"), a wholly foreign-owned enterprise in the PRC in which the Company and Synergis Property and Facility Management (China) Limited (a third party) each hold a 50% interest. Synergis handles the security, cleaning and maintenance of Shui On Plaza. The leasing of Shui On Plaza has been undertaken by the Company's wholly-owned subsidiary, Shui On Development Limited ("SODL", formerly known as Shanghai Shui On Land Limited), pursuant to a management agreement between Shanghai Shui On Properties Development Management Co., Ltd., a wholly-owned subsidiary of Shui On Company Limited, and SODL. SODL also performs accounting and administration functions for Shui On Plaza. This arrangement has been disclosed in the section entitled "Our Business — Connected Transactions".

Phase 1 of Shanghai Rui Hong Xin Cheng

Phase 1 of Shanghai Rui Hong Xin Cheng is a residential and commercial development located in Hongkou district, Shanghai. It comprises approximately 10 high-rise apartment buildings consisting of 1,717 residential units, landscaped areas, clubhouse, commercial arcade, kindergarten and basement carparking. The commercial arcade was completed in 1999. The rest of Phase 1 was completed in 2002 prior to the formation of the Group in 2004. The Shui On Group has sold all the residential units. The Shui On Group's remaining interest in Phase 1 comprises a commercial arcade with a total GFA of 4,718 square metres, clubhouse, kindergarten and basement car parking spaces. An independent third party company selected by the owners' committee manages the residential portion of Phase 1. Synergis Shanghai manages the clubhouse, commercial arcade, kindergarten and basement carparking of Phase 1.

City Hotel

City Hotel is a four-star hotel with 300 guest rooms, a business centre, restaurants and recreation facilities on 26 storeys located in South Shanxi Road, Shanghai with a buildable GFA of 15,563 square metres. Besides being an investor, the Shui On Group was responsible for the design and project management of the hotel. The project was completed in 1989 and is managed by the Chinese joint venture partner, Shanghai City Industrial Co., Ltd. (上海城市實業有限公司). The Shui On Group holds a 30% interest in this joint venture hotel project.

The Centrepoint

The Centrepoint is a commercial/serviced apartment mixed complex located on Beijing Road, Guangzhou. The project is under construction and is due to be completed in mid 2007 with a planned GFA of approximately 71,210 square metres. The Shui On Group holds a 100% interest in this development project.

Lots 107 and 108 of Shanghai Taipingqiao

Two five-star hotels with a total of 720 rooms are planned on these two lots. The hotels are due to be completed in the second half of 2008 with a planned GFA of approximately 66,059 square metres above ground and a further 33,673 square metres below ground level. Upon completion, the hotel located on Lot 107 will be managed by Jumeirah International LLC while the other hotel located on Lot 108 will be managed by Hilton International Company under the "Conrad" brand. The Shui On Group holds a 15% interest in these developments. A third party, Shanghai Hotel Investments Limited, holds the remaining 85% interest.

A detailed explanation of the reasons for the exclusion of the Shui On Group's Existing PRC Interests from the Group on its Reorganisation is set out below.

The Shui On Group also has the following interests outside the Chinese mainland:

Shui On Centre

The headquarters of the Shui On Group in Hong Kong (Wan Chai). The building is a 35-storey commercial building with a three-level basement, located on the waterfront of Victoria Harbour with a total GFA of 27,982 square metres. The project was completed in 1987 and is managed by Shui On Centre Property Management Limited, a wholly owned subsidiary of the Shui On Group.

Riverside South Development Project

This project is located at the southern end of Manhattan, New York, comprising 17 residential buildings ranging in height from 18 storeys to 49 storeys with a total of 5,700 residential units with parking, plus commercial and retail space and a riverfront park. This project has a total GFA of 729,185 square metres and is managed by a third party. The Shui On Group has a 14% interest in this project.

As the Company focuses solely on the PRC, the Shui On Group's property interests outside of the PRC do not compete with it and Mr. Lo does not intend to inject these interests into the Group.

REASONS FOR EXCLUSION OF THE SHUI ON GROUP'S EXISTING PRC PROPERTY INTERESTS

As stated in the section entitled "Our Business — Strategy", our strategy is to continue to acquire land development rights in the cities in China where we already have developments and other major cities that have relevant characteristics, and to undertake primarily large-scale city-core development and integrated residential development projects in those cities.

It is not part of our strategy to acquire developed properties for investment or to acquire minority interests in development projects or developed properties.

The property interests transferred to us on our formation in 2004 were selected based on their compatibility with the strategy stated above, to focus on new development opportunities for large-scale city-core and integrated residential developments.

Among others, the principal reason why the Shui On Group's Existing PRC Interests were not transferred to us on our formation, and why Mr. Vincent H.S. Lo does not intend to inject any of these interests into us, is that these properties did not, and do not, fit with our strategy.

It is not part of our strategy to acquire properties for pure investment purposes that have not been developed by the Group, nor to acquire single unit developments for rental income purposes. In addition, the Shui On Group's Existing PRC Interests are of a smaller scale compared to the developments we generally undertake, which are large-scale and multi-phased. One of our strengths is the economies of scale which we can enjoy from the large-scale property developments we undertake.

In May 2006, we canvassed the opinion of the Financial Investors as to whether or not they would be willing for the Shui On Group's Existing PRC Interests to be injected into us prior to Listing. The Financial Investors have confirmed to us that they would not approve the injection of these interests into us on an arm's length basis at open market value prior to Listing. In particular:

Shui On Plaza

- Although in the vicinity of our Corporate Avenue office and commercial properties in the Shanghai Taipingqiao project, Shui On Plaza is not part of the master plan for Taipingqiao. As a developed, stand alone office building, its acquisition would not fit with our current strategy. Generally, financial returns are significantly higher for developing an investment property rather than through acquiring an investment property.

- At the time of the Reorganisation, when we and our financial adviser, JPMorgan, were canvassing the interest of the Financial Investors, the injection of Shui On Plaza into our Group was considered and rejected. The incoming Financial Investors did not find Shui On Plaza attractive because of its low yields compared to the other development opportunities we now have and because it did not fit with our strategy. Our acquisition of Shui On Plaza would require a 75% approval of the Financial Investors pursuant to the terms of the subscription and shareholders' agreement dated 18 February 2004 between the Company, certain members of the Shui On Group, SOCAM and the Financial Investors (the "Subscription Agreement"). The Financial Investors have reconfirmed that such acquisition effected on an arm's length basis at open market value would not be acceptable to them.

- The returns we have enjoyed on developing an investment property are substantially greater than those we would achieve on acquiring such a property. For example, Shui On Plaza's gross rental yield in 2005 based on its market value as at 31 March 2005 was approximately 8.7%. Based on its development cost, our Corporate Avenue development (Lot 110) in the Shanghai Taipingqiao project provided a gross rental yield of approximately 21.4% in 2005. In all cases further capital appreciation is expected, but clearly where investment properties are developed rather than acquired, as is our strategy, the returns are significantly higher.

- A transfer of Shui On Plaza to us would require the consent of the minority shareholder, Shanghai Nine Sea, which also has a first right of refusal to acquire the Shui on Group's 80% interest in Shanghai Rimmer, which directly owns Shui On Plaza. If the transfer is at a discount to open market value, it will increase the possibility of Shanghai Nine Sea exercising its first right of refusal. A transfer of Shui On Plaza to us at market value would result in the lower returns discussed above.

- Our investment management committee comprises representatives of our controlling shareholders and the Financial Investors and currently has 16 members. In deciding whether to approve or disapprove of a project or investment, the committee must consider certain investment criteria set out in the Subscription Agreement, which include a requirement of a minimum expected target rate of return on equity. Whether this could be achieved in relation to Shui On Plaza would depend on the price at which the transfer is made, but it is unlikely to be the case if it were transferred at market value. For Shui On Plaza to be transferred to us at a price lower than market value would be unfairly prejudicial to the Shui On Group, as it would effectively transfer the property to the Financial Investors at an undervalue. The Subscription Agreement will terminate automatically upon Listing at which time the investment management committee will be disbanded. From the Listing Date, investment decisions will rest with our board of directors.

- Shui On Plaza was not transferred to us for these reasons, but will be the subject of an option as described in the subsection below entitled "Options in respect of Shui On Plaza and The Centrepoint".

Phase 1 of Shanghai Rui Hong Xin Cheng

- The Shui On Group's remaining interest in Phase 1 comprises developed commercial property and other facilities which are ancillary to the residential units in Phase 1, which were sold by the Shui On Group. As mentioned above, this remaining interest comprises a commercial arcade, clubhouse, kindergarten and basement carparking which support the residential units. The extent of competition which the retained commercial property interest represents for our commercial property in our other phases of Shanghai Rui Hong Xin Cheng is minimal because these projects will have their own commercial and other ancillary facilities and the Shui On Group's retained commercial property interest is of a relatively low commercial value. The market value of the commercial portion of Phase 1 was HK$29 million as at 31 March 2005.

City Hotel

- The Shui On Group's interest in the City Hotel is a 30% minority interest, held for investment purposes, in a hotel project which is majority owned and accordingly controlled by a third party. Begun in 1985, it was one of the first projects undertaken by Mr. Lo in the PRC. The hotel is a four-star establishment catering primarily to a domestic clientele and budget travellers. The Shui on Group's 30% interest has not been transferred to us because the City Hotel operates in a different market segment from our hotel in Shanghai Taipingqiao, 88 Xintiandi, which is a high-quality boutique hotel targeting an international clientele. As the City Hotel targets a different clientele, our directors consider that it does not compete with our business in this sector. Furthermore, it was not transferred to us as it is both a minority interest and a completed development which does not fit with our strategy.

The Centrepoint

- This property development is located in Guangzhou, where we do not currently have any development interests. Because of its location and the state of the market in Guangzhou, the site has taken some years to be developed and is not the type of strategic location on which our strategy is focused. It is a partly developed single use property, which is not part of a larger city-core or integrated residential development. Also, consistent with the strategy outlined above, we would not acquire a developed or partly developed property with this profile. The Centrepoint was not transferred to us because it is not the type of strategic location on which our strategy is focused. It is also a partly developed property and it would not be consistent with our strategy to acquire it. However, the Centrepoint will be the subject of an option as described in the subsection below entitled "Options in respect of Shui On Plaza and The Centrepoint".

Lots 107 and 108 of Shanghai Taipingqiao

- The Shui On Group's interest in the two five-star hotels, which will be located on Lots 107 and 108 of the Shanghai Taipingqiao project, is a 15% minority interest held for investment purposes in developments which are majority owned and accordingly controlled by a third party. Mr. Vincent H.S. Lo does not intend to transfer the Shui On Group's interest in Lots 107 and 108 to us because it is not part of our current strategy to acquire a minority interest in development properties. The Shui On Group's attributable interest in Lots 107 and 108 was valued at approximately US$10.8 million as at 20 April 2006.

Our directors believe that, taking into account these factors, the Shui On Group's Existing PRC Interests do not now, and will not in the future, compete to any material extent with our business activities.

NON-COMPETITION AGREEMENT

We have entered into a non-competition agreement with Mr. Vincent H.S. Lo and Shui On Company Limited, to govern the conduct of the following activities in the PRC between Mr. Vincent H.S. Lo and the Shui On Group on the one hand, and us on the other:

- the acquisition, development or dealing in land, real estate or investments in land or real estate, or any option or right in relation to any of such interests;
- the development of real estate projects, or acquiring or holding any right, option or other interest in such developments;
- property management; or
- acquisition, holding or dealing in any shares of, or interest in, any company, investment trust, joint venture or other entity which engages in any of the above businesses;

(together, the "Defined Business").

Under this agreement, Mr. Vincent H.S. Lo and Shui On Company Limited have undertaken that we shall be the flagship company of the Shui On Group for its property development and investment business in the PRC. In particular, they have undertaken on a several basis, subject to the exceptions referred to below, that they shall not, and will procure that no company controlled by Mr. Vincent H.S. Lo (other than SOCAM or its subsidiaries)(the "Associated Companies") or in the Shui On Group shall carry on or engage, invest, participate or be interested (economically or otherwise) in any Defined Business in the PRC.

Mr. Vincent H.S. Lo and Shui On Company Limited have further undertaken to procure that any business investment or other commercial opportunity in the PRC relating to the Defined Business (the "New Opportunity") that Mr. Vincent H.S. Lo (or his Associated Companies) or the Shui On Group identifies or that is offered to them by a third party, is first referred to us in the following manner:

- The party required to refer, or to procure the referral of, the New Opportunity to us (the "Offeror"), shall give written notice to us of the New Opportunity identifying the nature of the New Opportunity and detailing all information reasonably necessary for us to consider whether to pursue the New Opportunity (including details of any investment or acquisition costs) (the "Offer Notice");
- As soon as possible and in any case within 25 business days from the receipt of the Offer Notice, we are required to notify the Offeror in writing of any decision taken to pursue or decline the New Opportunity. We will seek approval from our board committee, comprising independent non-executive directors who do not have a material interest in the matter, as to whether to pursue or decline the New Opportunity;
- The Offeror will be entitled to pursue the New Opportunity if (i) the Offeror has received a notice from us declining the New Opportunity or (ii) the Offeror has not received any

notice from us that we have decided to pursue or decline the New Opportunity within 25 business days from receipt by us of the Offer Notice from the Offeror. If there is a material change in the nature of the New Opportunity pursued by the Offeror, the Offeror will refer the New Opportunity as so revised to us in the manner as outlined above.

We will disclose in our annual report any decision by the independent non-executive directors to decline a new business opportunity.

The non-compete undertakings will not apply to prevent Mr. Vincent H.S. Lo (or his Associated Companies) or any member of the Shui On Group from:

- Acquiring, developing, redeveloping or holding any interests in land or real estate in the PRC solely for the purposes of occupation by any member of the Shui On Group or any Associated Company of Mr. Vincent H.S. Lo in the ordinary course of its businesses; or

- Developing, redeveloping or holding any of the Shui On Group's Existing PRC Interests; or

- Acquiring, holding, developing or redeveloping any interest in a proposed golf course resort project in Li-jiang, Yunnan Province, PRC, including associated resort villas and commercial properties, subject to an option for us to purchase, by giving written notice to Mr. Vincent H.S. Lo or the Shui On Group (as the case may be) at any time prior to the expiry of 2 years from the date of the non-competition agreement, the interest in the proposed golf course resort project for a consideration equal to the amount invested and expenses incurred by Mr. Vincent H.S. Lo or the Shui On Group (as the case may be) in acquiring its interest in and/or developing or redeveloping such proposed golf course resort project; or

- Providing property management services in relation to any land or real estate referred to above; or

- Acquiring or holding any units or shares of any company, investment trust, joint venture or other entity which engages in the Defined Business where such investment does not exceed 15% of the outstanding voting stock of such entity provided such investment does not grant any right to control the composition of the board of directors or managers of such entity nor any right to be involved, directly or indirectly, in managing the operations of such entity.

Mr. Vincent H.S. Lo and Shui On Company Limited have further undertaken to:

- Allow, subject to confidentiality restrictions imposed by third parties, our representatives and those of our auditors to have access to such of their respective financial and corporate records as may be necessary for us to determine whether the non-compete undertakings have been complied with by Mr. Vincent H.S. Lo (or his Associated Companies) and the Shui On Group;

- Provide us, within 20 business days from the receipt of our written request, with a written confirmation in respect of their compliance, and that of Mr. Vincent H.S. Lo's Associated Companies and the Shui On Group, with the non-compete undertakings and agreement for the inclusion of such confirmation in our annual report; and

- Keep us informed of New Opportunities that he or it identifies or that is offered to him or it by a third party.

Mr. Vincent H.S. Lo and Shui On Company Limited have both acknowledged that we may be required by law, regulatory bodies or the rules and regulations of the stock exchange(s) on which we may be listed from time to time to disclose information on the New Opportunities, including but not limited to disclosure in public announcements or our annual report of decisions made by us to pursue or decline New Opportunities, and they have agreed to such disclosure to the extent necessary to comply with any such requirement.

See further on corporate governance in relation to the non-compete undertakings in "Corporate Governance".

The non-competition agreement will terminate upon the earlier of:

- In relation to Shui On Company Limited, the date when Shui On Company Limited ceases to control, directly or indirectly, 30% or more of our Shares;

- In relation to Mr. Vincent H.S. Lo, the date when Mr. Vincent H.S. Lo ceases to control, directly or indirectly, 30% or more of our Shares; or

- The date when our Shares cease to be listed on any internationally recognised stock exchange (provided that such delisting is voluntary and at our instigation).

OPTIONS IN RESPECT OF SHUI ON PLAZA AND THE CENTREPOINT

Shui On Company Limited has granted us separate options to acquire the Shui On Group's 80% interest in Shanghai Rimmer, which directly owns Shui On Plaza (the "Shui On Plaza Interest") and its 100% interest in Guangzhou Shui Yung Company Limited, which directly owns The Centrepoint (the "Centrepoint Interest"), on the following conditions. The option over the Shui On Plaza Interest is subject to a right of first refusal of Shanghai Nine Sea, the minority shareholder in Shanghai Rimmer (as required under the articles of association of Shanghai Rimmer).

For each of the Shui On Plaza Interest or the Centrepoint Interest, the price at which the option will be exercised will be the open market value as agreed between Shui On Company Limited and us, or failing which, will be the value as determined by an independent internationally recognised firm of valuers agreed by the parties, or in the absence of agreement the average of two prices determined by valuers appointed by each party. For the Shui On Plaza Interest, on determination of the exercise price, Shui On Company Limited will procure that the relevant interest is offered to Shanghai Nine Sea at the exercise price in accordance with the right of first refusal.

In each case, the parties will proceed to completion of the sale and purchase of the relevant interest within 30 days of obtaining all necessary approvals. If such approvals are not obtained within 6 months after the giving of an option notice, we will not be able to give a further notice to exercise the option for a period of six months from the lapse of the notice. Shui On Company Limited may transfer the relevant interest to a third party if it gives us notice of its intention to do so and we fail to give notice to exercise the option within 30 days.

Each option will terminate if (a) Shui On Company Limited ceases to control, directly or indirectly, 30% or more of the issued Shares; or (b) our Shares cease to be listed on any internationally recognised stock exchange (provided that such delisting is voluntary and at our instigation); or (c) we acquire the relevant interest; or (d) the acquisition of the relevant interest is rejected by our independent shareholders; or (e) the relevant interest is acquired by a third party. For the Shui On Plaza Interest, the option will also terminate if Shanghai Nine Sea acquires such interest pursuant to the right of first refusal.

The decision as to whether or not to exercise the options will be delegated to our independent non-executive directors and will be subject to approval by our independent shareholders in accordance with Chapter 14A of the Listing Rules. In accordance with those requirements, we will also appoint an independent financial adviser to review the terms of the acquisition of the relevant interest and provide a letter of advice to our independent board committee and our independent shareholders. Our Independent Non-Executive Directors will consider whether to exercise the options at our first regular board meeting after Listing. In the event that we decide to exercise either of the options, we will issue an announcement setting out details of such exercise in accordance with relevant requirements under the Listing Rules. See the section entitled "Corporate Governance" for further details.

OPTION IN RESPECT OF INDIRECT INTEREST IN CHONGQING TIANDI PROJECT COMPANY

We have entered into sale and purchase agreements with Winnington Capital Limited and Ocean Equity Holdings Limited respectively, for the sale of 19.8% of our 99% indirect interest in Chongqing Shui On Tiandi Project Development Co., Ltd., the project company for the Chongqing Tiandi project. See the section entitled "Our Business — Connected Transactions — Sale of indirect interest in Chongqing Tiandi project company" for further details.

Under the terms of the sale and purchase agreements, Winnington Capital Limited and Ocean Equity Holdings Limited will purchase 19.8% of our Company's interest in Score High Limited. Winnington Capital Limited and Ocean Equity Holdings Limited have been granted put options which can be exercised no earlier than 7 years but no later than 7½ years after the signing of the sale and purchase agreements to require Shui On Investment Company Limited to purchase their interests in Score High Limited at the prevailing market price based on the net asset value of the Chongqing Shui On Tiandi Project Development Co., Ltd. on an appraisal basis as determined by independent third parties. Shui On Investment Company Limited in turn, has granted our Company a call option to purchase its interest in Score High Limited on the same terms as the terms of the put options exercised by Winnington Capital Limited and Ocean Equity Holdings Limited. The sale and purchase agreements, put options and call option were entered into concurrently before the Listing. The decision whether to exercise this call option will be taken by the Independent Non-Executive Directors of our Company. Exercise or non-exercise of the call option will be a connected transaction and also subject to the Listing Rules, including independent shareholders approval if applicable.

CORPORATE GOVERNANCE

Our Company has adopted a robust system of corporate governance.

We are committed to the view that our board should include a balanced composition of executive and non-executive directors (including independent non-executive directors ("INEDs")) so that there is a strong independent element on the board, which can effectively exercise independent judgement. We are also committed to the view that our INEDs should be of sufficient calibre and number for their views to carry weight. To this end, our articles of association provide that our board of directors must include a majority of INEDs. Our INEDs, details of whom are set out in the section entitled "Directors, Senior Management and Employees — Directors — Independent non-executive directors", are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement.

The decision-making process in relation to the non-competition agreement and the options over the Shui On Group's interests in Shui On Plaza and The Centrepoint will be governed and monitored as follows:

- The INEDs will be responsible for deciding, without attendance by Mr. Vincent H.S. Lo or any other executive director (except as invited by the INEDs to assist them), whether or not to take up a new opportunity referred to us under the terms of the non-competition agreement and/or whether to exercise our options to acquire the Shui On Plaza Interest or the Centrepoint Interest.

- The INEDs may employ an independent financial adviser ("IFA") as they consider necessary to advise them on the terms of any such new opportunity or the options.

- Prior to the first regular board meeting after the Listing, the INEDs will engage an IFA to provide advice as to whether it is in the best interests of the Company and its shareholders to exercise the options. The INEDs will also consider at that meeting, without the attendance by Mr. Vincent H.S. Lo or any other executive director, whether to exercise any of the options. If the INEDs and/or the IFA conclude that exercising any of the options would be in the best interests of the Company and its shareholders, a proposal will be put to the independent shareholders to consider it. In the event that the INEDs and the IFA conclude that the exercise would not be in the best interests of the Company and its shareholders, their decision and reasons will be reported to shareholders by way of a formal announcement.

- Mr. Vincent H.S. Lo and Shui On Company Limited will undertake to keep us informed of new opportunities and to provide all information reasonably required by the INEDs to assist them in their consideration of any new opportunity and/or the exercise of the options.

- The INEDs will also review, on an annual basis, any decisions in relation to new opportunities referred to us, and state their views with basis and reasons in our annual report.

- Any transaction that is proposed between us and the Shui On Group including the exercise or non-exercise of the options will be required to comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders' approval requirements of those rules.

SUBSTANTIAL SHAREHOLDERS

Immediately following the Global Offering, the Shui On Group will be one of our substantial shareholders and our controlling shareholder.

So far as our directors are aware, immediately following completion of the Global Offering and based on the Share Capital Assumptions, each of the following persons will have a discloseable interest in 5% or more of the Shares for the purpose of Part IX of the Securities and Futures Ordinance:

Assuming an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding[3]
Shui On Investment Company Limited[1].......	Corporate	564,131,948	13.7%
Shui On Properties Limited[1]	Corporate	940,000,000	22.8%
NRI Limited[2]	Corporate	746,695,324	18.1%

Assuming an Offer Price of HK$5.35, being the Maximum Offer Price

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding[3]
Shui On Investment Company Limited[1].......	Corporate	563,713,901	13.9%
Shui On Properties Limited[1]	Corporate	940,000,000	23.1%
NRI Limited[2]	Corporate	746,695,324	18.3%

Notes:

(1) A member of the Shui On Group.

(2) A wholly owned subsidiary of SOCAM.

(3) Calculated by reference to the number of Shares expected to be in issue immediately following completion of the Global Offering assuming the Over-allotment Option is not exercised and otherwise based on the Share Capital Assumptions.

For details of our directors' interests in Shares immediately following completion of the Global Offering, please see the section entitled "Disclosure of Interests" in Appendix IX.

Except as disclosed in this prospectus, our directors are not aware of any person who will, immediately following completion of the Global Offering, have a discloseable interest in 5% or more of the Shares for the purpose of Part IX of the Securities and Futures Ordinance.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of our authorised and issued share capital as at the date of this prospectus and immediately after completion of the Global Offering:

As at the date of this prospectus

	US$
Authorised share capital:	
12,000,000,000 Shares of US$0.0025 each	30,000,000
400,000,000 Preference Shares of US$0.01 each	4,000,000
Issued share capital:	
1,894,417,154* Shares of US$0.0025 each	4,736,043
390,000,000 Preference Shares of US$0.01 each	390,000

* Including the HSBC Investment of 102,754,966 Shares

Immediately after completion of the Global Offering, assuming an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus

	US$
Authorised share capital:	
12,000,000,000 Shares of US$0.0025 each	30,000,000
Existing issued share capital:	
1,894,417,154 Shares of US$0.0025 each	4,736,043
Issue of Bonus Shares to Shui On Investment Company Limited:	
272,000,000 Shares of US$0.0025 each	680,000
Issue of Shares on conversion of Preference Shares:	
1,237,810,656 Shares of US$0.0025 each	3,094,527
Issue of additional Shares to HSBC Investor:	
58,870,034* Shares of US$0.0025 each	147,175
Issue of Shares as part of the Global Offering:	
556,000,000 Shares of US$0.0025 each	1,390,000
Issue of Shares on exercise of the Over-allotment Option:	
115,874,600 Shares of US$0.0025 each	289,687
Issue of Shares on exercise of Warrants:	
108,990,200 Shares of US$0.0025 each	272,476
Total issued and to be issued Shares on completion of the Global Offering:	
4,243,962,644 Shares of US$0.0025 each	10,609,907

* Assumes that the prevailing exchange rate on the business day before the day of issue of these Shares is HK$7.758 : US$1 (being the same as the rate applied to calculate the initial number of HSBC Investment Shares referred to above). See the section entitled "The HSBC Investment" for further details

Immediately after completion of the Global Offering, assuming an Offer Price of HK$5.35, being the Maximum Offer Price

	US$
Authorised share capital:	
12,000,000,000 Shares of US$0.0025 each	30,000,000
Existing issued share capital:	
1,894,417,154 Shares of US$0.0025 each	4,736,043
Issue of Bonus Shares to Shui On Investment Company Limited:	
272,000,000 Shares of US$0.0025 each	680,000
Issue of Shares on conversion of Preference Shares:	
1,197,180,456 Shares of US$0.0025 each	2,992,951
Issue of additional Shares to HSBC Investor:	
42,254,379 Shares of US$0.0025 each	105,636
Issue of Shares as part of the Global Offering:	
556,000,000 Shares of US$0.0025 each	1,390,000
Issue of Shares on exercise of the Over-allotment Option:	
115,874,600 Shares of US$0.0025 each	289,687
Issue of Shares on exercise of Warrants:	
107,370,582 Shares of US$0.0025 each	268,426
Total issued and to be issued Shares on completion of the Global Offering:	
4,185,097,171 Shares of US$0.0025 each	10,462,743

Except for the Warrants (which will be exercised automatically upon Listing and satisfied by the issue of Shares) and the Over-allotment Option, none of our Company's share capital is under option.

ASSUMPTIONS

The tables above assume the Global Offering becomes unconditional and is completed. The tables above assume that 272,000,000 Shares will be issued to Shui On Investment Company Limited as bonus shares pursuant to the sale and purchase agreement dated 18 February 2004 — see the sections entitled "Corporate Structure — History and Corporate Reorganisation" and "Further Information About The Company — B. Changes in share capital" in Appendix IX. The tables above also assume that the 390,000,000 Preference Shares in issue at the date of this prospectus will convert to Shares at the time of Listing based on the stated Offer Prices. See the section entitled "Corporate Structure — History and Corporate Reorganisation" for further details on the conversion of the Preference Shares. The tables above also assume that the Warrants described in the section entitled "Further Information About The Company — C. Description of the Warrants" in Appendix IX are exercised in full for Shares upon Listing.

RANKING

The Shares are ordinary shares in the share capital of the Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section entitled "Structure of the Global Offering — Conditions of the Public Offer," our directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of: (i) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Global Offering; and (ii) the aggregate nominal value of the share capital of the Company repurchased by us (if any).

This general mandate to issue Shares will expire:

- At the end of our next annual general meeting;
- At the end of the period within which we are required by any applicable law or our articles of association to hold our next annual general meeting; or
- When varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the section entitled "Further information about the Company — Written resolutions of the shareholders of the Company" in Appendix IX.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section entitled "Structure of the Global Offering — Conditions of the Public Offer," our directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering.

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section entitled "Share Repurchase Mandate" in Appendix IX.

This general mandate to repurchase Shares will expire:

- At the end of our next annual general meeting;
- At the end of the period within which we are required by any applicable law or our articles of association to hold our next annual general meeting; or
- When varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

You should read this section in conjunction with our audited consolidated financial statements, including notes thereto, as set out in Appendix I of this prospectus. The financial statements have been prepared in accordance with IFRS.

This discussion contains forward-looking statements that involve risks and uncertainties. We caution you that our business and financial performance are subject to substantial risks and uncertainties. Our future results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided under the caption "Risk Factors."

We present "Profit before revaluation increase on investment properties and taxation" and related information in this prospectus in addition to other financial information because we believe the information is a useful indicator of our financial performance. Any information related to "Profit before revaluation increase on investment properties and taxation" has not been audited by our auditors and should not be considered by an investor as an alternative to profit attributable to shareholders or other information prepared in conformity with IFRS. In addition, our calculation of "Profit before revaluation increase on investment properties and taxation" may differ from similar titled computations of other companies.

OVERVIEW

We are one of the leading property developers in the PRC and the flagship property company of the Shui On Group. We engage principally in the development, sale, leasing, management and the long term ownership of high quality office, residential, retail, entertainment and cultural properties in the PRC, utilising our proven expertise and successful track record in developing large-scale integrated property projects based on master plans that we have developed in conjunction with the local governments. We believe our projects are characterised by the redevelopment and transformation of the neighbourhoods and communities of the cities in which our projects are located. We strategically retain long term ownership of certain commercial properties that we have developed, and are committed to enhancing the value of the projects on a continuing basis through comprehensive property management. Our successes include the internationally acclaimed restoration project which created one of the leading landmarks in Shanghai, known as Shanghai Xintiandi.

We trace our origins to the Shui On Group, a Hong Kong-based privately-held diversified group that is primarily engaged in real estate development, construction contracting and construction materials businesses. Under the leadership of our Chairman, Mr. Vincent H.S. Lo, the Shui On Group has over 20 years of experience in property development in the Chinese mainland and over 30 years of property related experience in Hong Kong.

To date, our business has been supported by a number of internationally renowned investors, including HSBC, ERGO AG, Metro Holdings Limited, Citigroup Venture Capital International (through Co-Investment Limited Partnership V (SOL)), Ocean Equity Holdings Limited, Value Partners Funds, Standard Chartered Bank (Hong Kong) Limited, Shanghai Hotel Investments Limited, and Jebsen and Company Limited, or their subsidiaries or affiliates.

We focus on large-scale projects, primarily of the following two types:

- **City-core development projects**: Strategically located, large-scale and multi-phase developments typically consisting of residential, office, retail, entertainment and cultural properties with a blend of historic restoration and modern architecture. Our aim is to make each of these projects a focal point for the entire city in which it is located; and

- **Integrated residential development projects**: Large-scale multi-phase urban residential developments targeted at China's growing middle and upper-middle classes, and which offer high-quality living conditions in convenient urban locations with easy access to transport facilities. Our integrated residential development projects typically comprise residential accommodation, a school, and commercial, retail and recreation areas.

We currently have six major multi-phase projects in various stages of development, being:

- The Shanghai Taipingqiao project;

- The Shanghai Rui Hong Xin Cheng project;

- The Shanghai Knowledge and Innovation Community project;

- The Chongqing Tiandi project;

- The Wuhan Hankou Tiandi project; and

- The Hangzhou Xihu Tiandi project.

Although we have completed certain phases of our Shanghai Taipingqiao, Shanghai Rui Hong Xin Cheng and Hangzhou Xihu Tiandi projects, as at the date of this prospectus, all of our projects are under development or held for future development. We derived substantially all of our revenue for 2003, 2004 and 2005 from rents and sales of office, residential, retail, entertainment and cultural properties in three projects, namely, the Shanghai Taipingqiao project, which includes Shanghai Xintiandi, the Shanghai Rui Hong Xin Cheng project and Phase 1 of the Hangzhou Xihu Tiandi project.

The following table sets out line items of our consolidated income statement for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	Amount	Amount	Amount	Amount	Amount
	(RMB in millions)				
Turnover	977.3	1,038.9	1,017.8	94.0	138.1
Cost of sales	(646.6)	(599.7)	(326.7)	(6.1)	(18.1)
Gross profit	330.7	439.2	691.1	87.9	120.0
Other operating income	11.1	17.0	103.8	10.3	40.0
Staff costs	(22.5)	(66.2)	(77.7)	(24.1)	(20.2)
Depreciation and release of prepaid lease rentals	(15.1)	(15.9)	(24.0)	(4.6)	(7.0)
Other operating expenses	(123.9)	(194.2)	(255.3)	(37.4)	(36.9)
Finance costs	(53.7)	(109.5)	(166.9)	(16.1)	(87.9)
Profit before revaluation increase on investment properties and taxation	126.6	70.4	271.0	16.0	8.0
Revaluation increase in investment properties	62.7	1,687.2	606.6	376.1	—
Profit before taxation	189.3	1,757.6	877.6	392.1	8.0
Taxation	(104.6)	(647.9)	(331.9)	(133.1)	(25.3)
Profit/(loss) for the year/period	84.7	1,109.7	545.7	259.0	(17.3)
Attributable to:					
Equity holders of the Company	29.0	786.0	380.0	180.0	(18.6)
Minority interests	55.7	323.7	165.7	79.0	1.3
	84.7	1,109.7	545.7	259.0	(17.3)
Dividends	—	—	—	—	—

The following table sets out our summary balance sheet data as at the dates indicated:

	As at 31 December			As at 31 March
	2003	2004	2005	2006
	(RMB in millions)			
Current assets	3,498.6	4,956.0	8,657.2	8,613.2
Properties under development	2,426.7	3,545.0	5,244.1	5,792.6
Properties held for sale	55.0	61.3	156.7	141.1
Non-current assets	4,666.0	7,294.8	9,971.8	10,508.5
Investment properties	2,382.9	5,142.2	5,877.3	5,877.3
Properties under development	812.0	455.0	1,126.8	1,287.9
Current liabilities	4,854.6	3,039.4	5,145.6	5,112.1
Non-current liabilities	2,388.1	4,100.3	8,421.5	8,854.6
Equity attributable to equity holders of the Company	752.7	4,518.8	4,755.8	4,839.9
Minority interests	169.2	592.3	306.1	315.1

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below.

The type and GFA of our completed properties

We typically retain our office, retail, serviced apartments, entertainment and cultural properties for rental income and sell units in our residential properties to individual buyers. As a result, our results of operations and the sources and amount of our cash from operations may vary significantly from period to period depending on the type and GFA of our completed properties that we sell or rent to tenants during the relevant period, and when our projects in various stages of development are to be completed. Historically, periods in which we had a larger percentage of completed residential properties, which we typically sell to buyers, generated greater turnover and cash flows than periods in which we had a larger percentage of completed office, retail, serviced apartments, entertainment and cultural properties, which we typically retain for investment and rented to tenants. The GFA of properties we sell or lease depends on the progress we make on the construction of our development projects. Our results of operations and cash flows will also vary depending on the market demand at the time we sell or rent our completed properties, the rental and occupancy rates of our investment properties and the sales prices for units in our residential properties. The rental and sales prices we receive from, and the occupancy levels of, our property developments are dependent on local market prices which depends on local demand and supply conditions, as well as the type of property being developed. Full completion of our current multi-phase projects is scheduled to take place between 2008 and 2014. As our projects are multi-phase projects, completion of the various phases will take place throughout the life of the projects. For further details on completion of phases of our projects, see the section entitled "Our Business". As we expect significant phases of a number of our projects, including Lot 114 of Shanghai Taipingqiao, to be available for sale in 2006, we may experience significant growth in revenues in 2006, thereby making comparisons between historical and future financial results difficult. For further details on our forecasted 2006 results, see "Appendix III — Profit Forecast".

Cost of acquiring suitable land

The policies of the PRC Government towards land supply affect our ability and costs to acquire land use rights. In July 2002, the PRC Government introduced regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property development through competitive processes, including public or private tenders, public auctions or listing at land exchanges administered by local governments. These competitive processes may significantly intensify competition among real estate developers for any available land, and thereby increase the acquisition costs of the land. Major Chinese cities such as Shanghai have experienced rapid land price increases in recent years, and there is a limited supply of large plots of land available for development in these cities. As a result, we may not be able to acquire large plots of land in urban locations at affordable prices in the future.

Relocation of existing residents

We are required to relocate existing residents and pay relocation costs for some of our projects, which may result in delay in our planned development schedules and/or material increases in our costs. We have experienced delays in the relocation process for our Shanghai Taipingqiao project, and Phase 2 of the Hangzhou Xihu Tiandi project, which have increased our development costs. In addition, delays in the relocation process have resulted in delays in the construction of some development projects, including the Shanghai Taipingqiao and Hangzhou Xihu Tiandi projects. See "Risk Factors — Risks relating to our business — For some of our development projects, we are required to relocate existing residents and pay relocation costs and the relocation process may not be completed as planned".

Valuation of our investment properties

Our investment properties include our completed office, retail, entertainment and cultural properties and a serviced apartment, which we generally hold for rental income. Our investment properties are stated at their fair value on our balance sheet as non-current assets as at each balance sheet date on the basis of valuations by a qualified independent professional valuer. Gains or losses arising from changes in the fair value of our investment properties are accounted for as profit or loss on revaluation increase in investment properties in our income statement, which may have a substantial effect on our profit. In the years ended 31 December 2003, 2004 and 2005 and the three months ended 31 March 2006, our investment properties were revalued upwards by RMB62.7 million, RMB1,687.2 million, RMB606.6 million and nil, respectively. See Note 12 to our consolidated financial statements for the years ended 31 December 2003, 2004 and 2005 and the three months ended 31 March 2006 and related notes thereto included elsewhere in this prospectus. The property valuation involved the exercise of professional judgment and required the use of certain bases and assumptions. The bases and assumptions which the valuer used for the valuation typically included references to values realised in comparable precedent transactions in the market for properties of similar size, character and location. The fair value of our investment properties may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealised capital gains of our investment properties at the relevant balance sheet dates and are not profit generated from the sales or rentals of our investment properties, and do not generate any cash inflow to us for potential dividend distribution to our shareholders until such investment properties are disposed of at similarly revalued amounts. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets and may go down as well as up. For the three months ended 31 March 2006, we had no revaluation increase and there can be no assurance that we will continue to record similar levels of revaluation increases in the future.

Sales of land or interests in projects

We intend to seek out opportunities to enter into strategic partnerships with investors to sell our interests in selected parcels of land, and/or to co-develop some lots of our projects with a view to potentially accelerating our development schedules and allowing us to undertake more new projects. See the section entitled "Future Plans and Use of Proceeds — Future Plans." In future our results may be affected by any such transactions, depending on the terms of sale and the cost of the asset or interest disposed of.

In September 2006, we have entered into legally binding agreements with Winnington Capital Limited and Ocean Equity Holdings Limited respectively for the sale of 19.8% in total (9.9% to each of Winnington Capital Limited and Ocean Equity Holdings Limited) of our 99% indirect interest in the Chongqing Tiandi project. The sales will comprise the sale of minority shareholdings in Score High Limited (currently a wholly-owned subsidiary of our Company which holds a 99% interest in Chongqing Shui On Tiandi Property Development Co., Ltd, the Chongqing Tiandi project holding company) and are due to be completed during our current financial year ending 31 December 2006. Following completion of these sales, we expect to recognise a gain equal to the amount by which the sale consideration exceeds the attributable cost, which we expect to record as a gain on disposal of interest in a subsidiary in our financial statements for the year ending 31 December 2006. When completed, we estimate these sales will give rise to profits of not less than approximately RMB580 million after tax. We will continue to consider further sales of interests in the Chongqing Tiandi project currently envisaged not to exceed 30% (inclusive of the 19.8% already agreed to be sold) in total. In this regard, and to the extent we may enter into and realise gains from further or other disposals of land or interests in projects, comparison of our results for the year ending 31 December 2006 and subsequent periods against our results for the three years ended 31 December 2005 may be difficult.

PRC Government control and polices

Our results of operations have been, and will continue to be, affected by the regulatory environment in the PRC, including policies relating to:

- Land acquisition;

- Pre-sales;
- The availability of mortgage financing;
- Sales or other transfers of land use rights and completed properties;
- Taxes;
- Planning and zoning; and
- Building design and construction.

In the last three years, the PRC central government and local governments have instituted a variety of measures to discourage speculation in the residential property market and increase the supply of affordable housing. These policies may lead to changes in market conditions, including price stability and the balance of supply and demand in respect of residential properties. These measures have had some effect on the residential property market in Shanghai. See the section entitled "Industry and Regulatory Overview — China Property Market Overview — Key drivers of China's Property Market — Government Policies." We are also highly susceptible to any regulations or measures adopted by the PBOC that may restrict bank lending to enterprises, particularly to real estate developers. Moreover, a substantial portion of our purchasers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC Government that are intended to restrict the ability of purchasers to obtain mortgages or increase the costs of mortgage financing may decrease market demand for our properties and adversely affect our sales revenues.

Availability and cost of funds

We finance our property developments primarily through internally generated funds including proceeds from sales and pre-sales of properties and borrowings. As at 31 December 2003, 2004 and 2005 and as at 31 March 2006, our outstanding borrowings (including convertible redeemable preference shares and notes) were RMB1,935.9 million, RMB4,100.9 million, RMB9,582.9 million and RMB9,610.9 million, respectively. Most of our borrowings are denominated in HK dollars or US dollars. Our borrowings have affected our finance costs and effective tax rate, although we expect our effective tax rate to be lower as construction of our new projects commences. Any increase in HIBOR or US dollar LIBOR may result in an increase in our interest costs, as most of our bank borrowings bear floating interest rates linked to these rates.

Macroeconomic factors in China

All of our turnover was generated from operations in China during the track record period. The real estate market in China is affected by a number of macroeconomic factors, including the growth of the PRC economy, particularly the growth in the size and purchasing power of the upper and the middle class, the level of interest rates, the exchange rate of the Renminbi and the PRC political, economic and regulatory environment. We derive substantially all of our turnover from the sale of residential properties that we develop and from rental of our office and commercial properties. Accordingly, the amount of our turnover for a given period is dependent on the number of properties we are able to sell and the prices at which we make such sales and the demand for office, retail and other commercial properties for rent and the prevailing market rental rates. We believe that demand for our properties is driven in large part by the overall economic development, rising wages and the standard of living in the PRC, particularly in Shanghai and the other cities in which we operate.

Cyclical nature of the real estate industry

Our results of operations have been, and will continue to be, affected by the cyclical nature of the real estate industry in the PRC. Property values and rents are affected by, among other factors, supply of and demand for comparable properties, interest rates, inflation, the rate of growth in GDP, changes in tax laws and other political and economic developments in the PRC. Cyclical changes in the PRC real estate industry could result in significant fluctuations in our operating results. See "Risk Factors — Risks relating to our industry — The property market in the PRC is at an early stage of development and is volatile."

CRITICAL ACCOUNTING POLICIES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our consolidated financial statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. We have summarised below our accounting policies that we believe are both important to the portrayal of our financial results and involve the need to make estimates about the effect of matters that are inherently uncertain.

Valuation of our investment properties

Our investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based this on a method of valuation which involves certain estimates. In relying on the valuation report, our directors have exercised their judgement and are satisfied that the method of valuation is reflective of current market conditions. See Note 3 to our consolidated financial statements as at and for the years ended 31 December 2003, 2004 and 2005 and as at and for the three months ended 31 March 2006 included elsewhere in this prospectus.

Turnover recognition

Our turnover mainly comprises turnover generated from property developments and property investments.

Turnover generated from property development activities represent proceeds from sales of our properties. Sales after completion of the development are recognised on the execution of a binding sales agreement. Where there are pre-sales prior to completion of the development, turnover from sales of properties is recognised on the later of the execution of a binding sales agreement or when relevant completion certificates are issued by the respective government authorities.

Turnover from property investment activities represent rental earned from leasing our investment properties, income from operating serviced apartments, property management fees and agency fees earned. Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease. Income from operating our serviced apartments, property management fees and agency fees are recognised in the period in which the services are provided.

Properties for sale under development

Our properties for sale under development are stated at the lower of cost less any identified impairment losses and net realisable value. Net realisable value is determined by reference to prevailing market conditions, including the prices of what we consider to be closely comparable properties, and other factors that affect the price our directors believe is expected to be realised for our properties, less applicable variable selling expenses and the anticipated costs to completion.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by our directors based on their estimates of such proceeds based on prevailing market conditions by reference to sale proceeds of what we consider to be closely comparable properties sold in the ordinary course of business, less applicable variable selling expenses.

Deferred tax

Deferred tax is the tax we expect to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and we account for it using the balance sheet liability method. Deferred tax liabilities are provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that our directors consider it probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, our directors consider a number of factors including the relevant profit projections, and, taking into account these factors, estimate the realisability of the tax losses based on their best knowledge of our profit projections for the relevant period. Such assets and liabilities are not recognised if the temporary difference arises 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.

Derivative financial instruments

Convertible redeemable preference shares

Under IFRS, our Preference Shares are deemed to have embedded non-equity derivatives comprising (1) an option by the preference shareholders to extend the redemption date of the Junior Preference Shares from 31 May 2010 to 31 May 2011 and to extend the redemption date of the Senior Preference Shares from 31 May 2009 to 31 May 2011; and (2) a premium payable by us upon redemption of the Junior Preference Shares and the Senior Preference Shares. Our directors are of the opinion that as at 31 December 2004, 31 December 2005 and 31 March 2006, the fair value for the non-equity derivatives embedded in our Preference Shares was nil since an event of default which would permit the holders to serve notice on us to redeem their Preference Shares, being the failure of the Company to obtain a successful listing on a reputable stock exchange by December 2008, was considered remote in light of the expected Listing. See Note 33 to our consolidated financial statements and related notes included in Appendix I. If this opinion proves to be incorrect, our liability during the relevant periods would increase.

Notes and warrants

The early redemption rights of the Notes and the Warrants are derivative financial instruments and are stated at fair value as at the balance sheet date. In determining the fair value, our directors have exercised their judgement to derive the fair value. See note 34 to our consolidated financial statements and related notes included in Appendix I.

DESCRIPTION OF SELECTED INCOME STATEMENT ITEMS

Turnover

We generate turnover from the following sources:

- *Property sales*. Turnover from property sales primarily represents sales of our residential units. We present turnover from property sales net of PRC business tax at the rate of 5%. Amounts received from pre-sales of residential properties prior to completion of the development are recognised on the later to occur of the execution of a binding sales agreement or the issuance of the relevant completion certificates by the relevant government authority. Payments received from purchasers prior to these dates are recorded as purchasers' deposits and presented as current liabilities on our balance sheet.

- *Rental income received from investment properties*. We receive recurring rental income from our office, retail, entertainment and cultural properties held as investment properties. We recognise rental income on a straight-line basis over the term of the relevant lease basis. During the years ended 31 December 2003, 2004 and 2005 and the three months ended 31 March 2005 and 2006, we received rental income from Shanghai Xintiandi (Lots 109 and 112 of the Shanghai Taipingqiao project), Lot 110, which is located in the corporate headquarters zone of the Shanghai Taipingqiao project, the commercial complex of Lot 149 of Shanghai Rui Hong Xin Cheng and Phase 1 of Hangzhou Xihu Tiandi.

- *Income from operations of serviced apartments*. We earn turnover from our ownership and operation of 88 Xintiandi, which is a boutique hotel located in Shanghai Xintiandi. We recognise income from operating our boutique hotel upon the provision of the services. Turnover includes room rental charges and income from services such as food and beverages provided to guests.

- *Property management fees*. We earn property management fees for providing services to our retail tenants in Shanghai Xintiandi and Phase 1 of Hangzhou Xihu Tiandi, consisting of building maintenance expenses and air-conditioning services.

- *Others*. Other turnover includes agency fees from the Shui On Group, outdoor advertising in Shanghai Xintiandi, the small retail shops we own and operate in Shanghai Xintiandi and our restaurants.

The following table sets out the contribution that property sales, property investment and other revenue made to our turnover for the track record period:

	Year ended 31 December						**Three months ended 31 March**			
	2003		**2004**		**2005**		**2005**		**2006**	
	(RMB in millions)	**%**	**(RMB in millions)**	**%**	**(RMB in millions)**	**%**	**(RMB in millions)**	**%**	**(RMB in millions)**	**%**
Property sales	851.0	87.1	796.2	76.6	604.0	59.3	4.1	4.4	33.8	24.5
Rental income received from investment properties	79.5	8.1	174.7	16.8	333.7	32.8	72.6	77.2	86.1	62.3
Income from operating serviced apartments	14.8	1.5	23.7	2.3	24.8	2.4	6.0	6.4	5.7	4.1
Property management fees	16.9	1.7	16.9	1.6	16.9	1.7	4.3	4.6	4.3	3.1
Other income	15.1	1.6	27.4	2.7	38.4	3.8	7.0	7.4	8.2	6.0
Total	977.3	100.0	1,038.9	100.0	1,017.8	100.0	94.0	100.0	138.1	100.0

Note: Other income comprises primarily turnover from events and outdoor advertising income, agency fees from the Shui On Group, operation of food and beverage outlets, operation of retail outlets and car parking fees.

Cost of sales

Cost of sales represents primarily the costs we incur directly for our property development activities which includes land costs (primarily land grant fees and relocation costs), construction costs and interest capitalised. The table below sets out the components of our cost of sales and the percentage of our total cost of sales represented by these components during the relevant periods:

	Year ended 31 December						**Three months ended 31 March**			
	2003		**2004**		**2005**		**2005**		**2006**	
	(RMB in millions)	**%**	**(RMB in millions)**	**%**	**(RMB in millions)**	**%**	**(RMB in millions)**	**%**	**(RMB in millions)**	**%**
Cost of sales of properties										
Land and relocation costs	290.7	45.0	220.6	36.8	102.6	31.4	—	—	4.9	27.1
Construction costs	352.4	54.5	368.0	61.4	214.6	65.7	—	—	9.7	53.6
Interest capitalised	1.5	0.2	7.4	1.2	2.1	0.6	—	—	0.7	3.9
	644.6	99.7	596.0	99.4	319.3	97.7	—	—	15.3	84.6
Cost of rental income	2.0	0.3	3.7	0.6	7.4	2.3	6.1	100.0	2.8	15.4
	646.6	100.0	599.7	100.0	326.7	100.0	6.1	100.0	18.1	100.0

Land costs

Land grant fees. Land grant fees, which are determined by the relevant land bureau or by the relevant provincial or local government authority in the PRC, with input from independent property appraisers, are payments to the relevant land bureau or the relevant provincial or local government for the right to occupy, use and develop a particular parcel of land and to market the units or other projects developed on such land.

Relocation costs. The relocation costs we pay include the actual expenses we incur for site clearance and relocation of the residents residing on the site. Municipal governments, including the Shanghai local governments, have established certain basic principles for determining the appropriate level of compensation to be paid to the existing residents. It is our experience that in determining the appropriate level of compensation, municipal governments consider the following principal factors:

- The average market price of housing in the same area;
- The location of the property;
- The proposed use of the relevant property;
- The appraised unit value of the building to be demolished as determined by professional property valuers;
- The price compensation index published by the PRC Government; and
- The GFA of the buildings to be demolished.

The relocation costs are subject to negotiation between the developer or the local government, as the case may be, and the existing residents.

The following table sets out the relocation costs for our projects and the proportion of land cleared as at the Valuation Date:

Projects	RMB per GFA sq.m.	% cleared(4)
Shanghai Taipingqiao Lot 113(1)	Approx. 10,200	Approx. 98%
Shanghai Rui Hong Xin Cheng Lot 4, 6, 8(1)	Approx. 7,300	Approx. 31%
Shanghai Knowledge and Innovation Community R2, Hub Area 2(2)	Approx. 5,100	Approx. 100%
Chongqing Tiandi Phase 1 & 2(3)	Approx. 600	Phase 1A - Approx. 100% Remaining lots in Phase 1 and Phase 2 - ranged from Approx. 91% to 93%
Wuhan Hankou Tiandi(3)	Approx. 2,400	Site A - Approx. 80%

Notes:

(1) Based on management estimate.

(2) Based on latest contracts signed.

(3) Fixed relocation cost.

(4) "% cleared" equals total number of households in that area that have signed the relocation agreement over total number of households in that area.

We record prepayments of relocation costs in our balance sheets. Prepayment of relocation costs represent advance payment to the relocation companies for arranging compensation payable to the owners or residents of existing buildings on land to be developed. The prepayments will be re-classified as land cost (for properties under development) after compensation has been paid to the owners or residents. Since there was no relocation work being carried out in 2003 and 2004, the balances of prepayments of relocation costs were nil as at 31 December 2003 and 31 December 2004.

Construction costs

Construction costs encompass all raw material costs and costs for the design, professional fees and construction of a project, including costs for construction of infrastructure and communal facilities.

Professional fees include fees we pay to architects and design consultants for our property developments.

All costs relating to construction are capitalised.

Interest capitalised

We capitalise a portion of our interest expenses to the extent that such costs are directly attributable to the costs of the acquisition, construction or development of the properties. The capitalisation commences when the development of properties starts and the relevant expenditure and the finance cost is incurred, and ceases when the development is in abeyance or the construction work is completed. After completion, the relevant interest is expensed in our income statement as finance cost.

Land-appreciation tax

Under PRC law, we are subject to land-appreciation tax, or LAT, calculated by reference to all gains we recognise arising from sales of real property in the PRC. LAT is payable on the appreciation in value representing the balance of the proceeds received on such sales, after deducting various prescribed items, including payments made for acquisition of land use rights, the direct costs and expenses of the development of the land and construction of the buildings and structures, finance costs up to a maximum of 5% of the total development costs, the appraised price of any existing buildings and structures on the land and taxes related to the assignment of the real property. LAT is charged at progressive rates ranging from 30% to 60%. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities. An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law. If, however, the appreciation amount exceeds 20% of the sum of allowable deductions, such exemption is not available and the taxpayer will be liable to LAT on the full appreciation amount, after taking account of the allowable deductions. See Note 8 to our consolidated financial statements included in Appendix I and see also Appendix VI. To date, consistent with what we believe other property developers are required to pay in Shanghai, we have paid provisional LAT at a rate of 1% on the gross proceeds of pre-sales of our residential properties in Shanghai except for the Shanghai Rui Hong Xin Cheng project, with respect to which we are exempted from prepayment of LAT, and in relation to our projects we have not paid, nor have we been required to pay, the full amount of LAT in 2003, 2004, 2005 and the three months ended 31 March 2006.

Other operating income

Other operating income consists primarily of interest income from bank deposits, grant received from local governments and certain non-recurring income such as one time exchange gains.

Staff costs

Staff costs relate to salaries, benefits, other compensation and fees paid to our employees and directors.

Depreciation and amortisation

Depreciation and amortisation relates primarily to land and buildings, primarily consisting of clubhouses in our projects, a serviced apartment building, and furniture and equipment at our corporate headquarters.

Other operating expenses

Other operating expenses consist primarily of sales, general and administrative expenses, including professional fees paid to legal, audit and other professional advisors and fees paid to architects and designers in connection with feasibility studies prepared in relation to potential development projects, utility charges, property taxes, office rental expenses, marketing expenses, charitable donations and expenses for administrative and other staff at our headquarters. We expect our other operating expenses will continue to increase as we develop additional projects and expand our operations. The following is a table setting out our major other operating expenses for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	(RMB in millions)				
Agency fees	17.7	5.3	3.0	1.1	0.1
Sales and marketing expenses	38.5	39.0	58.3	2.5	6.2
Property tax	11.7	13.5	19.5	4.7	5.1
Professional fees	3.5	36.3	30.6	5.4	3.5
Rental charges under operating leases	5.1	12.0	20.2	2.7	2.8
Repairs and maintenance	3.8	9.2	7.3	1.5	0.9
Utilities	18.3	15.9	19.4	4.6	5.0
Donations	—	23.3	22.7	0.8	1.6
Others	25.3	39.7	74.3	14.1	11.7
	123.9	194.2	255.3	37.4	36.9

Revaluation of our investment properties

In accordance with IFRS, we engage a qualified independent property valuer to conduct a market valuation of our office, retail, entertainment and cultural properties held as investment properties each year. Increases or decreases in the fair market value of our investment properties are reflected as an income or expense item, as the case may be, in our income statement.

Finance costs

Finance costs consist primarily of interest on bank loans and notes and dividends paid on the Preference Shares.

Taxation

We and our subsidiary companies are incorporated in different jurisdictions, with different taxation requirements.

Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains. In addition, upon payments of interest or dividends by us to our security holders, no Cayman Islands withholding tax will be imposed.

Under the current laws of the British Virgin Islands, we are exempt from income tax on foreign derived income. In addition, there are no withholding taxes that are currently applicable to us in the British Virgin Islands.

Under the current laws of Hong Kong, we are exempt from income tax as long as income neither arises in, nor is derived from, Hong Kong. On that basis, we have not provided for any Hong Kong income tax in our financial statements.

Our revenues are entirely derived from our operations in the PRC. Under PRC law, our PRC operating subsidiaries are subject to enterprise income tax at the rate of 33% of taxable income.

Our effective tax rates during 2003, 2004 and 2005 and the three months ended 31 March 2005 and 2006 were 55.2%, 36.9%, 37.8%, 33.9% and 318.2%, respectively, which are greater than the PRC income tax rate of 33%. Such deviation is attributable to (i) the net effect of non-tax deductible corporate expenses and finance costs incurred by certain subsidiaries that did not carry out any business during the three years ended 31 December 2005 or the three months ended 31 March 2005 and 2006; and (ii) non-taxable income arising mainly from certain interest income and exchange gains during the three years ended 31 December 2005 and the three months ended 31 March 2005 and 2006.

Our tax charges comprise both the tax currently payable and deferred. No tax payment is required to be made for the deferred tax until the relevant tax liabilities arise in the subsequent year. We pay income tax on a quarterly basis, with the amount attributable to the taxable profit for the last quarter of each year payable subsequent to the balance sheet date.

The following table sets out the components of income tax expense for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	(RMB in millions)				
Provision for income tax in respect of profit for the year					
Current	21.1	75.9	115.4	0.5	13.9
Deferred	83.5	572.0	216.5	132.6	11.4
Income tax expense before minority interests	104.6	647.9	331.9	133.1	25.3

As noted in the above table, our taxation expenses during the track record period include a large portion of deferred tax provision attributable to revaluation of our investment properties, accelerated tax depreciation and available tax losses. As a result, there is a substantial difference between the actual tax paid by us during the track record period and our deferred tax provision. The majority of our tax charges for the track record period are deferred tax charges which are detailed in note 32 to our consolidated financial statements set out in Appendix I. The deferred tax charges are mainly attributable to the revaluation of our investment properties, and accounted for RMB20.7 million, RMB556.0 million, RMB200.9 million and nil for 2003, 2004 and 2005 and the three months ended 31 March 2006, respectively. The charges represent the tax we expect to be payable on revaluation surplus currently not subject to any income or capital gains tax. We expect such tax liabilities to be crystallised when properties generate returns in excess of the original cost in a subsequent year. In alignment with our current accounting of the revaluation surplus, the deferred tax effect of the surplus has been charged to our income statement during the year of revaluation.

In 2003, we recognised a deferred tax charge of RMB64.7 million attributable to accelerated tax depreciation. This charge was attributable mainly to costs incurred (and expected to be incurred) for the construction of the man-made lake and other public facilities in the development of the Shanghai Taipingqiao project, which is an allowable deduction for income tax and LAT purposes. As the allowable amounts of such costs for taxes for various phases of the project differ from the amount recorded for accounting purposes, this gives rise to deferred tax liabilities. These deferred tax liabilities are derived from applying the principles of deduction of such costs agreed with the relevant tax bureau to the Group's planned development phases of the project.

An analysis of our deferred tax liabilities (assets) recognised at each balance sheet date is set out below:

	Accelerated tax depreciation	Revaluation of investment properties	Tax losses	Others	Total
			(RMB in millions)		
As at					
31 December 2003	79.5	370.3	(15.6)	4.9	439.1
31 December 2004	102.2	926.3	(25.7)	8.3	1,011.1
31 December 2005	128.0	1,127.2	(37.6)	10.0	1,227.6
31 March 2006	136.3	1,127.2	(34.8)	10.4	1,239.1

Except for the net deferred tax liabilities arising from accelerated tax depreciation, all the deferred tax liabilities are attributable to PRC income tax. The components of deferred tax attributable to the accelerated tax depreciation are set out below:

	PRC income tax	LAT	Total
		(RMB in millions)	
As at			
31 December 2003	48.3	31.2	79.5
31 December 2004	71.1	31.1	102.2
31 December 2005	112.6	15.4	128.0
31 March 2006	120.9	15.4	136.3

Minority interests

Minority interests relate to the proportionate share of our results attributable to joint venture partners and minority shareholders in our project companies. Most of our joint venture partners have an equity interest of 1% to 3% in our project companies except for Shanghai Yangpu Centre Development Co., Ltd, Globe State Properties Limited and Profitstock Holdings Limited, in which each of our joint venture partners has a 30% interest.

THREE MONTHS ENDED 31 MARCH 2006 COMPARED TO THREE MONTHS ENDED 31 MARCH 2005

Turnover

Our turnover increased by 46.9% to RMB138.1 million in the three months ended 31 March 2006 from RMB94.0 million in the three months ended 31 March 2005, primarily due to an increase in revenue from property sales.

	Three months ended 31 March			
	2005		2006	
	(RMB in millions)	%	(RMB in millions)	%
Property sales	4.1	4.4	33.8	24.5
Rental income received from investment properties	72.6	77.2	86.1	62.3
Income from operating serviced apartments	6.0	6.4	5.7	4.1
Property management fees	4.3	4.6	4.3	3.1
Others	7.0	7.4	8.2	6.0
	94.0	100	138.1	100

Property sales. Turnover from property sales was RMB33.8 million in the three months ended 31 March 2006 compared to RMB4.1 million in the three months ended 31 March 2005. Turnover in the three months ended 31 March 2006 mainly derived from sales of our residential properties in Lot 149 of the Shanghai Rui Hong Xin Cheng project.

We derived RMB33.6 million from sales of an aggregate GFA of approximately 2,348 square metres in Lot 149 of the Shanghai Rui Hong Xin Cheng project in the three months ended 31 March 2006, but there were no residential units available for sale in the three months ended 31 March 2005. Blocks 9 to 12 of Lot 149 of the Shanghai Rui Hong Xin Cheng project were only formally completed in April 2005. The sales of 395 units at blocks 9 and 12 commenced in June 2005 and 62 % of these had been sold by 31 March 2006 at an average sale price of RMB15,000 per square metre. Our results of operations have been affected by the type and GFA of our completed projects. See " — Factors Affecting Our Results of Operations and Financial Condition — The type and GFA of our completed properties.

The table below sets out information on the turnover, GFA and average sale price per square metre of property sold in the three months ended 31 March 2005 and 2006, respectively:

Property	**Date completed**	**Three months ended 31 March**					
		2005			**2006**		
		Turnover (RMB in millions)	**GFA (sq.m.)**	**Average Sale price (RMB/sq.m.)**	**Turnover (RMB in millions)**	**GFA (sq.m.)**	**Average Sale price (RMB/sq.m.)**
Blocks 9-12, Lot 149 of Shanghai Rui Hong Xin Cheng ...	April 2005	—	—	—	33.6	2,348	14,310
Car parking spaces....		4.1	—	—	0.2	—	—
Total.........................		4.1	—		33.8	2,348	

Rental income received from investment properties. Turnover from rental income received from our investment properties increased to RMB86.1 million in the three months ended 31 March 2006 from RMB72.6 million in the three months ended 31 March 2005. The increase was primarily due to an increase in average occupancy of Lot 110 in the corporate headquarters zone of the Shanghai Taipingqiao project from 82.7% to 97.7% and an increase in average rental rate of Shanghai Xintiandi as a result of achieving higher rentals from an average of US$0.85 to US$1.02 per sq.m. (based on an exchange rate of RMB8.28 to US$1.00) upon renewals and the signing of new leases.

The table below sets out information on rental income received from our investment properties in the three months ended 31 March 2005 and 2006:

		Three months ended 31 March		
Property	**Date completed**	**2005**	**2006**	**Change**
		(RMB millions)		**%**
Shanghai Xintiandi	August 2002	25.3	30.1	19.0
Lot 110 of Shanghai Taipingqiao	March 2004	38.8	48.5	25.0
Commercial complex in Shanghai Rui Hong Xin Cheng	September 2004	5.8	5.5	-5.2
Phase 1 of Hangzhou Xihu Tiandi	May 2003	2.7	2.0	-25.9
Total		72.6	86.1	18.6

Income from operation of serviced apartments. Turnover from the operation of 88 Xintiandi, a boutique hotel located in Shanghai Xintiandi, decreased by 5.0% to RMB5.7 million in the three months ended 31 March 2006 from RMB6.0 million in the three months ended 31 March 2005. The decrease was due to a decrease in average occupancy in the three months ended 31 March 2006 compared to that in the same period in 2005.

Property management fees. Turnover from property management fees remained stable at RMB4.3 million in the three months ended 31 March 2006.

Others. Other turnover increased by 17.1%, to RMB8.2 million in the three months ended 31 March 2006, from RMB7.0 million in the three months ended 31 March 2005, primarily due to turnover from food and beverage operations which commenced in July 2005.

Costs of sales

Our costs of sales increased substantially to RMB18.1 million in the three months ended 31 March 2006, from RMB6.1 million in the three months ended 31 March 2005. Costs of sales were primarily attributable to sales of residential properties in the three months ended 31 March 2006. Costs of sales increased primarily due to an increase in sales of residential properties in Lot 149 of the Shanghai Rui Hong Xin Cheng project in the three months ended 31 March 2006, compared to the three months ended 31 March 2005, when we recognised nil cost of sales because our sales revenue was derived from the sales of carparks, and we recognised the cost of sales of carparks as part of the cost of sales relating to the relevant residential units.

Gross profit

As a result of the foregoing, our gross profit increased by 36.5% to RMB120.0 million in the three months ended 31 March 2006, from RMB87.9 million in the three months ended 31 March 2005. Our gross margin was 86.9% in the three months ended 31 March 2006, compared to 93.5% in the three months ended 31 March 2005. The decrease in gross margin was primarily due to a higher increase in cost of sales in the three months ended 31 March 2006 compared to the three months ended 31 March 2005.

Other operating income

Our other operating income increased substantially to RMB40.0 million in the three months ended 31 March 2006, from RMB10.3 million in the three months ended 31 March 2005. The increase was primarily due to exchange rate gains arising from our foreign currency bank loans as a result of the Renminbi appreciation in 2006.

Staff costs

Our staff costs decreased by 16.2% to RMB20.2 million in the three months ended 31 March 2006, from RMB24.1 million in the three months ended 31 March 2005 due primarily to our capitalising relevant staff costs and costs of development of new projects, namely Chongqing Tiandi and Wuhan Tiandi projects, in the three months ended 31 March 2006.

Depreciation and release of prepaid lease rentals

Depreciation and release of prepaid lease rentals increased by 52.2% to RMB7.0 million in the three months ended 31 March 2006, from RMB4.6 million in the three months ended 31 March 2005. The increase was due to depreciation on fixed assets of the food and beverage operations, which commenced between these two periods, and additions to office equipment in our corporate headquarters in the three months ended 31 March 2006.

Other operating expenses

Our operating expenses decreased slightly by 1.3% to RMB36.9 million in the three months ended 31 March 2006, from RMB37.4 million in the three months ended 31 March 2005.

Finance costs

Our finance costs increased substantially to RMB87.9 million in the three months ended 31 March 2006 from RMB16.1 million in the three months ended 31 March 2005, as a result of interest paid on the Notes.

Profit before revaluation increase on investment properties and taxation

Our profit before revaluation increase on investment properties and taxation decreased to RMB8.0 million in the three months ended 31 March 2006, from RMB16.0 million in the three months ended 31 March 2005.

Revaluation increase on investment properties

There was no revaluation increase of our investment properties in the three months ended 31 March 2006, compared to a revaluation increase of RMB376.1 million in the three months ended 31 March 2005. The revaluation increase in the three months ended 31 March 2005 was due to an increase in the valuation of Shanghai Xintiandi and Lot 110 in the corporate headquarters zone of the Shanghai Taipingqiao project, primarily due to rising property values in Shanghai.

The following table sets out information on revaluation increases of our investment properties in the three months ended 31 March 2005 and 2006:

		Three months ended 31 March	
Property	**Date completed**	**2005**	**2006**
		(RMB millions)	
Shanghai Xintiandi	August 2002	13.1	—
Lot 110 of Shanghai Taipingqiao	March 2004	363.0	—
Total		376.1	—

Profit before taxation

Our profit before taxation decreased to RMB8.0 million in the three months ended 31 March 2006 from RMB392.1 million in the three months ended 31 March 2005, due to the factors discussed above.

Taxation

Our taxation decreased to RMB25.3 million in the three months ended 31 March 2006 from RMB133.1 million in the three months ended 31 March 2005. The decrease was due to a reduction in deferred taxation expense in the three months ended 31 March 2006, because we did not recognise a revaluation increase of our investment properties in that period. The decrease was partially offset by an increase in current taxation expense in the three months ended 31 March 2006, arising from property sales. Our effective tax rate was 318.2% in the three months ended 31 March 2006, compared to 33.9% in the three months ended 31 March 2005. The increase in the effective tax rate in the three months ended 31 March 2006 over that in the equivalent period of 2005 was due primarily to finance costs incurred on our Notes issuance in late 2005, which were non-deductible for PRC tax purposes. See “Factors Affecting Our Results of Operations and Financial Condition — Availability and cost of funds”.

Loss attributable to equity holders of our Company

Our loss attributable to equity holders of our Company was RMB18.6 million in the three months ended 31 March 2006 compared to a profit of RMB180.0 million in the three months ended 31 March 2005, as a result of the cumulative effect of the factors described above.

Profit attributable to minority interests

Profit attributable to minority interests decreased to RMB1.3 million in the three months ended 31 March 2006, from RMB79.0 million in the three months ended 31 March 2005. Profit attributable to minority interests in the three months ended 31 March 2006 primarily related to the minority interests in our subsidiary, Xing-Bang Properties Co., Ltd., holding our investment properties in Lot 110 of the Shanghai Taipingqiao project. Profit attributable to minority interests in the three months ended 31 March 2005 primarily related to the proportionate share of those revaluation increases of our investment properties, Lot 110 of the Shanghai Taipingqiao project and Shanghai Xintiandi.

2005 COMPARED TO 2004

Turnover

Our turnover decreased by 2.0% to RMB1,017.8 million in 2005 from RMB1,038.9 million in 2004, primarily due to a decrease of RMB192.2 million in revenues from property sales which was largely off-set by an increase of RMB159.0 in rental income.

	Year ended 31 December			
	2004		2005	
	(RMB in millions)	%	(RMB in millions)	%
Property sales	796.2	76.6	604.0	59.3
Rental income received from investment properties	174.7	16.8	333.7	32.8
Income from operating serviced apartments	23.7	2.3	24.8	2.4
Property management fees	16.9	1.6	16.9	1.7
Others	27.4	2.7	38.4	3.8
	1,038.9	100	1,017.8	100

Property sales. Turnover from property sales decreased by 24.1% to RMB604.0 million in 2005 compared with RMB796.2 million in 2004, which in both periods was mainly derived from sales of our residential properties in Lot 149 of the Shanghai Rui Hong Xin Cheng project.

We derived RMB598.9 million from sales of an aggregate GFA of approximately 48,788 square metres in 2005 and RMB722.9 million from sales of an aggregate GFA of approximately 90,979 square metres in 2004 from Lot 149 of the Shanghai Rui Hong Xin Cheng project. Blocks 9, 10, 11 and 12 of Lot 149 of the Shanghai Rui Hong Xin Cheng project were completed in April 2005 with actual GFA of 64,562 square metres and 669 units. The sales of 395 units at blocks 9 and 12 commenced in June

2005 and around 53% of these had been sold by 31 December 2005 at an average selling price of around RMB15,000 per square metre, more than 30% higher than the average pre-sales prices achieved in October 2004 for blocks 10 and 11. The increase was due primarily to an increase in market prices of comparable residential units in Shanghai in 2005 compared to 2004.

The table below sets out information on the turnover, GFA and average sale price per square metre of property sold in 2004 and 2005:

		Year ended 31 December					
		2004			2005		
Property	**Date completed**	**Turnover**	**GFA**	**Average Sale price**	**Turnover**	**GFA**	**Average Sale price**
		(RMB in millions)	(sq.m.)	(RMB/ sq.m.)	(RMB in millions)	(sq.m.)	(RMB/ sq.m.)
Lot 117 of Shanghai Taipingqiao	March 2003	56.3	1,716	32,809	—	—	—
Blocks 1-8, Lot 149 of Shanghai Rui Hong Xin Cheng	March 2004	722.9	90,979	7,946	—	—	—
Blocks 9-12, Lot 149 of Shanghai Rui Hong Xin Cheng	April 2005	—	—	—	598.9	48,788	12,275
Car parking spaces...........................		17.0	—	—	5.1	—	—
Total		796.2	92,695		604.0	48,788	

Rental income received from investment properties. Turnover from rental income received from our investment properties increased to RMB333.7 million in 2005 from RMB174.7 million in 2004. The increase was primarily due to (i) an increase in the average occupancy rate of Lot 110 in the corporate headquarters zone of the Shanghai Taipingqiao project from 55% to 92% and of the commercial complex in Lot 149 of the Shanghai Rui Hong Xin Cheng project throughout the year ended 31 December 2005 as these properties were only completed in December 2003 and June 2004, respectively; and (ii) an increase in average rental rate of Shanghai Xintiandi as a result of achieving higher rentals from an average of US$0.74 to US$0.94 per sq.m. (based on an exchange rate of RMB8.28 to US$1.00) upon renewals and the signing of new leases.

The table below sets out information on rental income received from our investment properties in 2004 and 2005:

		Year ended 31 December		
Property	**Date completed**	**2004**	**2005**	**Change**
		(RMB in millions)		%
Shanghai Xintiandi	August 2002	98.0	123.0	26.9
Lot 110 of Shanghai Taipingqiao	March 2004	52.6	178.1	>100
Commercial complex in Lot 149 of the Shanghai Rui Hong Xin Cheng	September 2004	11.9	23.0	93.3
Phase 1 of Hangzhou Xihu Tiandi	May 2003	12.2	9.6	(4.9)
Total		174.7	333.7	91.0

Income from operating serviced apartments. Turnover from the operation of 88 Xintiandi, a boutique hotel located in Shanghai Xintiandi, increased by 4.6% to RMB24.8 million in 2005 from RMB23.7 million in 2004. The increase was due to an increase in both the average occupancy and average room rates in 2005 compared to those in 2004.

Property management fees. Turnover from property management fees remained at RMB16.9 million in 2005, the same as the corresponding amount for 2004.

Others. Other turnover increased by 40.1% to RMB38.4 million in 2005 from RMB27.4 million in 2004 primarily due to turnover from food and beverage operations, which commenced in July 2005.

Cost of sales

Our cost of sales decreased by 45.5% to RMB326.7 million in 2005 from RMB599.7 million in 2004. Cost of sales was directly attributable to sales of properties. Cost of sales decreased primarily due to a decrease in sales of residential properties in Lot 149 of the Shanghai Rui Hong Xin Cheng project in 2005 as compared to 2004.

Gross profit

As a result of the foregoing, our gross profit increased substantially to RMB691.1 million in 2005 from RMB439.2 million in 2004. Our gross margin was 67.9% in 2005 compared to 42.3% in 2004. The increase in gross margin was primarily due to an increase in the average selling price of Lot 149 of the Shanghai Rui Hong Xin Cheng project in 2005 over that achieved in 2004.

Our gross margin from property sales was 47.1% in 2005, up from 25.1% in 2004 due to the factors mentioned above.

Our gross margin from rental income received from investment properties was 97.7% in 2005 and was 97.9% in 2004.

Other operating income

Our other operating income increased substantially to RMB103.8 million in 2005 from RMB17.0 million in 2004. The increase was primarily due to an exchange gain we recognised from our outstanding foreign currency bank loans (which were at RMB2,497.1 million as at 31 December 2005) as a result of the Renminbi appreciation in 2005 and the receipt of a grant from the local government in respect of a project.

Staff costs

Our staff costs increased by 17.4% to RMB77.7 million in 2005 from RMB66.2 million in 2004. The increase was due to an increase in headcount from 866 to 902 as at the end of 2004 and 2005, respectively, primarily as a result of hiring staff for our Chongqing Tiandi and Shanghai Knowledge and Innovation Community projects, together with our then recently commenced food and beverage operations and our corporate headquarters.

Depreciation and release of prepaid lease rentals

Depreciation and release of prepaid lease rentals increased by 50.0% to RMB24.0 million in 2005 from RMB16.0 million in 2004. The increase was due to additions to office equipment in our corporate headquarters in 2005 and depreciation on fixed assets of our then recently commenced food and beverage operations.

Other operating expenses

Our other operating expenses increased by 31.5% to RMB255.3 million in 2005 from RMB194.2 million in 2004. The increase was primarily due to (i) an increase in sales and marketing expenses to RMB48.2 million in 2005 from RMB39.0 million in 2004, as we incurred higher sales and marketing expenses in promoting our residential properties in Lot 114 of the Shanghai Taipingqiao project Shanghai Knowledge and Innovation Community project and Lot 149 of the Shanghai Rui Hong Xin Cheng project and (ii) an increase in general and administrative expenses in our corporate headquarters.

Finance costs

Our finance costs increased by 52.4% to RMB166.9 million in 2005 from RMB109.5 million in 2004 as a result of an increase of RMB5,482.0 million from RMB4,100.9 million in 2004 to RMB9,582.9 million in 2005, in our bank borrowings, Notes & Preference Shares.

Profit before revaluation increase on investment properties and taxation

Our profit before revaluation increase on investment properties and taxation increased to RMB271.0 million in 2005 from RMB70.4 million in 2004.

Revaluation increase on investment properties

The revaluation increase on investment properties was RMB606.6 million in 2005 compared to RMB1,687.2 million in 2004. Revaluation increases in 2005 primarily related to Lot 110 in the corporate headquarters zone of the Shanghai Taipingqiao project.

The following table sets out information on revaluation surplus of our investment properties in 2004 and 2005:

		Year ended 31 December	
Property	**Date completed**	**2004**	**2005**
		(RMB in millions)	
Shanghai Xintiandi	August 2002	226.3	5.1
Lot 110 of Shanghai Taipingqiao	March 2004	1,254.0	593.4
Commercial complex in Lot 149 of the Shanghai Rui Hong Xin Cheng	September 2004	206.9	8.1
Total		1,687.2	606.6

Profit before taxation

Our profit before taxation decreased to RMB877.6 million in 2005 from RMB1,757.6 million in 2004, due to the factors discussed above.

Taxation

Our taxation decreased by 48.8% to RMB331.9 million in 2005 from RMB647.9 million in 2004. The decrease was due to a reduction in deferred taxation expense in 2005 as a result of a lower revaluation increase in our investment properties in that year. The decrease was partially offset by an increase in current taxation expense in 2005 arising from profits from property sales. As a result, as at 31 December 2005, our deferred tax liability related to revaluation of investment properties was RMB1,127.2 million, compared to RMB926.3 million as at 31 December 2004. Our effective tax rate was 37.8% in 2005, compared to 36.9% in 2004.

Profit attributable to equity holders of our Company

Our profit attributable to equity holders of our Company decreased to RMB380.0 million in 2005 from RMB786.0 million in 2004 as a result of the cumulative effect of the factors described above. Our profit attributable to equity holders of our Company as a percentage of turnover was 37.3% in 2005 and 75.7% in 2004, due to the factors discussed above.

Profit attributable to minority interests

Profit attributable to minority interests decreased to RMB165.7 million in 2005 from RMB323.7 million in 2004. Profit attributable to minority interests in each of 2004 and 2005 primarily related to the minority interests in our subsidiary, Shanghai Xing-Bang Properties Co., Ltd., holding our investment properties in Lot 110 of the Shanghai Taipingqiao project.

2004 COMPARED TO 2003

Turnover

Our turnover increased by 6.3% to RMB1,038.9 million in 2004 from RMB977.3 million in 2003. This increase was primarily due to an increase in rental income, partially offset by a decrease in turnover from property sales.

	Year ended 31 December			
	2003		2004	
	(RMB in millions)	%	(RMB in millions)	%
Property sales	851.0	87.1	796.2	76.6
Rental income received from investment properties	79.5	8.1	174.7	16.8
Income from operating serviced apartments	14.8	1.5	23.7	2.3
Property management fees	16.9	1.7	16.9	1.6
Others	15.1	1.6	27.4	2.7
	977.3	100	1,038.9	100

Property sales. Turnover from property sales decreased by 6.4% to RMB796.2 million in 2004 from RMB851.0 million in 2003. We commenced our sales of residential properties in 2003 with the sales of units on Lot 117 located in the up-market residential zone of the Shanghai Taipingqiao project, which was completed in the first quarter of 2003. Turnover in 2004 reflected sales of the remaining units on Lot 117 of the Shanghai Taipingqiao project as well as sales of units in seven residential buildings in Lot 149 of the Shanghai Rui Hong Xin Cheng project.

The table below sets out information on turnover from property sales in 2003 and 2004:

		Year ended 31 December					
		2003			2004		
Property	**Date completed**	**Turnover**	**GFA**	**Average sale price**	**Turnover**	**GFA**	**Average sale price**
		(RMB in millions)	(sq.m.)	(RMB/ sq.m.)	(RMB in millions)	(sq.m.)	(RMB/ sq.m.)
Lot 117 of Shanghai Taipingqiao	March 2003	826.8	45,884	18,019	56.3	1,716	32,809
Blocks 1-8, Lot 149 of Shanghai Rui Hong Xin Cheng	March 2004	—	—	—	722.9	90,979	7,946
Car parking spaces		24.2	—	—	17.0	—	—
Total		851.0	45,884	—	796.2	92,695	—

The increase in the average selling price for Lot 117 of Shanghai Taipingqiao was due primarily to (i) the sales of Lot 117 of Shanghai Taipingqiao in 2003 being from apartment units, and sales in 2004 being from townhouses. Our townhouses on average commanded a higher selling price per square metre than that achieved for apartments; and (ii) a general increase in market prices of comparable residential units in Shanghai in 2004 compared to 2003.

Rental income received from investment properties. Turnover from rental income received from investment properties increased substantially to RMB174.7 million in 2004 from RMB79.5 million in 2003. The increase in 2004 related primarily to the coming into service of Lot 110 in the corporate headquarters zone of the Shanghai Taipingqiao project in March 2004, which generated turnover of RMB52.6 million. In 2004, we recognised rental income from Lot 110 of the Shanghai Taipingqiao project, from Shanghai Xintiandi, from a commercial shopping complex located in Lot 149 of the Shanghai Rui Hong Xin Cheng project and from Phase 1 of the Hangzhou Xihu Tiandi project.

The table below sets out information on rental income received from investment properties in the years ended 31 December 2003 and 2004:

		Year ended 31 December		
Property	**Date completed**	**2003**	**2004**	**Change**
		(RMB in millions)		**%**
Lot 110 of Shanghai Taipingqiao	March 2004	—	52.6	N/A
Shanghai Xintiandi	August 2002	74.0	98.0	32.4
Commercial complex in Lot 149 of the Shanghai Rui Hong Xin Cheng	September 2004	—	11.9	N/A
Phase 1 of Hangzhou Xihu Tiandi	May 2003	5.5	12.2	>100
Total		79.5	174.7	>100

Income from operating serviced apartments. Turnover from the operation of 88 Xintiandi increased by 60.1% to RMB23.7 million in 2004 from RMB14.8 million in 2003. The increase in income from the operation of 88 Xintiandi was due primarily to higher average occupancy rates and average room rates in 2004 compared to 2003.

Property management fees. Turnover from property management fees remained stable at RMB16.9 million in both 2003 and 2004.

Others. Other turnover increased by 81.5% to RMB27.4 million in 2004 from RMB15.1 million in 2003 representing turnover primarily from events and outdoor advertising income, operating retail outlets and car parking fees.

Cost of sales

Our cost of sales decreased by 7.3% to RMB599.7 million in 2004 from RMB646.6 million in 2003. Cost of sales were directly attributable to sales of properties. Cost of sales decreased primarily as a result of greater cost of sales per square metre of GFA constructed for residential units for Lot 117 of the Shanghai Taipingqiao project as compared to that for Lot 149 of the Shanghai Rui Hong Xin Cheng project due to the use of higher quality materials in the former.

Gross profit

As a result of the foregoing, our gross profit increased by 32.8% to RMB439.2 million in 2004 from RMB330.7 million in 2003. Our gross margin was 42.3% in 2004 compared to 33.8% in 2003. The increase in gross margin was primarily due to increased rental income received from our investment properties, which have a higher margin than sales of our residential properties. The increase in gross margin was partially offset by a change in the mix of residential properties sold in 2004 compared to 2003. In 2003, all of our sales of residential properties were from properties on Lot 117 in the Shanghai Taipingqiao project that had higher average selling prices and a higher margin than the residential units in Lot 149 of the Shanghai Rui Hong Xin Cheng project which made up most of our sales in 2004.

Our gross margin from property sales was 25.1% in 2004, slightly higher than 24.3% in 2003.

Our gross margin from rental income received from investment properties was 97.9% in 2004 and was approximate to 97.5% in 2003.

Other operating income

Our other operating income increased by 54.1% to RMB17.1 million in 2004 from RMB11.1 million in 2003. This increase was primarily due to an increase of RMB7.7 million in interest income in 2004, as a result of an increase in bank deposits representing the proceeds from the issuance of the Preference Shares in May and November 2004, which more than offset a RMB1.7 million decrease in other operating income.

Staff costs

Our staff costs increased substantially to RMB66.2 million in 2004 from RMB22.5 million in 2003. This increase was due to an increase in headcount from 731 to 866 as at 31 December 2003 and 2004, respectively, primarily as a result of hiring staff for the Hangzhou Xihu Tiandi, Chongqing Tiandi and Shanghai Knowledge and Innovation Community projects and our corporate headquarters, and the inclusion of salaries and other benefits paid to our directors in our staff costs beginning in 2004. Prior to June 2004, the salaries and other benefits paid to our directors were included in the financial statements of the Shui On Group. This is because our corporate reorganisation completed on 31 May 2004, and our directors only became directors of our Group on 1 June 2004. See the section entitled "Corporate Structure — History and Corporate Reorganisation" for further information. Salaries and other benefits paid to our directors by the Shui On Group during the year ended 31 December 2003 and the five months period to 31 May 2004 were RMB15.2 million and RMB3.3 million, respectively.

Depreciation and release of prepaid lease rentals

Depreciation and release of prepaid lease rentals increased by 5.3% to RMB15.9 million in 2004 from RMB15.1 million in 2003 due to the addition of fixed assets in Phase I of the Hangzhou Xihu Tiandi project and in our corporate headquarters in 2004.

Other operating expenses

Our other operating expenses increased by 56.7% to RMB194.2 million in 2004 from RMB123.9 million in 2003. This increase was primarily due to (i) an increase in professional fees to RMB36.3 million in 2004 from RMB3.5 million in 2003 in relation to prospective projects and (ii) an increase in donations to charitable organisations to RMB23.3 million in 2004 from nil in 2003, as our Company commenced operations in 2004 and began making donations to selected charitable organisations.

Finance costs

Our finance costs increased substantially to RMB109.5 million in 2004 from RMB53.8 million in 2003, principally representing finance costs of RMB109.2 million which we incurred in 2004 from the issuance of the Preference Shares. In June and November 2004, we drew down US$250 million of the commitments of the Financial Investors and SOCAM to subscribe for the Preference Shares.

Profit before revaluation increase on investment properties and taxation

Our profit before revaluation increase on investment properties and taxation decreased to RMB70.4 million in 2004 from RMB126.6 million in 2003.

Revaluation increase on investment properties

The revaluation increase on investment properties was RMB1,687.2 million in 2004 compared to RMB62.7 million in 2003, primarily reflecting the difference of the market value of Lot 110 of Shanghai Taipingqiao when it was put into service in March 2004 compared to its development costs. The revaluation increase in investment properties in 2004 reflected increases in the valuation of Lot 110, of Shanghai Taipingqiao Shanghai Xintiandi and the commercial shopping complex in Lot 149 of the Shanghai Rui Hong Xin Cheng project. The increases in valuation of Shanghai Xintiandi was primarily due to rising property values in Shanghai.

The following table sets out information on revaluation increases of our investment properties in 2003 and 2004:

Property	**Date completed**	**2003**	**2004**
		(RMB in millions)	
Shanghai Xintiandi	August 2002	62.7	226.3
Lot 110 of Shanghai Taipingqiao	March 2004	—	1,254.0
Commercial complex in Lot 149 of Shanghai Rui Hong Xin Cheng	September 2004	—	206.9
Total		62.7	1,687.2

Profit before taxation

Our profit before taxation increased significantly to RMB1,757.6 million in 2004 from RMB189.3 million in 2003.

Taxation

Taxation increased to RMB647.9 million in 2004 from RMB104.6 million in 2003. This increase was primarily due to the increase in profit from operations and deferred taxation expense relating to revaluation of investment properties. In 2004, we incurred deferred tax expenses of RMB556.0 million, relating to revaluation of investment properties, compared to RMB20.7 million in 2003. As a result, as at 31 December 2004, our deferred tax liability related to revaluation of investment properties was RMB926.3 million, compared to RMB370.3 million as at 31 December 2003. Our effective tax rate was 36.9% in 2004, compared to 55.2% in 2003.

Profit attributable to equity holders of our Company

Our profit attributable to equity holders of our Company increased significantly to RMB786.0 million in 2004 from RMB29.0 million in 2003 as a result of the cumulative effect of the factors described above. Our profit for the year attributable to equity holders of our Company as a percentage of turnover was 75.7% in 2004 and 3.0% in 2003, due to the factors discussed above.

Profit attributable to minority interests

Minority interests were RMB323.7 million in 2004 compared to RMB55.7 million in 2003, primarily reflecting the share of results of minority shareholders in Shanghai Xing-Bang Properties Co., Ltd., which owns Lot 110 of the Shanghai Taipingqiao project.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as to service our indebtedness, including the payment of dividends on our Preference Shares, and to fund working capital and normal recurring expenses. To date, we have financed our liquidity requirements through a combination of internal resources, offerings of Preference Shares and other securities and secured borrowings. Going forward, we believe our liquidity requirements will be satisfied using a combination of the proceeds from this Global Offering, project construction loans and mortgage loans, cash provided by operating activities, including from the rental, sale and pre-sale of properties, and additional offerings of equity securities.

The following table sets out our summary cash flow data for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	(RMB in millions)			(RMB in millions)	
Net cash from (used in) operating activities	1,172.5	687.5	112.5	(62.0)	311.9
Net cash used in investing activities	(2,499.9)	(2,620.1)	(4,369.3)	(545.8)	(1,059.7)
Net cash from (used in) financing activities	1,420.1	2,583.7	5,161.5	328.1	(18.3)
Net increase (decrease) in cash and cash equivalents	92.7	651.1	904.7	(279.7)	(766.1)

For the three years ended 31 December 2005 and the three months ended 31 March 2005 and 2006, we had revaluation increases on our investment properties representing 74.1%, 152.0%, 111.2%, 145.2% and nil of our net profit for the respective periods. Upward revaluation adjustments reflect unrealised capital gains on our investment properties at the relevant balance sheet dates and do not generate any cash inflow to us for potential dividend distribution to our shareholders until such investment properties are disposed of at similarly revalued amounts.

As at 31 March 2006, we had cash and bank deposits of RMB1,888.5 million, which included RMB681.7 million of deposits pledged to banks, and approximately RMB3,959.2 million of utilised project loans and mortgage loans. The decrease in cash and cash equivalents in the three months ended 31 March 2006 over that in 31 December 2005 was due to payments of relocation costs related to the Shanghai Taipingqiao, Shanghai Rui Hong Xin Cheng and Chongqing Tiandi projects.

As at 31 December 2005, we had cash and bank deposits of RMB2,398.4 million, which included RMB409.5 million of deposits pledged to banks and approximately RMB3,919.8 million of utilised project loans and mortgage loans. The increase in cash and cash equivalents in 2005 over that in 2004 was due primarily to issuance of our Preference Shares and Notes, part of which was utilised for payments of land grant costs related to the Shanghai Knowledge and Innovation Community, Chongqing Tiandi and Wuhan Hankou Tiandi projects.

Cash flow from operating activities

Our cash flow from operating activities consists primarily of cash received from the sale of units in our residential properties and rental income received from our investment properties, offset by changes in working capital.

In the three months ended 31 March 2006, net cash from operating activities was RMB311.9 million, compared to net cash used in operating activities of RMB62.0 million in the three months ended 31 March 2005. Net cash from operating activities in the three months ended 31 March 2006 comprised primarily RMB392.6 million deposits received from pre-sales of residential properties in Lot 114 of the Shanghai Taipingqiao project.

In 2005, net cash from operating activities was RMB112.5 million, compared to RMB687.5 million in 2004. The decrease in net cash received was due to a RMB600.9 million prepayment of relocation costs in relation to our Shanghai Rui Hong Xin Cheng project and a RMB90.7 million payment of PRC income tax.

In 2004, net cash from operating activities decreased to RMB687.5 million from RMB1,172.5 million in 2003. Although the combined turnover from property sales and rental income in 2004 was higher than that in 2003, a portion of the proceeds from pre-sales of Lot 149 of the Shanghai Rui Hong Xin Cheng project had already been received and recorded as cash from operating activities in 2003. As a result, net cash from operating activities in 2004 was less than that in 2003.

In 2003, net cash from operating activities of RMB1,172.5 million mainly represented proceeds on sales of our residential units on Lot 117 of the Shanghai Taipingqiao project and pre-sales of Lot 149 of the Shanghai Rui Hong Xin Cheng project and rental income from Shanghai Xintiandi and Phase 1 of the Hangzhou Xihu Tiandi project.

Cash flow used in investing activities

Our principal investment activity is the development of city-core development and integrated residential development projects. In 2003, 2004 and 2005 and the three months ended 31 March 2005 and 2006, we experienced net cash outflows as a result of our investing activities.

In the three months ended 31 March 2006, net cash used in investing activities increased to RMB1,059.7 million from RMB545.8 million in the three months ended 31 March 2005. The increase was due primarily to an increase in pledged cash mainly from the receipt of sale proceeds from the sale of Lot 114 and an increase in payments made for relocation and construction costs. Such relocation costs paid in the three months ended 31 March 2006 were related to the Shanghai Taipingqiao, Shanghai Rui Hong Xin Cheng and Chongqing Tiandi projects.

In 2005, net cash used in investing activities increased to RMB4,369.3 million from RMB2,620.1 million in 2004. The increase was due primarily to greater expenditures for land grant costs in 2005 compared to 2004. In 2005, land grant costs paid were related to the Shanghai Knowledge and Innovation Community, Chongqing Tiandi and Wuhan Hankou Tiandi projects.

In 2004, net cash used in investing activities increased to RMB2,620.1 million from RMB2,499.9 million in 2003. The increase was due primarily to greater expenditures for land grant costs. In 2004, land grant costs related to our development projects at the Shanghai Knowledge and Innovation Community, Hangzhou Xihu Tiandi and Chongqing Tiandi projects.

In 2003, net cash used in investing activities of RMB2,499.9 million mainly represented expenditure for land grant and relocation costs. Land grant and relocation costs paid in 2003 related to our development of residential units on Lot 114 of the Shanghai Taipingqiao project and the Shanghai Rui Hong Xin Cheng project.

Cash flow from (used in) financing activities

Historically, our cash from financing activities derived from offerings of our equity securities, including our Preference Shares, Notes, and bank and other borrowings.

In the three months ended 31 March 2006, net cash used in financing activities was RMB18.3 million, compared to RMB328.1 million net cash from financing activities in the three months ended 31 March 2005. Net cash from financing activities in the three months ended 31 March 2006 represented a RMB77.3 million partial draw-down from the bank loan for the Shanghai Rui Hong Xin Cheng project and Lot 114 of the Shanghai Taipingqiao project and a RMB6.5 million capital injection from minority shareholders. These were partially offset by RMB21.2 million bank loan repayments for the Shanghai Taipingqiao project and RMB86.3 million interest and bank charges paid.

In 2005, our net cash from financing activities increased to RMB5,161.5 million from RMB2,583.7 million in 2004.

In 2005, our net cash from financing activities represented RMB2,994.3 million net proceeds on issuance of Notes, RMB1,220.3 million net proceeds from the issue of our Preference Shares, RMB1,680.7 million bank loans drawn for our development projects at the Shanghai Yangpu Knowledge and Innovation Community and Shanghai Rui Hong Xin Cheng projects and Lot 114 of the Shanghai Taipingqiao project, capital injection and advance from minority shareholders of RMB4.3 million and RMB202.7 million respectively. These were partially offset by RMB464.4 million repayment of advances from Shui On Group and SOCAM, RMB402.2 million interest and bank charges paid and RMB74.2 million repayments on bank loans.

In 2004, our net cash from financing activities increased to RMB2,583.7 million from RMB1,420.1 million in 2003. The increase in 2004 reflected net proceeds of RMB1,960.2 million from the issue of our Preference Shares to the Financial Investors and SOCAM, RMB125.2 million of advances from the Shui On Group and SOCAM, increased bank loans of RMB485.4 million and capital injection and advance from minority shareholders of RMB154.4 million and RMB87.4 million respectively. Net cash from financing activities in 2004 was partially offset by repayments on bank loans of RMB63.6 million and interest and bank charges paid of RMB165.5 million.

In 2003, net cash from financing activities reflected increased bank borrowings of RMB1,832.2 million which was partially offset by repayment of bank loans of RMB281.3 million, interest and bank charges of RMB88.4 million and repayment of advances from Shui On Group and SOCAM of RMB35.9 million.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

We undertake our project developments through project subsidiary companies. The operations of our project companies are financed through a combination of capital contributions, project construction loans and mortgage loans. We finance our property developments, which are large-scale projects, with property-specific construction loans because of the time associated with the development of these projects. These project construction loans are generally secured by mortgages over the land use rights of the project companies, our equity interests in the project companies, insurance over their assets and properties, the proceeds of the rental and sale of our completed properties and bank accounts. Upon completion of investment property projects, we generally seek to refinance such project construction loans with mortgage loans having a term of five to seven years.

We periodically issue guarantees to banks with respect to the project construction loans of our subsidiary project companies during the project development. If the project construction loans are refinanced with mortgage loans, we also generally guarantee the loans of our project companies.

As at 31 March 2006 and 31 July 2006, our total indebtedness was RMB10,829 million (comprising bank borrowings of RMB3,959 million, amounts due to related companies of RMB146 million, Preference Shares of RMB2,863 million, Notes of RMB2,789 million, loan from a minority shareholder of a subsidiary of RMB176 million, amounts due to minority shareholders of subsidiaries of RMB270 million and consideration payable on acquisition of additional interests in subsidiaries of RMB626 million) and RMB11,340 million (comprising bank borrowings of RMB4,431 million, amounts due to related companies of RMB208 million, Preference Shares of RMB2,848 million, Notes of RMB2,778 million, loan from a minority shareholder of a subsidiary of RMB179 million, amounts due to minority shareholders of subsidiaries of RMB270 million and consideration payable on acquisition of additional interests in subsidiaries of RMB626 million), respectively.

Ratio of adjusted borrowings to unaudited proforma adjusted net tangible assets

As at 31 July 2006, we had total borrowings of RMB7,209 million, comprising bank borrowings of RMB4,431 million and Notes of RMB2,778 million.

On the basis set out in Appendix II, the net proceeds to be raised from the Global Offering (not including the Over-allotment Option) and the HSBC Investment are estimated to be RMB3,256 million assuming an Offer Price of HK$4.80 per Share (being the bottom end of the Offer Price range in this prospectus) and RMB3,558 million assuming an Offer Price of HK$5.35 per Share (being the Maximum Offer Price). Accordingly, we will have unaudited pro forma adjusted net tangible assets of RMB11,191 million (assuming an Offer Price of HK$4.80) or RMB11,493 million (assuming an Offer Price of HK$5.35).

The amount of our total borrowings at 31 July 2006, less the proceeds estimated to be raised from the Global Offering (not including the Over-allotment Option) and the HSBC Investment ("Adjusted Borrowings") is RMB3,953 million assuming an Offer Price of HK$4.80 per Share (being the bottom end of the Offer Price range in this prospectus) or RMB3,651 million assuming an Offer Price of HK$5.35 per Share (being the Maximum Offer Price).

Based solely on these figures for Adjusted Borrowings and unaudited pro forma adjusted net tangible assets, upon listing our implied ratio of Adjusted Borrowings to unaudited pro forma adjusted net tangible assets is 35.3% (assuming an Offer price of HK$4.80) or 31.8% (assuming an Offer Price of HK$5.35). The foregoing should not be considered in isolation or construed as an indicator of our operating performance or liquidity or other performance, and may not be comparable to similar calculations of other companies.

Borrowings

The following table sets out a summary of our outstanding borrowings other than the Preference Shares and the Notes as at 31 July 2006.

Property	Interest rate[1]	Principal amount outstanding	Principal amount unutilised and available	Maturity date
		(RMB in millions)		
Project Company debt				
Shanghai Xintiandi	HIBOR + 0.8%	669	—	30 September 2009
	PBOC rate x 90%	159	—	30 September 2009
Shanghai Taipingqiao Lot 110	HIBOR + 0.8%	479	—	27 January 2011
	HIBOR + 0.875%	463	494	18 April 2011
Shanghai Taipingqiao Lot 114	HIBOR + 0.7%	515	—	19 July 2007
Shanghai Rui Hong Xin Cheng Lot 149	HIBOR + 0.6125%	634	—	4 August 2006[3]
	PBOC rate x 90%	117	—	4 August 2006[3]
Shanghai Knowledge and Innovation Community	6.9%[2]	875	625	(31 December 2006) (RMB600 million) 20 December 2009 (RMB900 million)
	PBOC rate x 97.8%	470	—	30 September 2007
Hangzhou Xihu Tiandi	HIBOR + 0.8%	—	547	30 June 2008
Total Project Level Bank Loans		4,381	1,666	
Holding Company debt				
Shui On Development Limited	PBOC rate	50	—	13 October 2006
Total Bank Loans		4,431	1,666	

(1) At 31 July 2006, the interest rates on our outstanding borrowings ranged from 4.62696% to 6.9% per annum. Exchange rate used is HK$1:RMB1.029.

(2) The loan bears interest at a floating interest rate (which has initially been designated as 6.6% per annum). In the event that the People's Bank of China adjusts its interest rate policy during the loan period, the portion of 6.5% of the applicable interest rate shall be correspondingly adjusted in proportion and the new interest rate shall be applied starting in the month following such adjustment of the People's Bank of China's interest rate policy.

(3) We signed a RMB120 million and HK$1,204.5 million Facility Agreement with Standard Chartered Bank as Agent for refinancing the loan of the Shanghai Rui Hong Xin Cheng on 20 June 2006. In August 2006, we drew down RMB117 million and HK$616 million from this facility.

As at 31 March 2006, total undrawn facilities available to us amounted to approximately RMB2.5 billion. As at 31 July 2006, the total undrawn facilities available to the Group amounted to approximately RMB1.7 billion.

Preference Shares

As at 31 December 2005, the holders of the Preference Shares had fully subscribed for the Preference Shares, and we had 220,000,000 Junior Preference Shares and 180,000,000 Senior Preference Shares outstanding. In accordance with IFRS, these Preference Shares are divided into their equity and liability components on our balance sheet. In addition, the dividends we pay on the Preference Shares are treated as finance costs on our income statement. The Junior Preference Shares pay dividends semi-annually at the rate of 7.0% per annum of the price originally paid for each Junior Preference Share, and the Senior Preference Shares pay dividends semi-annually at the rate of 7.5% per annum. The Senior Preference Shares also pay an additional dividend upon redemption, which accrues at the rate of 7.5% per annum from the date of issue of the Senior Preference Shares to the redemption date. In each case, the rate of the dividend is based on the price originally paid for each such share.

On 1 January 2006, 10,000,000 of the Senior Preference Shares were converted on a shareholder's election into 8,115,547 shares of US$0.01 each, which were later subdivided into 32,462,188 Shares. On Listing, the remaining 390 million Preference Shares will be converted into Shares based on the aggregate of the original subscription price and accrued and unpaid dividends calculated up to the Listing Date at a conversion rate which, for the Senior Preference Shares, will be US$0.3375, after adjustment to reflect the subdivision of our Shares. The number of Shares issuable to holders of Senior Preference Shares is further subject to adjustment to provide that the holders achieve a maximum internal rate of return of 27.5% on their investment in those Senior Preference Shares and hence is dependent on the value of the Offer Price. At Offer Prices of HK$4.80 and HK$5.35, being respectively the bottom end of the proposed Offer Price range in this prospectus and the Maximum Offer Price, the aggregate number of Shares that will be issued to the Senior Preference Shareholders (or at their direction) on conversion at the Listing Date will be 395,231,232 Shares and 354,601,032 Shares, respectively.

The conversion rate for the Junior Preference Shares will be US$0.2675, after adjustment to reflect the subdivision of our Shares. The aggregate number of Shares that will be issued to the Junior Preference Shareholders (or at their direction) on conversion at the Listing Date will accordingly be 842,579,424 Shares. For further information on the Preference Shares, see the section entitled "Corporate Structure — History and Corporate Reorganisation".

Entrusted loan for the Shanghai Knowledge and Innovation Community project

On 31 December 2004, our 70% owned subsidiary, Shanghai Yang Pu Centre Development Company Limited, entered into an entrusted loan agreement with the Shanghai Enterprise Annuity Fund Development Centre as entrustor and Pudong Development Bank as lender. Under this arrangement, Shanghai Yang Pu Centre Development Company Limited was granted a facility of up to RMB 1.5 billion, of which RMB875 million was drawn down for the development of our Shanghai Knowledge and Innovation Community project. The Shanghai Enterprise Annuity Fund Development Centre is an enterprise under the Shanghai Municipal Labour and Social Security Bureau (the "SSSB"). It has been reported in the Chinese and Hong Kong press that an investigation has been commenced by Chinese authorities into the affairs of the SSSB, including loans made to property developers, potentially including the entrustment loan to Shanghai Yang Pu Centre Development Company Limited. Amongst the issues referred to in press reports is an allegation that certain loans to property developers may have constituted unlawful use of social security funds which were not permitted to be invested in this manner.

As far as we are aware, we are not currently involved in any investigation in relation to the loan to Shanghai Yang Pu Centre Development Company Limited or any other matter and, other than the allegations in the press reports, have had no notification that such an investigation has been or will be commenced. We have been advised by our Counsel, Jin Mao Law Firm, that the agreement for the entrustment loan to Shanghai Yang Pu Centre Development Company Limited is legal, valid and binding. Nevertheless, we have no knowledge of the SSSB's operations, including its funding arrangements. Equally, we cannot be sure that no such investigation is being contemplated or is ongoing, or that an investigation will not be undertaken in the future, and any such investigation could have unpredictable consequences. See "Risk Factors — Risks Relating to our Business — We may become involved in an investigation arising out of our participation in an entrusted loan used for the development of our Shanghai Knowledge and Innovation Community project and may face unpredictable consequences as a result." We are in the process of negotiating alternative sources of financing to replace the drawn and undrawn portions of the entrustment loan.

Warrants and Notes

On 12 October 2005, we issued 3,874,250 Warrants exercisable for the purchase of approximately 3.1% (assuming all Preference Shares are converted) of our then outstanding shares of US$0.01 each. The Warrants are exercisable at an exercise price of US$0.01 per Share, at any time on or after the Listing Date. The Warrants will expire on 12 October 2008. Upon exercise at any time after the Listing Date, we have the option to satisfy such exercise in Shares or in cash equivalent to the fair value of such Shares. We currently intend to issue Shares on exercise or repurchase of the Warrants. The "fair value" per Share at any date of determination is the average (weighted by daily trading volume) of the daily prices, being the closing price that day as reported by the Stock Exchange, per Share, of the lesser of (i) the 10 consecutive trading days immediately prior to that date and (ii) the total number of trading days for which the Shares have traded immediately prior to that date. See the section entitled "Further Information About The Company — C. Description of the Warrants" in Appendix IX for further information. In the event that we elect to pay cash on a repurchase of the Warrants, the potential impact on us of such cash payment will depend on our market capitalisation immediately after the Listing. Assuming that we issue HK$2,669 million — HK$2,975 million of new Shares (before expenses) at the Listing and our market capitalisation immediately after the Listing is HK$19,815 million — HK$21,770 million, our implied pre Global Offering valuation at Listing is HK$17,146 million — HK$18,796 million. Assuming all the Warrant holders choose to convert all their Warrants at the Listing and we decide to redeem all the Warrants in cash, we expect to pay 3.1% of HK$17,146 million — HK$18,796 million, which is approximately HK$531.5 million — HK$582.7 million, in cash. The potential financial impact is hence a decline in our cash balances of HK$531.5 million — HK$582.7 million. In addition, there would be an adjustment to our income statement for the financial year of exercise, which is the difference between the cash payable and the fair value of the Warrants on the last reported balance sheet date at the redemption date. We have obtained the consent of Warrant holders to amend the terms of the Warrants such that they will be exercised automatically upon Listing and satisfied by the issue of Shares. See the section entitled "Corporate Structure — History and Corporate Reorganisation — Amendment to the terms of the Warrants" for more details.

On 12 October 2005, Shui On Development (Holding) Limited, our wholly owned subsidiary, issued US$375,000,000 of 8.5% Notes due 2008. The Notes are:

- General, unsecured obligations of Shui On Development (Holding) Limited;
- Senior in right of payment to any existing and future obligations of Shui On Development (Holding) Limited expressly subordinated in right of payment of the Notes;
- Rank equally with other unsecured, unsubordinated indebtedness of Shui On Development (Holding) Limited (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); and
- Effectively subordinated to all existing and future obligations to Shui On Development (Holding) Limited's subsidiaries.

The Notes will mature on 12 October 2008, unless redeemed earlier pursuant to the terms of the trust deed under which they were issued. See the section entitled "Further Information About the Company — D. Description of the Notes" in Appendix IX for further information.

Loan from a minority shareholder of a subsidiary

As at 31 March 2006 and 31 July 2006, a loan from a minority shareholder of a subsidiary of face value amounted to RMB200 million and RMB200 million. The amount is unsecured, interest free and repayable in two instalments of RMB100.0 million each on 31 March 2008 and 31 March 2009. As at 31 March 2006 and 31 July 2006, it is carried on our balance sheet at a fair value of RMB176.0 million and RMB179.0 million respectively. Fair value is determined based on the present value of the estimated future cash flows discounted using the original effective interest rate of 5.27% per annum at the balance sheet date, approximate to its carrying amount. A fair value adjustment of RMB29.2 million at the initial recognition was credited to equity. See Note 31 to our consolidated financial statements as at and for the years ended 31 December 2003, 2004 and 2005 and as at and for the three months ended 31 March 2006 included in Appendix I.

Off-balance sheet arrangements

As at 31 March 2006, we did not have any off-balance sheet arrangements with unconsolidated entities.

WORKING CAPITAL

Taking into account the estimated net proceeds from the Global Offering, available banking facilities and cashflows from our operations, we believe we have sufficient working capital for our present requirements, which is for at least the next 12 months from the date of this prospectus.

CAPITAL EXPENDITURE

As at 31 December 2003, 2004 and 2005 and as at 31 March 2006, we were contractually committed to spend RMB2,488.3 million, RMB2,796.0 million, RMB5,356.2 million and RMB5,523.9 million, respectively, on capital expenditure required for our property developments, primarily consisting of land grant costs and construction costs.

The following table sets out information on our capital commitments as at 31 March 2006:

	Capital commitments with respect to the development cost contracted	Date by which capital commitment is expected to be expended
	(RMB in millions)	
Shanghai Taipingqiao	1,088	2006-2008
Shanghai Rui Hong Xin Cheng Lot 149	1,272	2006
Shanghai Knowledge and Innovation Community R1 & H1	392	2006
Shanghai Xintiandi	3	2006
Chongqing Tiandi	182	2007 to 2008
Hangzhou Xihu Tiandi Phase 2	103	2006 to 2008
Wuhan Hankou Tiandi — Site A & Site B	2,484	2006 to 2008
Total	5,524	

We currently expect to incur approximately 57% of this expenditure in 2006.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

As at 31 March 2006, we had contractual obligations relating to our long-term debt, capital expenditures and bonus consideration to be paid to SOCAM and members of the Shui On Group as part of the consideration paid to them in connection with our formation.

Long-term debt. As at 31 March 2006 and 31 July 2006, we had RMB1,692.5 million and RMB2,246 million of bank borrowings in long-term debt, which are repayable in two to five years from each balance sheet date.

Capital expenditure. As at 31 March 2006, we had contracted commitments for capital expenditure in the amount of RMB5,523.9 million.

Bonus consideration. As at 31 March 2006, we were committed to pay a bonus consideration of US$74 million to the Shui On Group and US$2.9 million to SOCAM if certain performance targets are achieved. See "Corporate structure — History and Corporate Reorganisation." The bonus consideration is payable by the issuance of our ordinary shares to SOCAM and the Shui On Group.

Other commitments and contingent liabilities. We also generally arrange bank financing with various domestic banks for the purchasers of units in our residential properties. In accordance with market practice in the PRC, we are required by the banks to guarantee the obligations of the purchasers to repay the mortgages on the property. These guarantees are released when the purchasers obtain their real estate certificates and submit them and certificates of other interests in the property to the relevant banks. As at 31 March 2006, we had provided guarantees for RMB16.4 million of mortgage loans entered into by our purchasers. See "Risk Factors — Risks relating to our business — We provide short term performance guarantees for the purchasers of units in our residential properties and may incur substantial costs if they are called."

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks in the ordinary course of our business, including fluctuations in interest rates and foreign exchange rates. As at 31 March 2006, other than our Preference Shares and the Notes with a fair value of RMB5.7 billion and an amount of RMB84 million due to minority shareholders of our subsidiaries, all of our outstanding borrowings bore interest at variable rates.

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates. All of our bank borrowings consist of variable rate debt obligations with original maturities ranging from three years to seven years for our project construction loans and five to seven years for our mortgage loans. Increases in interest rates would increase interest expenses relating to our outstanding variable rate borrowings and increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of our debt obligations. We do not currently use any derivative instruments to manage our interest rate risk. To the extent we decide to do so in the future, we cannot be assured that any future hedging activities will protect us from fluctuations in interest rates.

Foreign exchange risk

All of our turnover is denominated in Renminbi. A portion of our turnover in Renminbi, however, is converted into other currencies to meet our foreign currency denominated debt obligations, such as our bank loans denominated in Hong Kong dollars and our dividend payment obligations for our Preference Shares, which are denominated in US dollars. As a result, we are exposed to fluctuations in foreign exchange rates. As at 31 March 2006, we also had HK$2,468.3 million of Hong Kong dollar denominated loan facilities drawn and outstanding. Considering (i) a relatively stable currency regime with regard to the Renminbi is maintained by the PRC Government which only allows the exchange rate to fluctuate within a narrow range and (ii) our view that it is more probable that the value of the Renminbi will appreciate rather than depreciate relative to the Hong Kong dollar or US dollar in the foreseeable future, we expect that any adverse effect of fluctuation of the exchange rate between Renminbi, Hong Kong dollars and US dollars is remote. Therefore, we do not currently engage in hedging to manage currency risk. However, we are monitoring the situation closely and will implement an effective hedging arrangement whenever we consider there is any sign that the currently benign environment will change in the future. To the extent we decide to do so in the future, we cannot be assured that any future hedging activities will protect us from fluctuations in exchange rates.

Inflation

Inflation in China has not had a material impact on our results of operations in recent years. According to the National Bureau of Statistics of China, the change in the Consumer Price Index was 1.2% in 2003. The change in the Consumer Price Index in China was 3.9% in 2004. During 2004, following increases in the Consumer Price Index in China during the first few months of the year, the PRC Government announced measures to restrict lending and investment in China in order to reduce inflationary pressures in China's economy. The PRC Government may introduce further measures intended to reduce the rate of inflation in China.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our directors have confirmed that they are not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.11 to 13.19 of the Listing Rules.

PROFIT FORECAST

Our directors believe that, on the bases and assumptions set out in Appendix III and in the absence of unforeseen circumstances, our forecast of the net profit attributable to equity holders of the Company for the year ending 31 December 2006 is unlikely to be less than RMB1,450 million before revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments, and is unlikely to be less than RMB982 million after revaluation of investment properties and after Fair Value Adjustment on Derivative Financial Instruments as follows:

Forecast(5)	**RMB millions**(4)
Net profit attributable to equity holders of the Company before (i) revaluation of investment properties and (ii) Fair Value Adjustment on Derivative Financial Instruments(1)	1,450
Revaluation increase on investment properties (net of deferred tax effect and share of minority interests) (2)	76
Fair Value Adjustment on Derivative Financial Instruments(3)	(544)
Net profit attributable to equity holders of the Company after (i) revaluation of investment properties and (ii) Fair Value Adjustment on Derivative Financial Instruments(4)	982

Notes:

(1) The profit forecast is made on the bases and assumptions set out in Appendix III.

(2) Under IFRS, movements in the valuation of investment properties will be reflected in our financial statements, through our consolidated income statements. Gains or losses arising from changes in the fair value of our investment properties are accounted for as profit or loss on revaluation increase/decrease in investment properties in our income statement.

The forecast profit of RMB1,450 million for the year ending 31 December 2006 is before revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments. The forecast profit of RMB982 million after revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments includes a revaluation increase on investment properties estimated at RMB76 million (net of deferred tax effect and share of minority interests). The effect of revaluation of our investment properties has been estimated based on projected valuations at 31 December 2006 according to a basis of valuation which is, so far as practicable, consistent with the basis of valuation which has been adopted by our independent property valuer in valuing our properties for the purposes of our audited consolidated financial statements contained elsewhere in this prospectus, and the independent valuer's report in Appendix IV. Accordingly, we have adopted an income approach under which the market value of a property is estimated by adding together the estimated value of (i) the lease term interest of the property and (ii) the reversionary interest of the property. The estimated value of the lease term interest of a property is derived by capitalising the contractual rental for the relevant period, being in our case from 1 January 2006 to the end of the term of the relevant leases. The estimated value of the reversionary interest is derived by capitalising the estimated market rental of the property for its remaining life, as adjusted for certain items, including those relating to expected rental increase. These projected valuations, adopting the income approach, have been based on our projections of rental income from the properties for the period to 31 December 2006, assuming the leases of any lease-expired units of the properties as at 31 December 2006 will all be renewed for a term expiring on 31 December 2008, at an estimated average rental. Our projections of rental income, and the projected valuations and adoption of the income approach have been prepared in conjunction with, and reviewed by, our independent property valuer. We expect the fair value of our investment properties as at 31 December 2006, and in turn any revaluation increase or decrease on our investment properties, to continue to be dependent on market conditions and other factors that are beyond our control, and to be based on the valuation performed by an independent professional property valuer involving the use of assumptions that are, by their nature, subjective and uncertain, including those described in "Risk Factors — Risks relating to the Global Offering — The valuation attached to our property interests contains assumptions that may or may not materialise."

The following table illustrates the sensitivity of the net profit attributable to the equity holders of the Company (net of deferred tax effect and share of minority interests) to levels of revaluation increase/decrease on investment properties for the year ending 31 December 2006:

Changes in revaluation increase on investment properties compared to our estimated revaluation increase on investment properties of RMB76 million	-15%	-10%	-5%	5%	10%	15%
Impact on profit attributable to equity holders of the Company (RMB millions)	(660)	(440)	(220)	220	440	660

This sensitivity illustration is intended for reference only, and any variation could exceed the ranges given. Investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive and is limited to the impact of changes in the level of revaluation increase on investment properties and (ii) the profit forecast is subject to further and additional uncertainties generally. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the revaluation increase on our investment properties as at 31 December 2006, and our independent property valuer is of the view that the assumptions upon which the forecast is based are reasonable, the fair value of our investment properties and/or any revaluation increase or decrease on investment properties as at the relevant time may differ materially from our estimate, and is dependent on market conditions and other factors that are beyond our control. See "Risk Factors — Risks relating to the Global Offering — Our net profit attributable to equity holders of the Company for the year ending 31 December 2006 will involve gains and losses that may arise on revaluation of our investment properties and/or derivative financial instruments, and our profit forecast involves estimates and assumptions in this regard which may prove to be incorrect."

(3) Under IFRS, the Warrants are required to be recorded at fair value on the balance sheet date, and any increase or decrease in fair value in any applicable accounting period is required to be recognised as a charge or credit to our income statements. This charge or credit is a non-cash item representing the increase or decrease in fair value of the Warrants.

We have obtained the consent of Warrant holders to amend the terms of the Warrants such that they will be exercised automatically upon Listing and satisfied by the issue of Shares.

The terms of the Senior Preference Shares and the Junior Preference Shares include both optional and mandatory conversion rights. Pursuant to these conversion rights, all the Preference Shares will be mandatorily converted into Shares on the Listing Date.

In the case of the Senior Preference Shares, the number of Shares to which the holders are entitled upon mandatory conversion is capped at that number of Shares which shall provide the holders with an internal rate of return on the holder's investment in such Senior Preference Shares of 27.5%, computed in accordance with accepted financial practice in Hong Kong and on the basis that the Shares arising from such conversion shall be valued at the Offer Price.

Under IFRS, this capped conversion right with respect to the Senior Preference Shares is required to be recorded at fair value on the balance sheet date, and any increase or decrease in fair value in any applicable accounting period is required to be recognised as a charge or credit to our income statements. This charge or credit is a non-cash item representing the increase or decrease in fair value of the capped conversion right.

In the case of the Junior Preference Shares, the number of Shares to which the holders are entitled upon conversion is not subject to any cap and, under IFRS, the conversion rights with respect to the Junior Preference Shares are not classified as a derivative and are not required to be recorded at fair value.

The forecast profit of RMB1,450 million for the year ending 31 December 2006 is before revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments. The forecast profit of RMB982 million after revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments includes a charge in respect of Fair Value Adjustment on Warrants estimated at RMB356 million based on an assumed Offer Price of HK$5.35 per Share, representing the Maximum Offer Price, and on the basis that all the Warrants are exercised in full automatically upon Listing, and a charge in respect of fair value adjustment on the capped conversion right with respect to the Senior Preference Shares estimated at RMB188 million. The actual amount of Fair Value Adjustment on Warrants will be dependent on the Offer Price of our Shares. Accordingly, the actual Fair Value Adjustment on Warrants will be commensurately lower if the Offer Price is fixed below the Maximum Offer Price. See "Profit Forecast for the Year Ending 31 December 2006 — Assumption with respect to Warrants" in Appendix III.

The following table illustrates the sensitivity of the net profit attributable to equity holders of the Company, by the changes in Fair Value Adjustments on Warrants if our Offer Price is at the bottom end of the Offer Price range in this prospectus or the Maximum Offer Price:

	Based on an Offer Price per Share of HK$4.80	Based on Maximum Offer Price
Increase in profit attributable to equity holders of the Company (RMB' million)	52	0

This sensitivity illustration is intended for reference only. Investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive and is limited to the quantum of the Fair Value Adjustment on Warrants (before any further exchange rate adjustment) and (ii) the profit forecast is subject to further and additional uncertainties generally. See "Risk Factors — Risks relating to the Global Offering — Our net profit attributable to equity holders of the Company for the year ending 31 December 2006 will involve gains and losses that may arise on revaluation of our investment properties and derivative financial instruments, and our profit forecast involves estimates and assumptions in this regard which may prove to be incorrect".

In the case of the Senior Preference Shares, the fair value of the capped conversion right will not be affected by applying different Offer Prices because the value of the Shares to which the holder shall be entitled upon mandatory conversion has been capped by an internal rate of return of 27.5% on the holder's investment.

(4) Forecast net profit attributable to equity holders of the Company. On the bases and assumptions noted above, our directors believe that our forecast of the net profit attributable to equity holders of the Company is unlikely to be less than (i) RMB1,450 million before revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments, or (ii) RMB982 million after revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments and as illustrated above.

(5) In September 2006, we entered into legally binding agreements with Winnington Capital Limited and Ocean Equity Holdings Limited respectively for the sale of 19.8% in total (9.9% to each of Winnington Capital Limited and Ocean Equity Holdings Limited) of our 99% indirect interest in the Chongqing Tiandi project. As of the date of this prospectus neither of these agreements has been completed, but both are scheduled to be completed during our current financial year ending 31 December 2006. When completed, we estimate these sales will give rise to profits of not less than approximately RMB580 million after tax. We will continue to consider further sales of interests in the Chongqing Tiandi project currently envisaged not to exceed 30% (inclusive of the 19.8% already agreed to be sold) in total.

DIVIDEND POLICY

We may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our board and as permitted by applicable laws. Our articles of association provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) we will declare and pay all dividends according to the amounts paid up on the shares, but no amount paid up on a share in advance of calls will for this purpose be treated as paid up on the share and (ii) all dividends will be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

In addition, the declaration of dividends is subject to the discretion of our directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- Our general business conditions;
- Our financial results;
- Our capital requirements;
- Interests of our shareholders; and
- Any other factors which our directors may deem relevant.

Our directors intend to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our shareholders' approval.

Considering our financial position, our directors currently intend, subject to the abovementioned limitations, and in the absence of any circumstance which might reduce the amount of dividend available for distribution, whether by losses or otherwise, to distribute to our shareholders not less than 20% of our profits available for distribution for the year ending 31 December 2006, and, for subsequent years, a portion of our profits available for distribution. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in any year.

The payment of dividends may be limited by legal restrictions and by financing agreements that we may enter into in the future.

DISTRIBUTABLE RESERVES

Our distributable reserves as at 31 March 2006, as determined in accordance with IFRS, amounted to approximately RMB1,963.6 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted net tangible assets is prepared based on our net tangible assets as set out in Appendix I adjusted as described below:

	Assuming an Offer Price of HK$4.80 per Share, being the bottom end of the Offer Price range in this prospectus	**Assuming an Offer Price of HK$5.35 per Share, being the Maximum Offer Price**
	(RMB'000)	**(RMB'000)**
Audited consolidated net tangible assets attributable to the equity holders of the Company as at 31 March 2006	4,839,880	4,839,880
Estimated net proceeds from the Global Offering and HSBC Investment	3,255,591	3,557,521
Mandatory conversion of Preference Shares	2,863,100	2,863,100
Conversion of Warrants	232,761	232,761
Unaudited pro forma adjusted net tangible assets	11,191,332	11,493,262
Unaudited pro forma adjusted net tangible assets per Share	RMB2.71	RMB2.82

NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant impact on our financial position in the last 12 months. We are not aware of any material adverse change in our financial position since 31 March 2006 (being the date as at which our latest audited consolidated financial statements were prepared as set out in Appendix I).

FUTURE PLANS

We intend to continue growing organically by pursuing further property development projects, particularly city-core development projects and integrated residential development projects and to continue to enhance our geographic diversification by undertaking projects in appropriate regions in new cities. We propose to adhere to our business model, including as described in the section entitled "Our Business — Strategy".

We actively screen cities in different regions of China to identify suitable locations for our projects and are continually exploring new opportunities, which regularly involves discussions with local governments and other parties in the localities concerned. The process for exploring identified opportunities may involve entering into memoranda of understanding, and other expressions of intent which are typically non-binding or subject to significant conditions or uncertainties at early stages and which generally will include a requirement to go to tender. The entering into of an initial memorandum of understanding or other expressions of intent does not normally guarantee exclusivity or carry any assurance that a project will be successfully concluded, nor does it mean that we have determined that we will enter into the project in question. In many instances, the entering into of an initial memorandum of understanding or expression of intent may be necessary for carrying out further feasibility studies or due diligence which will then form the basis of a decision as to whether the Company will continue to explore the particular opportunity in question. Submission of proposals or suggested plans for any potential project does not mean that we have formed a definitive or advanced view on whether we will enter into any binding agreement relating to the project in question.

Out of the cities that we have screened in the PRC, we have provisionally identified eight cities (including Kunming) as preferred locations for future projects. We currently have no definitive plan that has been developed for any of the projects. The timing and priority of the cities where such developments might take place has not yet been determined.

In July 2006, we signed an agreement with the Kunming municipal government to collaborate in the redevelopment of the northern Caohai district of Kunming. The purpose of this collaboration is to research and determine the feasibility of regenerating the Caohai district as a mixed use community (entertainment, cultural, live, work, and research and development facilities). Should the collaboration achieve positive results, we expect to bid for the land for development of the area.

The site of the project is approximately 4 square kilometres in size and is adjacent to the current city centre, located along the famous Dianchi Lake and surrounding the Daguan Park in Kunming City. Our intention is to transform this prime site into an integrated community comprising commercial, research and development, entertainment, cultural and educational facilities, mixed-density luxury residential units and loft-style live/work units, catering for the demand of the creative community. According to our proposed master plan, the project will have an expected GFA of approximately 2.5 million square metres upon completion, subject to change and approval, and include a five-star resort hotel with spa, a conference hotel, entertainment venues, dance theatres and studios, a multi-purpose performance theatre, schools, restaurants, retail outlets, art galleries, a dock at Dianchi Lake, ecological parks, other outdoor recreational areas and various types of housing developments upon completion.

We may also pursue other plans, including other ways of acquiring land development rights for the purpose of undertaking property projects, or other ways to increase the scale of our operations by leveraging on our master planning expertise, if we feel the right opportunity presents itself. In addition, we will, in appropriate cases, consider other opportunities to participate in projects of various scale where we can leverage our competitive strengths. While our primary focus is on city-core and integrated residential development projects, our track record, good relationships with business partners and well established reputation may give rise to such other opportunities.

We intend to seek out opportunities to enter into strategic partnerships with investors to sell our interests in selected land, and/or to co-develop some lots of our projects with a view to potentially accelerating our development schedules and allowing us to undertake more new projects.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$5.075 per Share, being the mid-point of the proposed Offer Price range of HK$4.80 to HK$5.35 per Share, will be approximately HK$2,558.1 million. We currently intend to apply these net proceeds for the following purposes:

- Approximately HK$1,863.8 million will be used for the Shanghai Taipingqiao, Shanghai Rui Hong Xin Cheng, Shanghai Knowledge and Innovation Community, Chongqing Tiandi and Wuhan Hankou Tiandi projects, including approximately HK$602.0 million for financing the deferred consideration payable by us in relation to the acquisition of minority interests in Lot 110 and Lot 113 in the Shanghai Taipingqiao project, which we acquired in December 2005. See the section entitled "Corporate Structure — Acquisition of minority interest in certain project companies for Shanghai Taipingqiao";

- Approximately HK$445.0 million will be used for future project funding purposes; and

- The remaining net proceeds will be used for general corporate purposes.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term deposits and/or money market instruments.

In the event that any part of our developments does not proceed as planned, including circumstances such as failure to obtain requisite approvals for property developments, changes in PRC Government policies which would render any of our property developments commercially not viable, failure to complete relocation, or force majeure, our directors will carefully evaluate the situation and may reallocate the intended funding to other existing or new projects and/or hold such funds on short-term deposits as our directors consider to be in our interests.

A number of our Financial Investors will be selling a portion of their Shares at the time of Listing. We will not receive any of the proceeds from the sale of Shares by the Selling Shareholders in the Global Offering. The Selling Shareholders will be responsible for underwriting commission and incentive fee, together with any applicable Stock Exchange trading fees, SFC transaction levy, CCASS transaction fees and stamp duty payable in respect of the sales of their Shares. We will be responsible for all other costs of the Listing.

HONG KONG UNDERWRITERS

Joint Lead Managers and Joint Global Coordinators

In alphabetical order:

Deutsche Bank AG, Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
J.P. Morgan Securities (Asia Pacific) Limited

Co-Lead Managers

In alphabetical order:

BOCI Asia Limited
DBS Asia Capital Limited

Co-Managers

In alphabetical order:

BCOM Securities Company Limited
First Shanghai Securities Limited
Hang Seng Securities Limited
South China Securities Limited
Sun Hung Kai International Limited
Taifook Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreements

The Public Offer is fully underwritten by the Hong Kong Underwriters and the International Offer is expected to be fully underwritten by the International Underwriters, in each case on a several basis. The Hong Kong Underwriting Agreement was entered into on 19 September 2006 and, subject to agreement being reached on the Offer Price between us and the Joint Global Coordinators (on behalf of the Underwriters), the International Underwriting Agreement is expected to be entered into on or around 27 September 2006. The Hong Kong Underwriting Agreement is conditional upon (among other things) the International Underwriting Agreement being entered into and having become effective, and the respective Underwriting Agreements are expected to be inter-conditional. See the section entitled "Structure of the Global Offering — Conditions of the Public Offer".

Grounds for termination by the Hong Kong Underwriters

The Joint Global Coordinators (on behalf of themselves and the Hong Kong Underwriters) may in their absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect upon giving prior written notice to us at any time at or prior to 8:00 a.m. on the Listing Date if:

(a) any of the following shall have come to the notice of any of the Joint Global Coordinators or the Hong Kong Underwriters at any time after the date of the Hong Kong Underwriting Agreement:

- that any statement contained in this prospectus or the Application Forms (together, the "Public Offer Documents"), the international offering circular to be issued by us in connection with the International Offer or the preliminary or "red herring" version of that international offering circular (together the "International Offer Documents"), or any other written or visual material (including any advertisements, brochures, marketing materials and presentations) used or issued by us in connection with the Global Offering or approved by us in writing for use in connection with the Global Offering (together with the Public Offer Documents and the International Offer Documents, the "Global Offer Documents"), was or has become untrue, incorrect or misleading in any material respect; or

- any matter which would, if the Public Offer Documents or International Offer Documents or other Global Offer Documents were issued at that time, constitute a material omission therefrom; or

- that any of the warranties given by us, Mr. Vincent H.S. Lo, Shui On Company Limited or SOCAM in the Hong Kong Underwriting Agreement is (or would if repeated at that time be) untrue or breached in any material respect; or

- any event, act or omission which gives or is likely to give rise to any material liability of us or any of Mr. Vincent H.S. Lo, Shui On Company Limited or SOCAM pursuant to the indemnities given by them in the Hong Kong Underwriting Agreement; or

- any breach of any of the obligations of any party (other than the Joint Global Co-ordinators or the Underwriters) to the Hong Kong Underwriting Agreement or the International Underwriting Agreement, which, in the opinion of the Joint Global Co-ordinators, will or may make it impracticable or inadvisable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged; or

- any adverse change, or any development involving a prospective adverse change, in the condition (financial or otherwise) or in the earnings, business, operations or trading position or prospects of our Company, our subsidiaries and the entities listed under the heading "Associated companies" in the table of subsidiaries, joint ventures and associated companies set out in the section of this prospectus entitled "Corporate Structure" (together the "Wider Group") as a whole (including, if it appears that the profit forecast which appears in any of the Global Offer Documents is or becomes incapable of being met), or any change in capital stock or long-term debt of our Company or any other member of the Wider Group which (in any such case) is not set out or contemplated in this prospectus and the effect of which is, in the sole opinion of the Joint Global Co-ordinators, so material and adverse as to make it impracticable or inadvisable to proceed with the Public Offer and/or the Global Offering; or

(b) there develops, occurs, or comes into force:

- any event or series of events resulting in or representing a calamity or crisis, or a change or prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) or currency exchange rates or controls in or affecting Hong Kong, the PRC, the United States, the United Kingdom or any other member of the European Union, Japan, Singapore or Canada (collectively the "Relevant Jurisdictions");

- any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

- any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, epidemic (including a human epidemic of the H5N1 virus), accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or

- without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism or any other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

- the imposition or declaration of (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange or the London Stock Exchange or (B) any moratorium on banking activities or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or

- any tax law or other change or development involving a change or prospective change in taxation in any of the Relevant Jurisdictions having an adverse effect, or prospective adverse effect, on the Public Offer and/or the Global Offering, our Company or the Shares (or the transfer of any Shares) or an investment in the Shares, and which, in any case within paragraph (b) above, and in the sole opinion of the Joint Global Co-ordinators, (A) is, will or may be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of the Wider Group as a whole, or potential investors in Shares, or (B) will or may make it impracticable or inadvisable to proceed with the Public Offer and/or the Global Offering or the delivery of Shares on the Listing Date.

Undertakings

Our undertakings to the Stock Exchange and the Underwriters

We have undertaken to the Stock Exchange that no further shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the date on which our Shares first commence dealing on the Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Under the Underwriting Agreements, we have undertaken or (in the case of the International Underwriting Agreement) will undertake to the Joint Global Co-ordinators and the respective Underwriters that, except pursuant to the Global Offering or pursuant to the exercise of the Warrants, or with the prior written consent of the Joint Global Co-ordinators, neither we nor any of our subsidiaries shall, during a period of six months from the Listing Date and whether conditionally or unconditionally:

- except pursuant to a share option plan or other employee incentive plan adopted and approved pursuant to the Listing Rules, allot, issue, offer, sell, contract to sell, hedge, grant any option or right to subscribe or purchase over or in respect of, or otherwise dispose of, any Shares or any securities exchangeable or convertible into Shares or which carry rights to subscribe for or purchase Shares; or

- deposit Shares with a depositary in connection with the issue of depositary receipts; or

- enter into a transaction (including, without limitation, a swap or other derivative transaction) that transfers, in whole or in part, any economic consequence of ownership of any Shares; or

- offer or agree or announce any intention to do any of the foregoing.

Undertakings given by Mr. Vincent H.S. Lo and Shui On Company Limited

Under the Underwriting Agreements, Mr. Vincent H.S. Lo and Shui On Company Limited have undertaken or (in the case of the International Underwriting Agreement) will undertake to the Joint Global Coordinators, the respective Underwriters and us to comply, and to procure that Shui On Investment Company Limited and Shui On Properties Limited and every other member of the Shui On Group (other than us and any other company in our Group) from time to time will comply, with all restrictions applicable to it from time to time under the Listing Rules on the disposal by it of any

Shares of our Company in respect of which it is (directly or indirectly), or is shown in this prospectus to be, the beneficial owner (in either case, immediately following completion of the Global Offering, and unless waived by the Stock Exchange). The relevant provisions of the Listing Rules to which this undertaking applies are Listing Rule 10.07 or any provision covering similar matters subsequently amending or replacing that Listing Rule.

Under the Underwriting Agreements, Mr. Vincent H.S. Lo and Shui On Company Limited have further agreed or (in the case of the International Underwriting Agreement) will further agree that:

- except with the prior written consent of the Joint Global Co-ordinators or as provided below, they will not, and they will procure that no member of the Shui On Group (other than our Group) will, during a period of 12 months following the Listing Date, and whether conditionally or unconditionally:
    - dispose of (A) any Shares or any direct or indirect interest therein (including, without limitation, by granting or creating any option, mortgage, pledge, charge or other security interest or encumbrance) or (B) any securities convertible into or exercisable or exchangeable for any Shares; or
    - enter into any swap or other derivative transaction or other arrangement that transfers, in whole or in part, any economic consequence of ownership of any Shares or any securities convertible into or exercisable or exchangeable for any Shares; or
    - dispose of any direct or indirect interest in any company or entity holding any Shares or any securities convertible into or exercisable or exchangeable for any Shares other than shares in a quoted investment company or quoted investment fund (which quoted investment company or quoted investment fund shall not include SOCAM); or
    - offer or agree to do any of the foregoing or announce any intention to do so; and
- in the event of such a disposal of any Shares or any interest therein within the further period of six months following the expiry of the 12 month period referred to above, he or it will not cease to be a controlling shareholder of our Company within the meaning of the Listing Rules and will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market.

These restrictions do not apply to a transfer of Shares to a wholly owned subsidiary of Shui On Company Limited (provided such transferee enters into equivalent obligations), or to any disposal of Shares pursuant to possible stock lending arrangements referred to in the section entitled “Structure of the Global Offering — Over-allotment Option and Stabilization”.

Undertakings given and to be given by each Selling Shareholder and SOCAM

Under the International Underwriting Agreement, each of the Selling Shareholders will agree, and under the Underwriting Agreements SOCAM has agreed or (in the case of the International Underwriting Agreement) will agree, that:

- except with the prior written consent of the Joint Global Co-ordinators or as provided below, it will not, and it will procure that none of its subsidiaries will, during a period of six months (in the case of the Selling Shareholders) and 12 months (in the case of SOCAM) following the Listing Date, and whether conditionally or unconditionally:
    - dispose of (A) any Shares or any direct or indirect interest therein (including, without limitation, by granting or creating any option, mortgage, pledge, charge or other security interest or encumbrance) or (B) any securities convertible into or exercisable or exchangeable for any Shares; or
    - enter into any swap or other derivative transaction or other arrangement that transfers, in whole or in part, any economic consequence of ownership of any Shares or any securities convertible into or exercisable or exchangeable for any Shares; or
    - dispose of any direct or indirect interest in any company or entity holding any Shares or any securities convertible into or exercisable or exchangeable for any Shares (except, in the case of Selling Shareholders but not SOCAM, listed funds); or
    - offer or agree to do any of the foregoing or announce any intention to do so; and
- in the event of such a disposal of any Shares or any interest therein within the further period of six months following the expiry of the six or 12 month period (as applicable) referred to above, it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market.

These restrictions do not apply to a transfer of Shares to a subsidiary of such Selling Shareholder or SOCAM (provided such transferee enters into equivalent obligations), to a disposal of Shares acquired by a Selling Shareholder (but not SOCAM) after the date of listing of our Shares on the Stock Exchange, other than any Shares such Selling Shareholder acquires as a result of exercise of Warrants for Shares, or to any disposal of Shares pursuant to possible stock lending arrangements referred to in the section entitled "Structure of the Global Offering — Over-allotment Option and Stabilization". In respect of the Selling Shareholders (but not SOCAM), the restriction on disposing of Shares or any direct or indirect interest therein does not prohibit the continued existence of any security interest granted by a Selling Shareholder in favour of a bona fide lender in order to secure financing in respect of such Selling Shareholder's investment in Preference Shares, and which was granted by such Selling Shareholder prior to the date of the International Underwriting Agreement and which is subsisting at the date of the International Underwriting Agreement.

Undertakings to be given by the Non Selling Shareholder

The Non Selling Shareholder will agree, pursuant to a lock up deed that:

- except with the prior written consent of the Joint Global Co-ordinators or as provided below, it will not, and it will procure that none of its subsidiaries will, during a period of six months following the Listing Date, and whether conditionally or unconditionally:
    - dispose of (A) any Shares or any direct or indirect interest therein (including, without limitation, by granting or creating any option, mortgage, pledge, charge or other security interest or encumbrance) or (B) any securities convertible into or exercisable or exchangeable for any Shares; or
    - enter into any swap or other derivative transaction or other arrangement that transfers, in whole or in part, any economic consequence of ownership of any Shares or any securities convertible into or exercisable or exchangeable for any Shares; or
    - dispose of any direct or indirect interest in any company or entity holding any Shares or any securities convertible into or exercisable or exchangeable for any Shares (except a company listed on the Stock Exchange or any other securities exchange); or
    - offer or agree to do any of the foregoing or announce any intention to do so; and
- in the event of such a disposal of any Shares or any interest therein within the further period of six months following the expiry of the six month period referred to above, it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market.

These restrictions will not apply to a transfer of Shares to a subsidiary of the Non Selling Shareholder (provided such transferee enters into equivalent obligations). In addition, these restrictions will not apply to a transfer of Shares: (i) where Value Partners Funds is a custodian or trustee of an investment fund or investment sub-fund for whose benefit Value Partners Funds holds the Shares, to a successor custodian or trustee; or (ii) where Value Partners Funds is an investment fund or investment sub-fund or holds the Shares for the benefit of an investment fund or investment sub-fund, to another investment fund or investment sub-fund managed by Value Partners Limited (and in the case of both (i) and (ii) provided such transferee enters into equivalent obligations).

Commissions, expenses and indemnities

Under the terms and conditions of the Underwriting Agreements, the fees and commissions to which the Underwriters are entitled will comprise an underwriting commission of 2.75% on the Offer Price in relation to all Shares to be issued or sold pursuant to the Global Offering (including any Shares in respect of which the Over-allotment Option is exercised). The Offer Price on which the underwriting commission is paid excludes brokerage, Stock Exchange trading fee and SFC transaction levy.

In addition, Deutsche Bank, HSBC and JPMorgan may receive (for themselves only) an additional discretionary fee of up to 0.5% of the aggregate principal amount of Shares sold or offered for subscription pursuant to the Global Offering (including any Shares in respect of which the Over-allotment Option is exercised) and will receive a transaction fee which comprises a fixed amount of US$2.75 million and an additional discretionary component of US$0.5 million.

The aggregate commissions and estimated expenses, together with the Stock Exchange trading fee, SFC transaction levy, Stock Exchange listing fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK$363.0 million (assuming the Over-allotment Option is not exercised and an Offer Price of HK$5.075 per Share, being the mid-point of the stated range of the Offer Price between HK$4.80 and HK$5.35 per Share).

The aggregate commissions and expenses will be allocated between us and our Selling Shareholders (in the case of our Selling Shareholders by reference to the underwriting commissions and other costs attributable to the Shares they sell). Out of the HK$363.0 million estimated aggregate commissions and expenses noted above, approximately HK$263.6 million in total would be payable by us, and the balance of approximately HK$99.4 million by our Selling Shareholders. To the extent the Over-allotment Option is exercised, all additional underwriting commissions will be for our account.

Under the terms and conditions of the Underwriting Agreements, we, together with Shui On Company Limited and Mr. Vincent H.S. Lo have agreed (or will agree) to indemnify the Joint Global Coordinators and the other Underwriters for certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the Underwriters in connection with the Global Offering.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for its obligations under the relevant Underwriting Agreement(s) or as otherwise disclosed in this prospectus, none of the Underwriters owns any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares or securities in our Company or any member of our Group.

THE GLOBAL OFFERING

The Global Offering comprises the Public Offer and the International Offer. A total of 1,158,746,000 Shares will initially be made available under the Global Offering. A total of 1,042,871,000 Shares will initially be available to investors in the International Offer and 115,875,000 Shares will initially be offered to the public under the Public Offer (subject, in each case, to reallocation on the basis described below in "The Public Offer").

The Offer Shares initially available under the Global Offering comprise a total of 556,000,000 new Shares offered for subscription by our Company, and a total of 602,746,000 Shares offered for sale by the Selling Shareholders. The Public Offer Shares will be comprised exclusively of new Shares.

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the International Offer, but not under both. Investors may only receive Shares under either the International Offer or the Public Offer, but not under both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Offer will involve the selective marketing of Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

As part of the International Offer process, prospective professional, institutional and other investors will be required to specify the number of Shares they would be prepared to acquire under the International Offer either at different prices or at a particular price. This process, known as "book building", is expected to continue up to, and to cease on or about, 26 September 2006.

Allocation of the Shares pursuant to the International Offer will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investors are likely to buy further, and/or hold or sell, their Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit our Company and our shareholders as a whole.

Up to 5,600,000 Public Offer Shares (representing approximately 5% of the total number of Public Offer Shares initially available under the Public Offer) will be available for preferential application on **pink** Application Forms by full time employees of the Group (other than the chief executive or directors of our Company, existing beneficial owners of Shares and their respective associates). See the subsection below entitled "Preferential Offer to Employees". Allocation of Shares to applicants under the Public Offer (other than those Shares available for preferential allocation on **pink** Application Forms) will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for, but, subject to that (and in accordance with the allocation of Public Offer Shares in Pool A and Pool B described below under the subsection entitled "The Public Offer"), will be made on an equitable basis, although the allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Based on the Share Capital Assumptions, the 1,158,746,000 Shares initially being offered in the Global Offering will represent approximately 28.1% of our enlarged issued share capital immediately after completion of the Global Offering based on an Offer Price of HK$4.80 (being the bottom of the Offer Price range in this prospectus) or approximately 28.5% based on the Maximum Offer Price (in both cases, before taking into account any exercise of the Over-allotment Option).

OFFER PRICE UNDER THE PUBLIC OFFER

The Offer Price for the purposes of the Public Offer is expected to be determined by agreement between us and the Joint Global Coordinators (on behalf of the Underwriters) following completion of the bookbuilding process for the International Offer and after assessment of the level of market demand for the Global Offering. The bookbuilding process is expected to continue up to, and cease on or about, 26 September 2006.

PRICE PAYABLE ON APPLICATION

The Offer Price will be not more than HK$5.35 and is currently expected to be not less than HK$4.80. Applicants for Public Offer Shares are required to pay, on application, the Maximum Offer Price of HK$5.35 per Public Offer Share together with brokerage of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.005% amounting to a total of HK$2,702.01 per board lot of 500 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than the Maximum Offer Price, appropriate refund payments (including the brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interest. Further details are set out in the sections entitled "How to Apply for Public Offer Shares" and "Further Terms and Conditions of the Public Offer".

DETERMINING THE OFFER PRICE

The Offer Price is expected to be determined by agreement between us and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date, when market demand for the Shares will be determined. The Price Determination Date is expected to be on or around 27 September 2006 and, in any event, not later than 2 October 2006.

The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, at any time prior to the morning of the last day for lodging applications under the Public Offer. If the Joint Global Coordinators, on behalf of the Underwriters, consider if appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book building process, and with our consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notices of the reduction in the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offer. Upon issue of such a notice, the revised Offer Price range and/or the revised number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators with us, will be fixed within any such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offer statistics as currently set out in the section entitled "Summary", and any other financial information which may change as a result of such reduction. **If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then if the indicative Offer Price range and/or the number of Offer Shares is so reduced, such applications cannot be subsequently withdrawn**. In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range stated in this Offering Circular on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Global Coordinators with us, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If we and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price, the Global Offering will not become unconditional and will lapse.

An announcement of the Offer Price, together with the level of indications of interest in the International Offer, the level of applications under the Public Offer, the basis of allocations of the Public Offer Shares and the final number of Public Offer Shares comprised in the Public Offer, Pool A and Pool B, respectively, is expected to be published on or before 3 October 2006.

CONDITIONS OF THE PUBLIC OFFER

All acceptances of applications for the Public Offer Shares in the Public Offer are conditional upon:

- The Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be offered or sold pursuant to the exercise of the Over-allotment Option);
- The Offer Price having been duly determined, and the International Underwriting Agreement having been duly entered into, on or about the Price Determination Date; and

- The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators for and on behalf of the Underwriters) and neither Underwriting Agreement being terminated in accordance with its terms or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 18 October 2006.

The consummation of each of the International Offer and the Public Offer is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Business Day next following such lapse.

In the above situation, all application monies will be returned to applicants, without interest and on the terms set out in the section entitled "How to Apply for Public Offer Shares". In the meantime, all application monies will be held in a separate bank account or separate bank accounts with a receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

We expect to issue Share certificates for the Public Offer Shares on 3 October 2006. However, these Share certificates will only become valid at 8:00 a.m. on the Listing Date (expected to be 4 October 2006) if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination by the Hong Kong Underwriters" has not been exercised.

THE PUBLIC OFFER

The Public Offer is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions described in the subsection above entitled "Conditions of the Public Offer") for the subscription in Hong Kong of, initially, 115,875,000 Shares (representing approximately 10% of the total number of Shares initially available under the Global Offering) at the Offer Price.

Subject to any reallocation of Offer Shares between the International Offer and the Public Offer, based on the Share Capital Assumptions the Public Offer Shares will represent approximately 2.8% of our enlarged issued Share capital immediately after completion of the Global Offering based on an Offer Price of HK$4.80 (being the bottom of the Offer Price range in this prospectus) or approximately 2.8% based on the Maximum Offer Price (in both cases, before taking into account any exercise of the Over-allotment Option).

For allocation purposes only, of the 115,875,000 Public Offer Shares initially available under the Public Offer, (i) up to 5,600,000 Public Offer Shares (representing approximately 5% of the total number of Public Offer Shares initially available under the Public Offer) will be available to satisfy preferential applications on **pink** Application Forms by full time employees of the Group (other than our directors, existing beneficial owners of Shares and their respective associates) and (ii) no less than 110,275,000 Public Offer Shares (representing approximately 95% of the total number of Public Offer Shares initially available under the Public Offer) will be available to the public.

The total number of Public Offer Shares available under the Public Offer (excluding up to 5,600,000 Public Offer Shares validly applied for under preferential applications on **pink** Application Forms) will be divided equally into two pools for allocation purposes: Pool A and Pool B. The Public Offer Shares in Pool A will be allocated on an equitable basis to applicants (other than applicants making preferential applications on **pink** Application Forms) who have applied for Public Offer Shares with a total amount payable on application (excluding brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy payable thereon) of HK$5 million or below. The Public Offer Shares in Pool B will be allocated on an equitable basis to applicants (other than applicants making preferential applications on **pink** Application Forms) who have applied for Public Offer Shares with a total amount payable on application (excluding brokerage, Hong Kong Stock Exchange trading fee and SFC transaction levy payable thereon) of more than HK$5 million.

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the Public Offer Shares initially available under the Public Offer (that is, any application for more than 55,137,500 Public Offer Shares) will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offer Shares under the International Offer, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of Shares between the Public Offer and the International Offer is subject to adjustment. The number of Shares initially available under the Public Offer will represent approximately 10% of the total number of Shares available under the Global Offering (before taking into account any exercise of the Over-allotment Option).

If the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available under the Public Offer, then Shares will be reallocated to the Public Offer from the International Offer so that the total number of Shares available under the Public Offer will be 347,624,000 Shares (representing approximately 30% of the Shares initially available under the Global Offering). If the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the International Offer will be increased so that the total number of Shares available under the Public Offer will be 463,498,000 Shares (representing approximately 40% of the Shares initially available under the Global Offering). If the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the International Offer will be increased, so that the total number of Shares available under the Public Offer will be 579,373,000 Shares (representing 50% of the Shares initially available under the Global Offering).

Shares validly applied for under Public Offer	**Post "clawback"(1)**	**Post "clawback"(2)**
	no less than	
At least 15 times but less than 50 times	347,624,000	30%
At least 50 times but less than 100 times	463,498,000	40%
At least 100 times	579,373,000	50%

Notes:

(1) Expressed as total number of Shares to be available to the public post "clawback"

(2) Expressed as an approximate percentage of the total number of Shares available under the Global Offering before any exercise of the Over-allotment Option.

In the event of an under-subscription in the Public Offer, the Joint Global Coordinators will have the discretion to reallocate to the International Offer such numbers of unsubscribed Public Offer Shares as they may deem appropriate.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Public Offer.

PREFERENTIAL OFFER TO EMPLOYEES

Up to 5,600,000 Public Offer Shares (representing approximately 5% of the total number of Public Offer Shares initially available under the Public Offer) will be available for preferential application on **pink** Application Forms by full time employees of the Group (other than our directors, existing beneficial owners of Shares and their respective associates). These Public Offer Shares will be allocated on a preferential basis to employees who have validly applied for such Public Offer Shares on **pink** Application Forms in accordance with the terms set out in the section entitled "How to Apply for Public Offer Shares". Allocation of these Public Offer Shares will be made based on written guidelines consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules and distributed to the eligible employees. Such allocation will be made in an equitable manner according to seniority (and pro rata according to the number of Shares applied for by employees of the same level of seniority) but will not be based on the length of service or the work performance of the eligible employees. No favour will be given to eligible employees who apply for a large number of Public Offer Shares and any application by eligible employees in excess of the maximum number of Public Offer Shares available for preferential allocation will be rejected. Any Public Offer Shares not validly applied for by eligible employees in connection with the preferential offering to employees will be available for application by the public in the Public Offer.

THE INTERNATIONAL OFFER

A total of 1,042,871,000 Shares will initially be available to investors under the International Offer. These 1,042,871,000 Shares comprise 440,125,000 new Shares offered for subscription by our Company, and a total of 602,746,000 Shares offered for sale by Selling Shareholders, and collectively represent approximately 90% of the Shares initially available under the Global Offering, before taking into account any exercise of the Over-allotment Option. Subject to any reallocation of Offer Shares between the International Offer and the Public Offer, based on the Share Capital Assumptions, but before taking into account any exercise of the Over-allotment Option, the International Offer Shares will represent approximately 25.3% of our enlarged issued Share capital immediately after completion of the Global Offering based on an Offer Price of HK$4.80 (being the bottom of the Offer Price range in this prospectus) or approximately 25.6% based on the Maximum Offer Price. If the Over-allotment Option is exercised in full (but otherwise on the same basis and assumptions), the International Offer Shares will represent approximately 27.3% of our enlarged issued share capital immediately after the completion of the Global Offering and after the exercise of the Over-allotment Option based on an Offer Price of HK$4.80 (being the bottom of the Offer Price range in this prospectus) or approximately 27.7% based on the Maximum Offer Price.

602,746,000 Shares will be offered for sale by the Selling Shareholders under the International Offer and will be sold by the various Selling Shareholders on a several basis and in the following amounts:

Name of Selling Shareholder	**Number of Offer Shares to be sold**
Asia Real Estate Income Fund SICAV	258,048,235
Co-Investment Limited Partnership V (SOL)	60,553,064
Jebsen and Company Limited	16,231,094
MetroProp (China)	70,000,000
Ocean Equity Holdings Limited	153,196,260
Standard Chartered Bank (Hong Kong) Limited	41,717,347
Shanghai Hope International Limited	3,000,000
Total number of Shares to be sold under the International Offer	602,746,000

Pursuant to the International Offer, the International Offer Shares will be offered to institutional, professional and other investors by the International Underwriters or through selling agents appointed by them. International Offer Shares will be offered to and placed with professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S, and in the United States to QIBs in reliance on Rule 144A.

In the case of over-subscription under the Public Offer, International Offer Shares may be reallocated to the Public Offer as set out in the subsection above entitled "The Public Offer".

The International Offer is conditional on (among other things) the Public Offer becoming unconditional.

OVER-ALLOTMENT OPTION AND STABILIZATION

The Over-allotment Option

In connection with the Global Offering and in connection with over-allocations in the International Offer, if any, and other stabilizing action in respect of the Shares, we intend to grant the Over-allotment Option to the Stabilizing Manager. Under the Over-allotment Option, which will be exercisable at any time from the date of the International Underwriting Agreement up to (and including) the date which is the 30th day after the last date for lodging Application Forms under the Public Offer, we may be required to issue at the Offer Price and otherwise on the same terms and conditions as the Shares that are subject to the Global Offering up to an additional 115,874,600 Shares, representing 10% of the total number of Shares initially available under the Global Offering, in connection with over-allocations under the International Offer (if any) and other stabilizing action in respect of the Shares. If the Over-allotment Option is exercised in full, and based on the Share Capital Assumptions, the additional Shares made available under the Over-allotment Option will represent approximately 2.8% of the total Shares in issue immediately after completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

Stabilizing Action

In connection with the Global Offering, the Stabilizing Manager on behalf of the International Underwriters, in consultation with the Joint Global Coordinators, may overallocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions, if commenced, may be discontinued at any time. The Stabilizing Manager has been or will be appointed as stabilizing manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO and, should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager in consultation with the Joint Global Coordinators.

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market, exercising the Over-allotment Option in full or in part, or by any combination of purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilizing) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which are the subject of the Over-allotment Option, being 115,874,600 Shares representing 10% of the Shares initially available under the Global Offering.

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager (or its affiliate(s)) may choose to borrow Shares from shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including pending exercise of the Over-allotment Option. Such stock borrowing arrangements may include arrangements agreed in principle between the Stabilizing Manager and Shui On Investment Company Limited and/or Shui On Properties Limited (which are both wholly owned subsidiaries of Shui On Company Limited) or one or more of the Selling Shareholders. For the purposes of these stock borrowing arrangements, and to the extent any Shares are or may be borrowed from controlling shareholders or their associates, a waiver has been granted by the Stock Exchange to the Company and members of the Shui On Group (including Shui On Company Limited and its wholly owned subsidiaries, Shui On Investment Company Limited and Shui On Properties Limited) from strict compliance with Rule 10.07(1) of the Listing Rules which otherwise restricts the disposal of shares by controlling shareholders following a new listing. The waiver is granted subject to the conditions that:

- The stock borrowing arrangement will only be effected by the Stabilizing Manager (or its affiliates) for settlement of Over-allocations in the Global Offering;

- The maximum number of Shares to be borrowed from members of the Shui On Group will be limited to the maximum number of Shares which may be sold upon exercise of the Over-allotment Option;

- Any Shares which may be made available to the Stabilizing Manager (or its affiliate(s)) pursuant to the stock borrowing arrangements will be made available on terms that the same number of Shares must be returned to members of the Shui On Group or their nominees no later than three to ten business days following the earlier of (i) the last date for exercising the Over-allotment Option, or (ii) the date on which the Over-allotment Option is exercised in full; and

- No member of the Shui On Group will receive any payment or benefit in respect of such stock borrowing arrangement and the stock borrowing arrangement entered into will be effected in accordance with all applicable laws and regulatory requirements.

The possible stabilizing action which may be taken by the Stabilizing Manager in connection with the Global Offering may involve (among other things): (i) over-allocation of Shares; (ii) purchases of Shares; (iii) establishing, hedging and liquidating positions in Shares; (iv) exercising the Over-allotment Option in whole or in part; and/or (v) offering or attempting to do any of the foregoing.

Specifically, prospective applicants for and investors in Shares should note that:

- The Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares;

- There is no certainty regarding the extent to which and the time period for which the Stabilizing Manager will maintain such a position;

- Liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- No stabilizing action will be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire at the end of 25 October 2006, being the day which is expected to be the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- The price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilizing action; and
- Stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement, as required by the Securities and Futures (Price Stabilizing) Rules made under the SFO, will be made within seven days of the expiration of the stabilizing period.

In June 2006, the HSBC Investor subscribed US$100 million for new Shares of our Company. The subscription was effected at a provisional price of HK$7.55 per Share and, accordingly the number of Shares initially issued to the HSBC Investor was 102,754,966.

The HSBC Investment Agreement provides that:

- In the event that there is a qualifying IPO (as defined in the HSBC Investment Agreement) of our Company on or before 31 May 2007, then the subscription price of the HSBC Investment Shares will be adjusted to the final offer price under that qualifying IPO and:
  - In the event that that final offer price is higher than the provisional subscription price under the HSBC Investment Agreement, then the HSBC Investor will pay additional subscription funds before Listing to our Company to make up the shortfall, provided always that in the event that such additional funds would be more than US$50 million then the HSBC Investor may elect either to proceed with the subscription at such higher amount or to require that the HSBC Investment Shares be repurchased by our Company or, if our Company and its shareholders so elect, by its shareholders at the initial subscription price of US$100 million; and
  - In the event that the final offer price is lower than the provisional subscription price under the HSBC Investment Agreement, then our Company will issue to the HSBC Investor additional Shares to make up the shortfall; and
- In the event that there is no qualifying IPO (as defined in the HSBC Investment Agreement) of our Company on or before 31 May 2007, then the HSBC Investment Shares will be required to be repurchased by our Company or its shareholders at the initial subscription price of US$100 million.

The Global Offering and proposed listing of our Company on the Stock Exchange as described in this document is a qualifying IPO for the purposes of the HSBC Investment Agreement. Accordingly, upon the Global Offering being completed, the subscription price under the HSBC Investment Agreement will be finally fixed and, to the extent that the Offer Price is less than the provisional subscription price referred to above, additional Shares will be issued to the HSBC Investor so that the total number of Shares comprised in the HSBC Investment will be the number of Shares that would be subscribed for US$100 million (translated into Hong Kong dollars at the prevailing exchange rate on the business day preceding the Listing Date) at the Offer Price.

Assuming that the Global Offering is completed, and based on the Share Capital Assumptions (other than the assumption relating to the HSBC Investment), the final number of Shares comprised in the HSBC Investment would be 161,625,000 (based on an Offer Price of HK$4.80 per Share, being the bottom end of the Offer Price range in this prospectus) or 145,009,345 (based on the Maximum Offer Price), representing respectively 3.9% and 3.6% of our Company's enlarged issued share capital (before taking into account any exercise of the Over-allotment Option).

The HSBC Investment is separate from and does not form part of the Global Offering. The HSBC Investment does not affect the number of Shares available under the Global Offering to institutional investors and members of the public. The HSBC Investment Shares do not count as shares held by the public for the purposes of Listing Rule 8.08.

Pursuant to the HSBC Investment Agreement, the HSBC Investor has also agreed that, without the prior consent of our Company, it will not dispose of any of the HSBC Investment Shares for a period of 24 months following the Listing Date.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You may apply for Public Offer Shares by using one of the following methods:

- Using a **white**, **yellow** or **pink** Application Form; or
- **Electronically** instructing HKSCC via CCASS to cause HKSCC Nominees to apply for Public Offer Shares on your behalf.

Multiple or suspected multiple applications are liable to be rejected. See the subsection below entitled "How many applications you may make" for further details.

Which application method to use

White Application Forms

Use a **white** Application Form if you want the Public Offer Shares to be issued in your own name.

Yellow Application Forms

Use a **yellow** Application Form if you want the Public Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Pink Application Forms

Use a **pink** Application Form if you are a full time employee of the Group (other than the chief executive or a director of our Company, an existing beneficial owner of the Shares or their respective associate), want the Public Offer Shares to be registered in your own name and want your application to be given preferential treatment.

Instruct HKSCC via CCASS electronically to make an application on your behalf

Instead of using a **yellow** Application Form, you may **electronically** instruct HKSCC via CCASS to cause HKSCC Nominees to apply for Public Offer Shares on your behalf. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to collect the Application Forms

You can collect a **white** Application Form and a prospectus from:

Any of the following addresses of the Hong Kong Underwriters:

Deutsche Bank AG, Hong Kong Branch
55/F Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

or

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Central
Hong Kong

or

J.P. Morgan Securities (Asia Pacific) Limited
28/F Chater House
8 Connaught Road Central
Central
Hong Kong

or any of the following branches of **The Hongkong and Shanghai Banking Corporation Limited**:

	Branch Name	**Address**
Hong Kong Island	Hong Kong Office	1 Queen's Road Central
	Aberdeen Centre Branch	Shop 2, G/F, Site I, Aberdeen Centre, Aberdeen
	North Point Branch	G/F, Winner House, 306-316 King's Road, North Point
	Hay Wah Building Branch	G/F, Hay Wah Bldg, 71-85B Hennessy Rd, Wan Chai
	Causeway Bay Branch	1/F, Causeway Bay Plaza 2, 463-483 Lockhart Road
	Cityplaza Branch	Unit 065, Cityplaza 1, Tai Koo Shing

	Hopewell Centre Branch	Shop No. 1-2, G/F, Hopewell Centre, 183 Queen's Road East, Wanchai
Kowloon	Mong Kok Branch	673 Nathan Road, Mong Kok
	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong
	Tsim Sha Tsui Branch	82-84 Nathan Road, Tsim Sha Tsui
	Mei Foo Sun Chuen Branch	79, Broadway Stage 4, Mei Foo Sun Chuen
	Amoy Plaza Branch	Shop G193-200 & 203, G/F, Amoy Plaza Phase II, 77 Ngau Tau Kok Road
	Festival Walk Branch	Shop LG1-37, Festival Walk, 80 Tat Chee Avenue, Kowloon Tong
New Territories	Citylink Plaza Branch	Shops 38-46, Citylink Plaza, Shatin Station Circuit, Sha Tin
	Tuen Mun Town Plaza Branch	Shop 1, UG/F, Shopping Arcade Phase II, Tuen Mun Town Plaza, Tuen Mun

or any of the following branches of **Bank of China (Hong Kong) Limited**:

	Branch Name	**Address**
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road, Central
	Connaught Road Central Branch	13-14 Connaught Road Central
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
	Taikoo Shing Branch	G1006-7, Hoi Sing Mansion, Taikoo Shing
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok

	Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui
	Diamond Hill Branch	G107 Plaza Hollywood, Diamond Hill
	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
New Territories	Castle Peak Road (Tsuen Wan) Wealth Management Centre	167 Castle Peak Road, Tsuen Wan
	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II

or any of the following branches of **Standard Chartered Bank (Hong Kong) Limited**:

	Branch Name	**Address**
Hong Kong Island	Central Branch	Shop No. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central
	88 Des Voeux Road	88 Des Voeux Road Central, Central
	Des Voeux Road	Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Central
	Leighton Centre	Shop 12-16, UG/F, Leighton Centre, 77 Leighton Road, Causeway Bay
	Hennessy Road	399 Hennessy Road, Wanchai
	North Point Centre	North Point Centre, 284 King's Road, North Point
	Quarry Bay	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui	G/F, 10 Granville Road, Tsimshatsui
	Cheung Sha Wan	828 Cheung Sha Wan Road, Cheung Sha Wan
	Kwun Tong	88-90 Fu Yan Street, Kwun Tong

	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
	Telford Gardens	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street
New Territories	Tsuen Wan	Shop C, G/F & 1/F, Jade Plaza, No. 298 Sha Tsui Road, Tsuen Wan
	Shatin Centre	Shop 32C, Level 3, Shatin Shopping Arcade, Shatin Centre, 2-16 Wang Pok Street, Shatin

Prospectuses and application forms will be available for collection at the above places during the following times:

Wednesday 20 September 2006 — 9:00 a.m. to 4:30 p.m.
Thursday 21 September 2006 — 9:00 a.m. to 4:30 p.m.
Friday 22 September 2006 — 9:00 a.m. to 4:30 p.m.
Saturday 23 September 2006 — 9:00 a.m. to 12:30 p.m.
Monday 25 September 2006 — 9:00 a.m. to 12:00 noon

You can collect a **yellow** Application Form and a prospectus during normal business hours of 9:00 a.m. on 20 September 2006 until 12:00 noon on 25 September 2006 from:

- The Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, or

- The Customer Service Centre of HKSCC at Upper Ground Floor, V-Heun Building, 128-140 Queen's Road Central, Hong Kong.

Your broker may have the Application Form available.

You can collect a **pink** Application Form and a prospectus from the Company Secretary, Mr. Kim Lun UY, at Shui On Centre, 34/F, 6-8 Harbour Road, Wan Chai, Hong Kong.

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

If your application is made through a duly authorised attorney, we and the Joint Global Coordinators as our agent may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Joint Global Coordinators in the capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

In order for the **yellow** Application Forms to be valid:

- If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
    - The designated CCASS Participant or its authorised signatories must sign in the appropriate box in the Application Form; and
    - The designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.
- If the application is made by an individual CCASS Investor Participant:
    - The Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and
    - The CCASS Investor Participant must insert its participant I.D. and sign in the appropriate box in the Application Form.
- If the application is made by a joint individual CCASS Investor Participant:
    - The Application Form must contain all joint CCASS Investor Participants' names and Hong Kong identity card numbers; and
    - The participant I.D. must be inserted and the authorised signatory(ies) of the CCASS Investor Participant's stock account must sign in the appropriate box in the Application Form.
- If the application is made by a corporate CCASS Investor Participant:
    - The Application Form must contain the CCASS Investor Participant's name and Hong Kong business registration number; and
    - The participant I.D. and company chop (bearing its company name) endorsed by its authorised signatories must be inserted in the appropriate box in the Application Form.

Signature(s), number of signatories and form of chop, where appropriate in each **yellow** Application Form, should match the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorised signatory(ies) (if applicable), participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate Application Forms in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner.

How to apply by giving electronic instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Customer Service Centre of HKSCC
Upper Ground Floor
V-Heun Building
128-140 Queen's Road Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company, the Joint Global Coordinators and our registrar.

Application by HKSCC Nominees

Where a **white** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

- HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **white** Application Form or this prospectus; and

- HKSCC Nominees does all the things on behalf of each such persons as stated in the section entitled "Further Terms and Conditions of the Public Offer — Effect of Making Any Application".

Effect of bad weather on the last subscription date

The latest time for inputting your **electronic application instructions** is **12:00 noon** on **25 September 2006**, the **last subscription date**. If a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on the last subscription date, the last subscription date will be postponed to the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

Minimum subscription amount and permitted multiples

You may give **electronic application instructions** in respect of a minimum number of 500 Public Offer Shares. Such instructions in respect of more than 500 Public Offer Shares must be in one of the multiples set out in the table on the Application Forms.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. See the subsection below entitled "How many applications you may make" for further details.

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Warning

The application of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our directors, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **white** or **yellow** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on 25 September 2006.

How many applications you may make

You may make more than one application for the Public Offer Shares only if:

- You are a nominee, in which case you may make an application as a nominee by (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant) and (ii) lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

    - An account number; or

    - Some other identification code

  for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

- You are a full time employee of the Group (other than the chief executive or a director of our Company, an existing beneficial owner of Shares or their respective associate), in which case you may apply for Public Offer Shares on a **pink** Application Form and also on a **white** or **yellow** Application Form.

Otherwise, multiple applications are not allowed and will be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions an/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

For further information, see the section entitled "Further Terms and Conditions of the Public Offer — Multiple Applications".

When to Apply for Public Offer Shares

White or Yellow Application Forms

Completed **white** or **yellow** Application Forms, with payment attached, must be lodged by 12:00 noon on 25 September 2006, or, if the application lists are not open on that day, then by the time and date in the subsection below entitled "Effect of bad weather on the opening of the application lists".

Your completed Application Form, with one cheque or one banker's cashier order attached, should be deposited in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and Standard Chartered Bank (Hong Kong) Limited listed under the subsection above entitled "Where to collect the Application Forms" at the following times:

Wednesday 20 September 2006 — 9:00 a.m. to 4:30 p.m.
Thursday 21 September 2006 — 9:00 a.m. to 4:30 p.m.
Friday 22 September 2006 — 9:00 a.m. to 4:30 p.m.
Saturday 23 September 2006 — 9:00 a.m. to 12:30 p.m.
Monday 25 September 2006 — 9:00 a.m. to 12:00 noon

Completed **pink** Application Forms, with cheque or banker's cashier order attached, must be returned to the Company Secretary, Mr. Kim Lun UY, at 34/F Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong by 5:00 p.m. on 22 September 2006.

Electronic application instructions to HKSCC via CCASS

CCASS Broker/Custodian Participants should input **electronic application instructions** at the following times:

Wednesday 20 September 2006 — 9:00 a.m. to 8:30 p.m.(1)
Thursday 21 September 2006 — 8:00 a.m. to 8:30 p.m.(1)
Friday 22 September 2006 — 8:00 a.m. to 8:30 p.m.(1)
Saturday 23 September 2006 — 8:00 a.m. to 1:00 p.m.(1)
Monday 25 September 2006 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on 20 September 2006 until 12:00 noon on 25 September 2006 (24 hours daily, except the last application day.)

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12 noon on 25 September 2006, or if the application lists are not open on that day, by the time and date stated in the subsection below entitled "Effect of bad weather on the opening of the application lists".

Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on 25 September 2006, except as provided in the subsection below entitled "Effect of bad weather on the opening of the application lists". The application for the Public Offer Shares will not be processed and no allotment of any Public Offer Shares will be made until the closing of the application lists.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- A tropical cyclone warning signal number 8 or above; or
- A "black" rainstorm warning signal

in force at any time between 9:00 a.m. and 12:00 noon on 25 September 2006. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

GENERAL

How much are the Public Offer Shares

You must pay the Maximum Offer Price of HK$5.35 per Public Offer Share, together with brokerage of 1%, SFC transaction levy of 0.005% and Stock Exchange trading fee of 0.005% in full when you pay for the Public Offer Shares. This means that for every board lot of 500 Public Offer Shares, you will pay HK$2,702.01. The Application Forms have tables showing the exact amount payable for the numbers of Public Offer Shares that may be applied for up to 55,137,500 Shares.

If your application is successful, brokerage is paid to participants of the Stock Exchange (or the Stock Exchange, as the case may be), the Stock Exchange trading fee is paid to the Stock Exchange and the SFC transaction levy is paid to the SFC.

If the Offer Price as finally determined is less than the Maximum Offer Price, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy) will be made to successful applicants without interest. Details of the procedure for refund are set out in the sections entitled "Further Terms and Conditions of the Public Offer — Refund of Application Monies" and "Further Terms and Conditions of the Public Offer — If Your Application for Public Offer Shares is Successful (in Whole or in Part)".

Commencement of dealings in Shares on the Stock Exchange

Dealings in the Shares on the Stock Exchange are expected to commence on 4 October 2006. The Shares will be traded in board lots of 500 each. The stock code of the Shares is 272.

Shares will be eligible for admission into CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Publication of results

Please refer to the section entitled “Further Terms and Conditions of the Public Offer — Publication of Results”.

GENERAL

If you apply for Public Offer Shares in the Public Offer, you will be agreeing with our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) as set out below.

If you electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

In this section, references to "you", "applicants", "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees is applying for the Public Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.

Applicants should read this prospectus carefully, including other terms and conditions of the Public Offer set out in this prospectus, and in the relevant Application Form or imposed by HKSCC prior to making an application for Public Offer Shares.

OFFER TO ACQUIRE THE PUBLIC OFFER SHARES

You offer to purchase from us at the Offer Price the number of the Public Offer Shares indicated in your Application Form or inputted via CCASS electronically as the case may be (or any smaller number in respect of which the application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

For applicants using Application Forms, where applicable, a refund cheque in respect of the surplus application monies (if any) representing the Public Offer Shares applied for but not allocated to you and representing the difference (if any) between the Offer Price and the Maximum Offer Price (including, in each case, the related brokerage, Stock Exchange trading fee and SFC transaction levy), is expected to be sent to you at your own risk to the address stated on your Application Forms on or before 3 October 2006.

Details of the procedure for refunds relating to each of the Public Offer methods are contained below in the subsections below entitled "If Your Application for Public Offer Shares is Successful (in Whole or in Part)" and "Refund of Application Monies".

Any application may be rejected in whole or in part.

Applicants under the Public Offer should note that in no circumstances (save for those provided under section 40 of the Hong Kong Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Hong Kong Companies Ordinance.

ACCEPTANCE OF YOUR OFFER

The Public Offer Shares will be allocated after the application lists close. We expect to announce the Offer Price, the level of applications in the Public Offer, the basis of allocations of the Public Offer Shares and the final number of the Public Offer Shares comprised in the Public Offer, Pool A and Pool B, and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer respectively in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on 3 October 2006.

We may accept your offer to purchase (if the application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to subscribe for the Public Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section entitled "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

EFFECT OF MAKING ANY APPLICATION

All applications

By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- **Instruct** and **authorise** our Company and/or the Joint Global Coordinators (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by our articles of association and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

- **Undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by our articles of association;

- **Represent** and **warrant** that you understand that the Shares have not been and will not be registered under the US Securities Act and you are outside the United States when completing the Application Form and you are not a US Person;

- **Confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making the application, and not on any other information or representation concerning our Company and you agree that none of our Company, the Joint Global Coordinators or the Underwriters nor any of their respective directors, officers, employees, partners, agents advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;

- **Agree** (without prejudice to any other rights which you may have) that once the application has been accepted, you may not rescind it because of an innocent misrepresentation;

- If the application is made for your own benefit, **warrant** that the application is the only application which will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS;

- If the application is by an agent on your behalf, **warrant** that you have validly and irrevocably conferred on the agent all necessary power and authority to make the application;

- If you are an agent for another person, **warrant** that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS, and that you are duly authorised to sign the Application Form or to give **electronic application instruction** as that other person's agent;

- **Undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit the application is made has not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offer, nor otherwise participate in the International Offer;

- **Warrant** the truth and accuracy of the information contained in your application;

- **Agree** to disclose to our Company, our share registrars, the receiving bankers and the Joint Global Coordinators and their respective agents any personal data and information which they require about you or the person(s) for whose benefit the you have made the application;

- **Agree** that the application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- **Undertake** and **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

- **Agree** that once your application is accepted, your application will be evidenced by the results of the Public Offer made available by the Company;

- **Authorise** our Company to place your name(s) or HKSCC Nominees, as the case may be, on our register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or and our agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except if you have applied for 1,000,000 Public Offer Shares or more and have indicated in the Application Form that you will collect the Share certificate(s) (where applicable) and refund cheque (where applicable) in person, and you have collected the Share certificate(s) and refund cheque (where applicable) in accordance with the terms set out in this prospectus);

- **Understand** that these declarations and representations will be relied upon by our Company and the Joint Global Coordinators in deciding whether or not to allocate any Public Offer Shares in response to your application;

- If the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of our Company, the Joint Global Coordinators or the Underwriters nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to acquire, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

- **Agree** with us, for ourselves and the benefit of each of our shareholders, and we agree with each of our shareholders, to observe and comply with the Cayman Islands Companies Law, our memorandum of association and our articles of association;

- **Agree** with us, for ourselves and for the benefit of each of our shareholders, that the Shares are freely transferable by our shareholders;

- **Authorise** us to enter into a contract on your behalf with each of our directors and officers under which such directors and officers undertake to observe and comply with their obligations to shareholders stated in our memorandum of association and our articles of association; and

- **Confirm** that you are aware of the restrictions on offering of the Public Offer Shares described in this prospectus.

Applications using a yellow Application Form

If you apply for the Public Offer Shares using a **yellow** Application Form, in addition to the confirmations and agreements referred to in the subsection above entitled "All applications", you (and in the case of joint applicants, each of you jointly and severally) agree that:

- Any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

- Each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion: (i) **not to accept** any or part of the Public Offer Shares allocated to you in the name of HKSCC Nominees or **not to accept** such allocated Public Offer Shares for deposit into CCASS; (ii) to cause such allocated Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, in the case of joint applicants, to the name of the first-named applicant) at your own risk and costs; and (iii) to cause such **allocated Public Offer Shares to be issued in your name** (or, in the case of joint applicants, to the first-named applicant) and in such a case, to **post the Share certificates** for such allocated Public Offer Shares at your own risk to the address on your Application Form by ordinary post **or to make available the same for your collection**;

- Each of HKSCC and HKSCC Nominees may adjust the number of the Public Offer Shares issued in the name of HKSCC Nominees;

- Neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and

- Neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

Electronic application instructions

By giving **electronic application instructions** to HKSCC or instructing a broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC via CCASS, you (and in the case of joint applicants, each of you jointly and severally) are deemed to do the following additional things. Neither HKSCC nor HKSCC Nominees will be liable to our Company nor any other person in respect of such things:

- **Instruct** and **authorise** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Public Offer Shares on your behalf;

- **Instruct** and **authorise** HKSCC to arrange payment of the Maximum Offer Price, brokerage, the Stock Exchange trading fee and the SFC transaction levy by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the Offer Price is less than the Maximum Offer Price, refund the appropriate portion of the application money by crediting your designated bank account; and

- where a **white** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for Public Offer Shares, in addition to the confirmations and agreements set out in the subsection above entitled "All applications" **instruct** and **authorise** HKSCC to cause HKSCC Nominees to do on your behalf the following and any other thing which it is stated to do on your behalf in the **white** Application Form:

  - **Agree** that the Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;

  - **Undertake** and **agree** to accept the Public Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;

  - **Represent, warrant** and **undertake** that you understand that you are not, and none of the other person(s) for whose benefit you applying, is a US Person (as defined in Regulation S);

  - **Represent** and **warrant** that you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act and that you are outside the United States (as defined in Regulation S) when giving **electronic application instructions** or that you are a person described in paragraph (h)(3) or Rule 902 of Regulation S;

  - **Undertake** and confirm that you have not applied for or taken up any International Offer Shares under the International Offer nor otherwise participated in the International Offer;

  - (If the **electronic application instructions** are given for your own benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

  - (If you are an agent for another person) **declare** that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;

  - **Understand** that the above declaration will be relied upon by our Company, the directors and the Joint Global Coordinators in deciding whether or not to make any allocation of the Public Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

- **Authorise** our Company to place the name of HKSCC Nominees on the register of shareholders of our Company as the holder of the Public Offer Shares allocated in respect of your **electronic application instructions** and to send Share certificates and/or refund monies in accordance with arrangements separately agreed between our Company and HKSCC;

- **Confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- **Confirm** that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your broker/custodian to give **electronic application instructions** on your behalf;

- **Agree** that our Company, the Joint Global Coordinators, the Underwriters and any other parties involved in the Public Offer are liable only for the information and representations contained in this prospectus;

- **Agree** without prejudice to any other rights which you may have that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

- **Agree** to disclose your personal data to our Company, the Joint Global Coordinators, our share registrars, the receiving banker(s), their respective agents and advisers together with any information about you which they require;

- **Agree** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before 20 October 2006, such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before 25 September 2006 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before 20 October 2006 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- **Agree** that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Public Offer made available by our Company;

- **Agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Public Offer Shares;

- **Agree** with us, for ourselves and the benefit of each of our shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Islands Companies Law, our memorandum of association and our articles of association;

- **Agree** with us, for ourselves and for the benefit of each of our shareholders, that the Shares are freely transferable by our shareholders;

- **Authorise** us to enter into a contract on your behalf with each of our directors and officers under which such directors and officers undertake to observe and comply with their obligations to shareholders stated in our memorandum of association and our articles of association; and

- **Agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Reliance on warranty, representation or declarations made in any applications

The Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any other parties involved in the Public Offer and their respective directors, officers, employees, partners, agents and advisers are entitled to rely on any warranty, representation or declaration made by you in your application.

Joint and several liability

All the warranties, representations, declarations and obligations expressed to be made given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

MULTIPLE APPLICATIONS

Multiple applications or suspected multiple applications will be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (If the application is made for your own benefit and the application is made on a **white** or **yellow** Application Form, or by giving **electronic application instructions**) warrant that this is the only application which will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC;

- (If the application is made for your own benefit on a **pink** Application Form), warrant that this is the only application which will be made for your own benefit on a **pink** Application Form;
- (If you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC and that you are duly authorised to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your Application Form, all of your applications will be rejected as multiple applications if you, or you and your joint applicants, together:

- Make more than one application (whether individually or jointly with others) on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC (if you are a CCASS Investor Participant or applying through a CCASS Broker or Custodian Participant); or
- Make more than one application on a **pink** Application Form;
- Both apply (whether individually or jointly) on one **white** and one **yellow** Application Form or on one **white** or **yellow** Application Form and give **electronic application instructions** to HKSCC;
- Apply on one **white** or one **yellow** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC for more than 50% of the Public Offer Shares initially being offered for sale under the Public Offer after deducting the 5,600,000 Public Offer Shares available for subscription by eligible employees using **pink** Application Forms as more particularly described in the section headed "Structure of the Global Offering — The Public Offer";
- Apply on one **pink** Application Form for more than the maximum number of Public Offer Shares being offered to full time employees of the Group (other than directors, existing beneficial owners of Shares or their respective associates) on a preferential basis in the Public Offer;
- Receive any Shares under the International Offer; or
- Have indicated an interest for any Shares under the International Offer.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of an application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- The principal business of that company is dealing in securities; and
- You exercise statutory control over that company,

then the application will be treated as being made for your benefit. Unlisted company means a company with no equity securities listed on the Stock Exchange, and "Statutory control" means you (i) control the composition of the board of directors of the company; or (ii) control more than one-half of the voting power of the company; or (iii) hold more than one-half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

CIRCUMSTANCES IN WHICH YOU MAY NOT BE ALLOCATED PUBLIC OFFER SHARES

Details of the circumstances in which you may not be allocated any Public Offer Shares under the Public Offer are set out in the notes attached to the Application Forms, and should be read carefully. You should note in particular the following situations in which Public Offer Shares will not be allocated you or your applications are liable to be rejected or satisfied only in part (as applicable):

If your application is revoked:

By completing and submitting an Application Form you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before 20 October 2006. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC. This collateral contract will be in consideration of our Company agreeing that we will not offer any Public Offer Shares to any person on or before 25 September 2006 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before 20 October 2006 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press in the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

If our Company, the Joint Global Coordinators or their respective agents exercise their discretion to reject your application:

We and the Joint Global Coordinators and their agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **yellow** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- Within three weeks from the closing of the application lists; or
- Within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing of the lists.

In the following circumstances:

- If the conditions of the Public Offer set out in the section entitled “Structure of the Global Offering — Conditions of the Public Offer” remain unfulfilled by 18 October 2006;
- Your application is a multiple or a suspected multiple application;
- If you apply by a **pink** Application Form, if your application is made with a joint applicant;
- If you apply by a **pink** Application Form, you apply for more than the maximum number of Public Offer Shares available for preferential allocation;
- Your Application Form is not completed correctly;
- Your payment is not made correctly or payment by cheque or banker’s cashier order and the cheque or banker’s cashier order is dishonoured on its first presentation;
- You or the person for whose benefit you are applying has applied for and/or received or will receive Shares under the International Offer;
- You apply for more than 55,137,500 Shares, representing 50% of the Public Offer Shares initially made available for subscription under the Public Offer after deducting the 5,600,000 Public Offer Shares available for subscription by eligible employees using **pink** Application Forms; or
- Your application for Shares is not in one of the numbers or multiples set out in the table in the Application Form.

You should also note that if you are giving **electronic application instructions** to HKSCC to apply for Public Offer Shares on your behalf, you will not be allocated any Public Offer Shares if HKSCC Nominees' application is not accepted.

PUBLICATION OF RESULTS

We expect to announce the Offer Price, the general level of indication of interest in the International Offer, the results of applications and basis of allotment of the Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer on 3 October 2006 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

IF YOUR APPLICATION FOR PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

The Company will not issue temporary documents of title. No receipt will be issued for application monies paid.

Share certificates will only become valid provided that the Public Offer has become unconditional and not having been terminated in accordance with its terms.

If you are applying using a white Application Form and you elect to receive any Share certificate(s) in your names:

If you have applied for 1,000,000 Public Offer Shares or above on a **white** application form and have indicated in your Application Form that you wish to collect Share certificate(s) and (where applicable) refund cheque(s) in person and have provided all information required by your Application Form, you may collect it/them in person from Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, between 9:00 a.m. and 1:00 p.m. on the date notified by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch of share certificate(s) and refund cheque(s). The date of despatch is expected to be 3 October 2006.

Applicants being individuals who have applied for 1,000,000 Public Offer Shares or above and have opted for personal collection cannot authorise any other person to make collection on their behalf. Applicants must show their identification documents (which must be acceptable to Computershare Hong Kong Investor Services Limited) to collect share certificate(s) and / or refund cheque(s). Applicants being corporations who have opted for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Their authorised representatives must produce at the time of collection evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your share certificate(s) and/or refund cheque(s) (if any), they will be sent to the address on your **white** Application Form in the afternoon on the day of despatch, by ordinary post and at your own risk.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your Share certificate(s) and refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, then your Share certificate(s) and/or refund cheque (if any), will be sent to the address on your white application form in the afternoon on the day of despatch, by ordinary post and at your own risk.

If (i) you are applying on a yellow Application Form or (ii) you are giving electronic application instructions to HKSCC, and in each case you elect to have allocated Public Offer Shares deposited directly into CCASS:

Your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or electronically, as the case may be), at the close of business on 3 October 2006 or, in the event of a contingency, on any other date HKSCC or HKSCC Nominees chooses.

If you are applying on a ***yellow*** *Application Form:*

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant on a **yellow** Application Form, the Company is expected to make available the results of the Public Offer, including the results of CCASS Investor Participants' applications, in the manner described in the subsection above entitled "Publication of Results", on 3 October 2006. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on 3 October 2006 or such other date HKSCC or HKSCC Nominees chooses. Immediately after the credit of the Public Offer Shares to your stock accounts, you can check your new account balance via the CCASS Phone System by calling 2979 7888 or CCASS Internet System at https://ip.ccass.com (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you have applied for 1,000,000 Public Offer Shares or above and have indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, the procedures set out under the section above entitled "If Your Application for Public Offer Shares is Successful (in Whole or in Part)" will apply in relation to the refund cheque(s).

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your application form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) (if any) will be sent to the address on your **yellow** application form in the afternoon on the day of despatch, by ordinary post and at your own risk.

If you have given ***electronic application instructions*** *to HKSCC:*

We will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company shall include information relating to the beneficial owner (where supplied)), your Hong Kong identity card/passport or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer, in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on 3 October 2006. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on 3 October 2006 or any other date HKSCC or HKSCC Nominees chooses.

If you are instructing a CCASS Broker Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf, you can also check the number of Public Offer Shares allocated to you and the amount of refund (if any) payable to you with that CCASS Broker Participant or CCASS Custodian Participant.

If you are applying as a CCASS Investor Participant, you can also check the number of the Public Offer Shares allocated to you and the amount of refund (if any) payable to you via the CCASS Phone System by calling 2979 7888 or CCASS Internet System at https://ip.ccass.com (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on 3 October 2006. HKSCC will also make available to you an activity statement showing the number of the Public Offer Shares credited to your stock account and the amount of refund (if applicable) credited to your designated bank account.

If you are applying using a pink Application Form

Your share certificate(s) and/or refund cheque (if any) will be sent to you at the address stated on your **pink** Application Form in the afternoon on the day of despatch, by ordinary post and at your own risk.

REFUND OF APPLICATION MONIES

If you do not receive any Public Offer Shares for any of the reasons set out in the subsection above entitled "Circumstances in which you may not be allotted Public Offer Shares", we will refund your application monies (including the related brokerage, Stock Exchange trading fee and SFC transaction levy). No interest will be paid on amounts refunded (all interest will be retained for the benefit of our Company). If your application is accepted only in part, our Company will refund the appropriate proportion of your application monies (including the related brokerage, Stock Exchange trading fee and SFC transaction levy) without interest.

If the Offer Price (as finally determined) is less than the Maximum Offer Price of HK$5.35 per Share paid on application, the surplus subscription monies (including the related brokerage, Stock Exchange trading fee and SFC transaction levy) will be refunded to you without interest.

If you are a CCASS Participant subscribing for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS, all refunds will be credited to your designated bank account or the designated bank account of your broker or custodian on 3 October 2006.

All refunds by cheque will be crossed "Account Payee Only", and made out to you or, if you are joint applicants, to the first-named applicant on the Application Form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on the refund cheque, if any. Such data may also be transferred to a third party for refund purpose. A banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque. It is intended that when processing applications, special efforts will be made to avoid delays in refunding application monies due.

Refund cheque(s) are expected to be despatched or available for collection (if you have applied for 1,000,000 Public Offer Shares or above and indicated on your Application Form that you wish to collect refund cheque(s) in person) on 3 October 2006. See the subsection above entitled "If Your Application for Public Offer Shares is Successful (in Whole or in Part)" for further information.

PERSONAL DATA — PERSONAL INFORMATION COLLECTION STATEMENT

The main provisions of the Personal Data (Privacy) Ordinance (the "Ordinance") came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of Public Offer Shares, of the policies and practices of our Company and our share registrars in relation to personal data and the Ordinance.

Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and our share registrars when applying for securities or transferring securities into or out of their names or in procuring the services of our share registrars.

Failure to supply the requested data may result in your application for securities being delayed or your application may not be considered. It may also prevent or delay registration or transfer of the securities which you have successfully applied for and/or the despatch of Share certificate(s), and/or the despatch or encashment of refund cheque(s) to which you are entitled.

It is important that holders of securities inform us and our share registrars immediately of any inaccuracies in the data supplied.

Purposes

The personal data of applicants and holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- Processing of your application and refund cheque(s), where applicable, and verification of compliance with the terms and application procedures set out in this prospectus and the Application Forms and announcing results of allocations of Public Offer Shares;
- Registering new issues or transfers into or out of the name of holders of securities including, where applicable, HKSCC Nominees;
- Maintaining or updating the registers of holders of securities of our Company;
- Conducting or assisting to conduct signature verifications, any verification or exchange of information;
- Establishing entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- Distributing communications from our Company and our subsidiaries;
- Compiling statistical information and investor profiles;
- Enabling compliance with all applicable laws, rules and regulations (whether statutory or otherwise) in Hong Kong or elsewhere;
- Disclosing relevant information to facilitate claims on entitlements; and
- Any other incidental or associated purposes relating to the above and/or to enable our Company and our share registrars to discharge their obligations to holders of securities and/or regulators and/or any other purposes to which the holders of securities may from time to time agree.

Transfer of personal data

Personal data (including Hong Kong identity card details) held by our Company and our share registrars relating to the applicant and the holders of securities will be kept confidential but our Company and our share registrars may, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or transfer (whether within or outside Hong Kong) the personal data of you and the holders of securities to, from or with any and all of the following persons and entities:

- Our Company or its appointed agents such as financial advisers, receiving bankers;
- Where applicants for Public Offer Shares request deposited into CCASS, to HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- Any broker whose company chop or other identification number has been placed on the Application Form;
- Any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or our share registrars in connection with the operation of their respective businesses;
- The Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies in Hong Kong or elsewhere; and
- Any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's auditors and independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong. As described in the section entitled "Documents delivered to the Registrar of Companies and Available for Inspection" in Appendix X, a copy of the Accountants' Report is available for inspection.

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
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Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

20 September 2006

The Directors
Shui On Land Limited
Deutsche Bank AG, Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
J.P. Morgan Securities (Asia Pacific) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Shui On Land Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2005 and the three months ended 31 March 2006 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 20 September 2006 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 12 February 2004 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to certain business combination transactions between companies under common control (the "Group Reorganisation"), as described more fully in Notes 41 (a), (b) and (d) of Section A below, the Company has become the holding company of the companies comprising the Group.

As at the date of this report, the Company has the following subsidiaries:

Name of subsidiary	**Place and date of incorporation/ establishment**	**Issued and fully paid share capital/ registered capital**	**Attributable equity interest held**	**Place of operation**	**Principal activities**
			(Note 1)		
Atlantic Best Limited	Hong Kong 5 January 2001	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Bestwealth Holdings Limited	British Virgin Islands ("BVI") 18 November 2004	1 ordinary share of US$1	100%	Hong Kong	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held	Place of operation	Principal activities
			(Note 1)		
Billion Glory Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of US$1	70%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Bright Winner Limited	Hong Kong 27 December 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Brixworth International Limited	BVI 3 January 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Century Team Limited	Hong Kong 16 January 1998	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Chinalink Capital Limited	BVI 16 July 2003	999 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Chongqing Shui On Tiandi Property Development Co. Ltd.	People's Republic of China ("PRC") 21 November 2003	Registered and paid up capital US$71,750,000	99%	PRC	Property development
Citichamp Limited	Hong Kong 19 July 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	2 ordinary shares of HK$1 each	70%	Hong Kong	Investment holding
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
East Trend Limited	Hong Kong 14 February 2001	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Excel Efficient Limited	BVI 19 August 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	BVI 30 March 2005	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Foresight Profits Limited	BVI 8 February 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of US$1	70%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held	Place of operation	Principal activities
			(Note 1)		
Globaland Limited	Hong Kong 30 October 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	70%	Hong Kong	Investment holding
Grand Hope Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Grand Rich Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Hangzhou Xihu Tiandi Management Company Limited	PRC 6 March 2003	Registered and paid up capital US$1,400,000	100%	PRC	Property management
Hangzhou Xihu Tiandi Properties Company Limited (note 3)	PRC 12 June 2003	Registered and paid up capital US$34,540,000	100%	PRC	Property development
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Infoshore International Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Join Legend Limited	Hong Kong 2 June 2006	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Legend City Limited	Hong Kong 4 June 1997	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Lucky Gain Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Marble Way Ltd.	BVI 28 August 1996	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
New Asia Limited	Hong Kong 31 October 2003	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Onfair Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Onwin Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	2 ordinary shares of HK$1 each	70%	Hong Kong	Investment holding
Pacific Gain Limited	Hong Kong 11 September 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held	Place of operation	Principal activities
			(Note 1)		
Portspin Limited	BVI 22 May 1997	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of US$1 each	70%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Shanghai Bai-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB151,300,000	97%	PRC	Property development
Shanghai Fu Ji Properties Co., Ltd.	PRC 18 January 2004	Registered capital US$35,773,000 Paid up capital US$9,184,180	99%	PRC	Property development
Shanghai Fu-Xiang Properties Co., Ltd.	PRC 19 December 2001	Registered capital RMB345,000,000 Paid up capital RMB219,088,690	99%	PRC	Property development
Shanghai Ji-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB71,600,000	97%	PRC	Property development
Shanghai Jing-Fu Property Co., Ltd.	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	69.3%	PRC	Property development
Shanghai Lakeville Properties Co., Ltd. (formerly known as Shanghai Si Fu Properties Co., Ltd.)	PRC 23 May 2001	Registered and paid up capital RMB165,000,000	69.3%	PRC	Property development
Shanghai Le Fu Properties Co., Ltd.	PRC 20 February 2004	Registered capital US$42,507,000 Paid up capital US$39,971,656	99%	PRC	Property development
Shanghai Rui Hong Xin Cheng Co., Ltd.	PRC 2 July 2001	Registered and paid up capital RMB567,000,000	99%	PRC	Property development
Shanghai Rui Zhen Food & Beverage Co., Ltd.	PRC 7 November 2003	Registered and paid up capital US$2,100,000	99%	PRC	Food and beverage services
Shanghai Taipingqiao Properties Management Company Limited	PRC 31 August 2001	Registered and paid up capital RMB1,655,000	99%	PRC	Property management
Shanghai Xin-tian-di Plaza Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB101,300,000	97%	PRC	Property development

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held	Place of operation	Principal activities
			(Note 1)		
Shanghai Xing-Bang Properties Co., Ltd.	PRC 21 June 2001	Registered and paid up capital RMB290,500,000	99%	PRC	Property development
Shanghai Xing-Qi Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB274,900,000	97%	PRC	Property development
Shanghai Xing Qiao Properties Co., Ltd.	PRC 18 January 2004	Registered capital US$37,727,000 Paid up capital US$37,429,753	99%	PRC	Property development
Shanghai Xintiandi Huting Food & Beverage Co., Ltd.	PRC 14 March 2005	Registered and paid up capital US$1,750,000	100%	PRC	Food and beverage services
Shanghai Yangpu Centre Development Company Limited	PRC 26 August 2003	Registered and paid up capital US$60,500,000	70%	PRC	Property development
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US$0.01 each	100%	PRC	Investment holding
Shui On Land Management Limited	Hong Kong 12 May 2004	1 ordinary share of HK$1	100%	Hong Kong	Provision of management services
Sino Wisdom Investments Limited	BVI 12 May 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Sinoco Limited	Hong Kong 28 October 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Sinothink Holdings Limited	BVI 15 September 2000	100 ordinary shares of US$1 each	100%	Hong Kong	Investment holding
Smart Silver Limited	BVI 18 December 2002	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Super Field Limited	Hong Kong 25 February 2005	1 ordinary share of HK$1	100%	Hong Kong	Investment holding
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Tip Profit Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	Hong Kong	Investment holding
Union Grow Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	Hong Kong	Investment holding
Wuhan Shui On Tiandi Property Development Co., Ltd.	PRC 2 August 2005	Registered capital US$97,000,000 Paid up capital US$66,000,000	100%	PRC	Property development
上海瑞安房地產發展有限公司 (Shui On Development Limited (formerly known as Shanghai Shui On Land Limited))	PRC 14 June 2004	Registered and paid up capital US$5,350,000	100%	PRC	Management

Notes:

1. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
2. All subsidiaries established in the PRC are either equity joint ventures or cooperative joint ventures except 上海瑞安房地產發展有限公司 (Shui On Development Limited (formerly known as Shanghai Shui On Land Limited)) which is a wholly foreign owned enterprise.
3. Hangzhou Xihu Tiandi Properties Company Limited merged with two other subsidiaries, namely, Hangzhou Billion Glory Property Company Limited and Hangzhou Grand Rich Property Company Limited, on 8 April 2004.

Except Shui On Land Management Limited (a subsidiary incorporated in Hong Kong), which adopts 31 December as the financial year end date, all the subsidiaries incorporated in Hong Kong and BVI adopt 31 March as the financial year end date and all remaining companies comprising the Group adopt 31 December as the financial year end date.

We have audited the financial statements of those subsidiaries incorporated in Hong Kong (except Shui On Land Management Limited) for each of the three years ended 31 March 2005 or since their respective dates of incorporation, where this is a shorter period, prepared under accounting principles generally accepted in Hong Kong. The financial statements of Shui On Land Management Limited for the period since its date of incorporation to 31 December 2005 were audited by us.

We have audited the consolidated financial statements of Shui On Development (Holding) Limited, a subsidiary incorporated in the Cayman Islands, for the period since its date of incorporation to 31 December 2005. No audited financial statements have been prepared for those companies incorporated in the BVI and Mauritius as these companies are not subject to any statutory audit requirements in the jurisdiction of incorporation.

No statutory financial statements have been prepared for China Wealth (H.K.) Limited, Join Legend Limited and Citichamp Limited, subsidiaries incorporated in Hong Kong, as China Wealth (H.K.) Limited has not yet commenced business since incorporation and Join Legend Limited and Citichamp Limited were newly incorporated after 31 March 2006.

The statutory financial statements of Hangzhou Billion Glory Property Company Limited and Hangzhou Grand Rich Property Company Limited, which were established in the PRC, for the period from the respective dates of establishment to 31 December 2003 were audited by Origen Certified Public Accountants Limited (浙江東方中匯會計師事務所有限公司). These companies merged with Hangzhou Xihu Tiandi Properties Company Limited on 8 April 2004.

The statutory financial statements for each of the three years ended 31 December 2005 or for the financial periods since the respective dates of establishment, where this is a shorter period, in respect of the following companies, all of which were established and operate in the PRC, were prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC and were audited by certified public accountants registered in the PRC:

Name of subsidiary	**Auditors**
Chongqing Shui On Tiandi Property Development Co. Ltd.	重慶康華會計師事務所有限責任公司 Chongqing Kanghua Certified Public Accountants Co. Ltd.
Hangzhou Xihu Tiandi Management Company Limited	浙江東方中匯會計師事務所有限公司 Origen Certified Public Accountants Limited
Hangzhou Xihu Tiandi Properties Company Limited	浙江東方中匯會計師事務所有限公司 Origen Certified Public Accountants Limited
Shanghai Bai-Xing Properties Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Fu Ji Properties Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Fu-Xiang Properties Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Ji-Xing Properties Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Jing-Fu Property Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Lakeville Properties Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Le Fu Properties Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Rui Hong Xin Cheng Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Rui Zhen Food & Beverage Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Taipingqiao Properties Management Company Limited	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Xin-tian-di Plaza Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Xing-Bang Properties Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Xing-Qi Properties Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Xing Qiao Properties Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Xintiandi Huting Food & Beverage Co., Ltd.	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Shanghai Yangpu Centre Development Company Limited	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants
Wuhan Shui On Tiandi Property Development Co., Ltd.	武漢眾環會計師事務所有限責任公司 Zhong Huan Certified Public Accountants
上海瑞安房地產發展有限公司 (Shui On Development Limited (formerly known as Shanghai Shui On Land Limited))	上海復興明方會計師事務所有限公司 Shanghai Fuxingmingfang Certified Public Accountants

For the purpose of this report, we have audited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") the consolidated financial statements of the Group for each of the Relevant Periods (the "Underlying Financial Statements") which have been prepared by the directors in accordance with International Financial Reporting Standards.

We have examined the audited financial statements or, where appropriate, management accounts of the companies comprising the Group for the Relevant Periods or since the respective dates of incorporation/establishment to 31 March 2006, where this is a shorter period. Our examination was made in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out below has been prepared in accordance with International Financial Reporting Standards based on the Underlying Financial Statements and is presented on the basis set out in Note 1 of Section A below.

The preparation of the Underlying Financial Statements is the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, 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 31 December 2003, 31 December 2004, 31 December 2005 and 31 March 2006 and of the Company as at 31 December 2004, 31 December 2005 and 31 March 2006 and of the results and cash flows of the Group for each of the three years ended 31 December 2005 and the three months ended 31 March 2006.

The comparative consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group for the three months ended 31 March 2005 together with the notes thereon have been extracted from the Group's consolidated financial information for the same period (the "31 March 2005 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31 March 2005 Financial Information in accordance with the Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA. Our review consisted principally of making enquiries of the Group's management and applying analytical procedures to the 31 March 2005 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 31 March 2005 Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 31 March 2005 Financial Information.

A. FINANCIAL INFORMATION OF THE GROUP

Consolidated Income Statements

	NOTES	Year ended 31 December			Three months ended 31 March	
		2003	2004	2005	2005	2006
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Turnover	4	977,376	1,038,923	1,017,798	93,983	138,137
Cost of sales		(646,628)	(599,729)	(326,698)	(6,109)	(18,150)
Gross profit		330,748	439,194	691,100	87,874	119,987
Other operating income	5	11,126	17,074	103,779	10,263	40,041
Staff costs		(22,468)	(66,154)	(77,650)	(24,060)	(20,217)
Depreciation and release of prepaid lease rentals		(15,111)	(15,993)	(23,987)	(4,572)	(7,000)
Other expenses		(123,931)	(194,193)	(255,340)	(37,466)	(36,938)
Share of result of a jointly controlled entity		—	—	(52)	—	—
Finance costs	6	(53,784)	(109,539)	(166,873)	(16,069)	(87,914)
Profit before revaluation increase on investment properties and taxation		126,580	70,389	270,977	15,970	7,959
Revaluation increase on investment properties		62,747	1,687,216	606,565	376,113	—
Profit before taxation		189,327	1,757,605	877,542	392,083	7,959
Taxation	8	(104,592)	(647,872)	(331,856)	(133,105)	(25,328)
Profit (loss) for the year/period	9	84,735	1,109,733	545,686	258,978	(17,369)
Attributable to:						
Equity holders of the Company		28,964	785,986	379,962	180,072	(18,674)
Minority interests		55,771	323,747	165,724	78,906	1,305
		84,735	1,109,733	545,686	258,978	(17,369)
Dividends	10	—	—	—	—	—
Earnings (loss) per share	11					
Basic		RMB0.02	RMB0.46	RMB0.22	RMB0.10	RMB(0.01)
Diluted		N/A	RMB0.39	RMB0.14	RMB0.07	N/A

Balance Sheets

		THE GROUP				THE COMPANY		
		As at 31 December			As at 31 March	As at 31 December		As at 31 March
	NOTES	2003	2004	2005	2006	2004	2005	2006
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets								
Investment properties	12	2,382,880	5,142,247	5,877,300	5,877,300	—	—	—
Property, plant and equipment	13	140,036	145,528	168,006	163,051	—	—	—
Prepaid lease rentals	14	676,618	854,974	2,664,625	2,934,083	—	—	—
Properties under development	15	812,043	454,932	1,126,833	1,287,939	—	—	—
Interests in associates	16	—	—	2,500	2,500	—	—	—
Interest in a jointly controlled entity	17	—	—	—	—	—	—	—
Investments in subsidiaries	18	—	—	—	—	184,233	1,267,219	1,258,448
Loan to a subsidiary	18	—	—	—	—	—	4,768,612	4,797,225
Accounts receivable	19	2,487	12,177	33,214	35,228	—	—	—
Pledged bank deposits	20	575,203	611,434	1,619	109,155	—	—	—
Defined benefit assets	36	—	—	3,433	3,816	—	—	—
Deferred tax assets	32	76,700	73,471	94,260	95,384	—	—	—
		4,665,967	7,294,763	9,971,790	10,508,456	184,233	6,035,831	6,055,673
Current assets								
Inventories	21	1,291	1,451	2,222	2,169	—	—	—
Properties under development	15	2,426,696	3,544,923	5,244,106	5,792,572	—	—	—
Properties held for sale	22	54,970	61,377	156,744	141,107	—	—	—
Accounts receivable, deposits and prepayments	19	47,631	81,964	678,747	717,787	1,249	—	—
Amount due from an associate	16	—	1,329	1,821	1,852	—	—	—
Amount due from a jointly controlled entity	17	—	—	—	—	—	—	—
Amounts due from related companies	23	520,088	97,173	164,053	166,579	—	—	—
Amounts due from subsidiaries	24	—	—	—	—	4,432,901	6,687	6,641
Amount due from a minority shareholder of a subsidiary	25	5,623	5,625	5,624	5,624	—	—	—
Early redemption rights	34	—	—	7,058	6,237	—	—	—
Pledged bank deposits	20	8,609	71,428	407,839	572,506	—	—	—
Bank balances and cash	19	433,726	1,090,706	1,988,944	1,206,812	547,537	286,140	246,121
		3,498,634	4,955,976	8,657,158	8,613,245	4,981,687	292,827	252,762

		THE GROUP				THE COMPANY		
		As at 31 December			As at 31 March	As at 31 December		As at 31 March
	NOTES	2003	2004	2005	2006	2004	2005	2006
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities								
Accounts payable, deposits received and accrued charges	27	1,048,487	995,059	1,739,473	2,116,611	4,645	—	—
Amount due to an associate		—	221	—	—	—	—	—
Amounts due to related companies	23	3,462,260	511,936	138,002	146,054	451,354	—	—
Amount due to a subsidiary	24	—	—	—	—	—	425,736	382,083
Amounts due to minority shareholders of subsidiaries	25	277,235	364,670	272,699	270,351	—	—	—
Warrants	34	—	—	231,474	232,761	—	231,474	232,761
Taxation payable	26	2,975	82,320	106,962	79,654	—	—	—
Bank borrowings - due within one year	28	63,597	1,085,157	2,657,022	2,266,709	—	—	—
		4,854,554	3,039,363	5,145,632	5,112,140	455,999	657,210	614,844
Net current (liabilities) assets		(1,355,920)	1,916,613	3,511,526	3,501,105	4,525,688	(364,383)	(362,082)
Total assets less current liabilities		3,310,047	9,211,376	13,483,316	14,009,561	4,709,921	5,671,448	5,693,591
Capital and reserves								
Share capital	29	1	35,689	36,164	37,054	35,689	36,164	37,054
Share premium		156,368	2,314,911	2,314,436	2,396,574	2,314,911	2,314,436	2,396,574
Merger reserve	30	—	121,988	121,988	121,988	—	—	—
Special reserve	30	—	(91,573)	(423,955)	(423,665)	—	—	—
Capital reserve		28	266,600	422,574	422,574	266,572	422,546	422,546
Exchange reserve		(4,702)	792	31,908	51,350	6,024	(56,721)	(76,073)
Other reserve	30	—	483,330	503,794	503,794	483,330	483,330	483,330
Accumulated profits (losses)		601,049	1,387,035	1,748,885	1,730,211	(139,818)	(403,543)	(432,940)
		752,744	4,518,772	4,755,794	4,839,880	2,966,708	2,796,212	2,830,491
Minority interests		169,199	592,285	306,059	315,054	—	—	—
Total shareholders' equity		921,943	5,111,057	5,061,853	5,154,934	2,966,708	2,796,212	2,830,491
Non-current liabilities								
Loan from a minority shareholder of a subsidiary	31	—	—	173,714	175,959	—	—	—
Notes	34	—	—	2,787,811	2,788,615	—	—	—
Bank borrowings - due after one year	28	1,872,290	1,272,488	1,262,794	1,692,502	—	—	—
Deferred tax liabilities	32	515,814	1,084,618	1,321,908	1,334,451	—	—	—
Convertible redeemable preference shares	33	—	1,743,213	2,875,236	2,863,100	1,743,213	2,875,236	2,863,100
		2,388,104	4,100,319	8,421,463	8,854,627	1,743,213	2,875,236	2,863,100
		3,310,047	9,211,376	13,483,316	14,009,561	4,709,921	5,671,448	5,693,591

Statements of Changes in Equity

The Group

	Attributable to equity holders of the Company										
	Share capital	Share premium	Merger reserve (note 30(a))	Special reserve (note 30(b))	Capital reserve	Exchange reserve	Other reserve	Accumulated profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2003	1	156,368	—	—	28	3,178	—	572,085	731,660	112,126	843,786
Exchange difference arising on translation of foreign operations and net expense recognised directly in equity	—	—	—	—	—	(7,880)	—	—	(7,880)	—	(7,880)
Profit for the year	—	—	—	—	—	—	—	28,964	28,964	55,771	84,735
Total recognised income and expenses for the year	—	—	—	—	—	(7,880)	—	28,964	21,084	55,771	76,855
Capital injection	—	—	—	—	—	—	—	—	—	1,302	1,302
At 31 December 2003	1	156,368	—	—	28	(4,702)	—	601,049	752,744	169,199	921,943
Exchange difference arising on translation of foreign operations and net income recognised directly in equity	—	—	—	—	—	5,494	—	—	5,494	—	5,494
Profit for the year	—	—	—	—	—	—	—	785,986	785,986	323,747	1,109,733
Total recognised income for the year	—	—	—	—	—	5,494	—	785,986	791,480	323,747	1,115,227
Issue of shares	35,689	—	—	—	—	—	—	—	35,689	—	35,689
Capital injection	—	—	—	—	—	—	—	—	—	154,354	154,354
Amount waived by a shareholder (note 30(c)(i))	—	—	—	—	—	—	483,330	—	483,330	—	483,330

	Attributable to equity holders of the Company										
	Share capital	Share premium	Merger reserve (note 30(a))	Special reserve (note 30(b))	Capital reserve	Exchange reserve	Other reserve	Accumulated profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Elimination of share capital/share premium of an existing subsidiary upon group reorganisation	(1)	(156,368)	156,369	—	—	—	—	—	—	—	—
Share premium and reserves arising from group reorganisation	—	2,314,911	(34,381)	(91,573)	—	—	—	—	2,188,957	(55,015)	2,133,942
Equity component of preference shares (note 33)	—	—	—	—	281,694	—	—	—	281,694	—	281,694
Issue cost on preference shares (note 33)	—	—	—	—	(15,122)	—	—	—	(15,122)	—	(15,122)
At 31 December 2004	35,689	2,314,911	121,988	(91,573)	266,600	792	483,330	1,387,035	4,518,772	592,285	5,111,057
Exchange difference arising on translation of foreign operations and net income recognised directly in equity	—	—	—	—	—	31,116	—	—	31,116	5,713	36,829
Profit for the year	—	—	—	—	—	—	—	379,962	379,962	165,724	545,686
Total recognised income for the year	—	—	—	—	—	31,116	—	379,962	411,078	171,437	582,515
Issue of shares	475	(475)	—	—	—	—	—	—	—	—	—
Capital injection	—	—	—	—	—	—	—	—	—	4,380	4,380
Capital contribution (note 30(c)(ii))	—	—	—	—	—	—	20,464	—	20,464	8,770	29,234
Deemed distribution to a shareholder upon acquisition of subsidiaries	—	—	—	—	—	—	—	(18,112)	(18,112)	—	(18,112)
Equity component of preference shares (note 33)	—	—	—	—	155,974	—	—	—	155,974	—	155,974
Acquisition of additional interests in subsidiaries	—	—	—	(332,382)	—	—	—	—	(332,382)	(470,813)	(803,195)
At 31 December 2005	36,164	2,314,436	121,988	(423,955)	422,574	31,908	503,794	1,748,885	4,755,794	306,059	5,061,853
Exchange difference arising on translation of foreign operations and net income recognised directly in equity	—	—	—	—	—	19,442	—	—	19,442	1,174	20,616
(Loss) profit for the period	—	—	—	—	—	—	—	(18,674)	(18,674)	1,305	(17,369)
Total recognised income (loss) for the period	—	—	—	—	—	19,442	—	(18,674)	768	2,479	3,247
Issue of shares	890	82,138	—	—	—	—	—	—	83,028	—	83,028
Capital injection	—	—	—	—	—	—	—	—	—	6,516	6,516
Release of special reserve	—	—	—	290	—	—	—	—	290	—	290
At 31 March 2006	37,054	2,396,574	121,988	(423,665)	422,574	51,350	503,794	1,730,211	4,839,880	315,054	5,154,934

The Group

	Attributable to equity holders of the Company										
	Share capital	Share premium	Merger reserve (note 30(a))	Special reserve (note 30(b))	Capital reserve	Exchange reserve	Other reserve	Accumulated profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the three months ended 31 March 2005 (unaudited)											
At 1 January 2005	35,689	2,314,911	121,988	(91,573)	266,600	792	483,330	1,387,035	4,518,772	592,285	5,111,057
Exchange difference arising on translation of foreign operations and net income recognised directly in equity	—	—	—	—	—	1,673	—	—	1,673	—	1,673
Profit for the period	—	—	—	—	—	—	—	180,072	180,072	78,906	258,978
Total recognised income for the period	—	—	—	—	—	1,673	—	180,072	181,745	78,906	260,651
Capital injection	—	—	—	—	—	—	—	—	—	1,400	1,400
At 31 March 2005	35,689	2,314,911	121,988	(91,573)	266,600	2,465	483,330	1,567,107	4,700,517	672,591	5,373,108

The Company

	Share capital	Share premium	Capital reserve	Exchange reserve	Other reserve (note 30)	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 12 February 2004	—	—	—	—	—	—	—
Exchange difference arising on translation to presentation currency and net income recognised directly in equity	—	—	—	6,024	—	—	6,024
Loss for the period	—	—	—	—	—	(139,818)	(139,818)
Total recognised income (loss) for the period	—	—	—	6,024	—	(139,818)	(133,794)
Issue of shares	35,689	—	—	—	—	—	35,689
Amount waived by a shareholder (note 30)	—	—	—	—	483,330	—	483,330
Share premium arising from group reorganisation	—	2,314,911	—	—	—	—	2,314,911
Equity component of preference shares (note 33)	—	—	281,694	—	—	—	281,694
Issue cost on preference shares (note 33)	—	—	(15,122)	—	—	—	(15,122)
At 31 December 2004	35,689	2,314,911	266,572	6,024	483,330	(139,818)	2,966,708
Exchange difference arising on translation to presentation currency and net expense recognised directly in equity	—	—	—	(62,745)	—	—	(62,745)
Loss for the year	—	—	—	—	—	(263,725)	(263,725)
Total recognised loss for the year	—	—	—	(62,745)	—	(263,725)	(326,470)
Issue of shares	475	(475)	—	—	—	—	—
Equity component of preference shares (note 33)	—	—	155,974	—	—	—	155,974
At 31 December 2005	36,164	2,314,436	422,546	(56,721)	483,330	(403,543)	2,796,212
Exchange difference arising on translation to presentation currency and net expense recognised directly in equity	—	—	—	(19,352)	—	—	(19,352)
Loss for the period	—	—	—	—	—	(29,397)	(29,397)
Total recognised loss for the period	—	—	—	(19,352)	—	(29,397)	(48,749)
Issue of shares	890	82,138	—	—	—	—	83,028
At 31 March 2006	37,054	2,396,574	422,546	(76,073)	483,330	(432,940)	2,830,491

Consolidated Cash Flow Statements

	NOTE	Year ended 31 December 2003	Year ended 31 December 2004	Year ended 31 December 2005	Three months ended 31 March 2005	Three months ended 31 March 2006
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES						
Profit before taxation		189,327	1,757,605	877,542	392,083	7,959
Adjustments for:						
Allowance (reversal of allowance) for bad and doubtful debts		—	1,975	984	—	(200)
Allowance for amount due from a jointly controlled entity		—	—	10,143	—	1,219
Depreciation of property, plant and equipment		13,999	14,880	22,875	4,294	6,722
(Gain) loss on change in fair value of early redemption rights		—	—	(1,952)	—	773
Loss on change in fair value of warrants		—	—	3,132	—	2,889
Release of prepaid lease rentals		1,112	1,113	1,112	278	278
Share of result of a jointly controlled entity		—	—	52	—	—
Finance costs		53,784	109,539	166,873	16,069	87,914
Loss (gain) on disposal of property, plant and equipment		129	448	(160)	—	—
Interest income		(620)	(8,275)	(15,701)	(2,654)	(10,816)
Revaluation increase on investment properties		(62,747)	(1,687,216)	(606,565)	(376,113)	—
Increase in defined benefit assets		—	—	(3,433)	—	(383)
Release of special reserve		—	—	—	—	290
Operating cash flows before movements in working capital		194,984	190,069	454,902	33,957	96,645
(Increase) decrease in inventories		(97)	(160)	(617)	(21)	53
Decrease (increase) in accounts receivable, deposits and prepayments		15,375	(45,998)	(617,538)	2,647	(40,854)

		Year ended 31 December			Three months ended 31 March	
	NOTE	2003	2004	2005	2005	2006
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Decrease in properties held for sale		644,378	593,484	306,330	5,066	15,637
Increase (decrease) in accounts payable, deposits received and accrued charges		333,275	(53,428)	60,190	(67,130)	281,602
Cash generated from operations		1,187,915	683,967	203,267	(25,481)	353,083
PRC Income Tax (paid) refunded		(15,402)	3,506	(90,713)	(36,474)	(41,217)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		1,172,513	687,473	112,554	(61,955)	311,866
INVESTING ACTIVITIES						
Interest received		620	8,275	15,701	2,654	10,816
Purchase of property, plant and equipment		(15,097)	(22,364)	(43,813)	(1,470)	(2,350)
Proceeds from disposal of property, plant and equipment		—	—	341	—	—
Additions to investment properties		—	—	(128,488)	—	—
Additions to prepaid lease rentals		(450,076)	(390,671)	(1,876,435)	(89,910)	(274,761)
Additions to properties under development		(1,510,700)	(2,114,926)	(2,329,682)	(349,312)	(520,009)
Advance to an associate		—	(1,329)	(492)	(447)	—
Advance to a jointly controlled entity		—	—	(10,143)	—	(1,219)
Acquisition of subsidiaries	35	—	—	2,490	—	—
Acquisition of additional interests in subsidiaries		—	—	(269,645)	—	—
Investment in an associate		—	—	(2,500)	(2,500)	—
Investment in a jointly controlled entity		—	—	(52)	—	—
(Increase) decrease in pledged bank deposits		(524,629)	(99,050)	273,404	(104,797)	(272,203)
NET CASH USED IN INVESTING ACTIVITIES		(2,499,882)	(2,620,065)	(4,369,314)	(545,782)	(1,059,726)
FINANCING ACTIVITIES						
Net proceeds on issuance of notes		—	—	2,994,334	—	—

		Year ended 31 December			Three months ended 31 March	
	NOTE	2003	2004	2005	2005	2006
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Net proceeds on issuance of preference shares		—	1,960,192	1,220,310	—	—
(Repayment to) advance from related companies		(35,938)	125,186	(464,399)	132,432	5,526
(Repayment to) advance from minority shareholders of subsidiaries		(7,732)	87,433	202,730	1,054	(103)
Advance from (repayment to) an associate		—	221	(221)	(221)	—
Capital injected from minority shareholders		1,302	154,354	4,380	1,400	6,516
New bank loans raised		1,832,159	485,355	1,680,676	253,907	77,321
Repayment of bank loans		(281,296)	(63,597)	(74,199)	(21,403)	(21,214)
Interest and bank charges paid		(88,368)	(165,479)	(402,160)	(39,042)	(86,300)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		1,420,127	2,583,665	5,161,451	328,127	(18,254)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		92,758	651,073	904,691	(279,610)	(766,114)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		348,957	433,726	1,090,706	1,090,706	1,988,944
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(7,989)	5,907	(6,453)	(3,828)	(16,018)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD		433,726	1,090,706	1,988,944	807,268	1,206,812
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS						
Bank balances and cash		433,726	1,090,706	1,988,944	807,268	1,206,812

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for each of the three years ended 31 December 2005 and the three months ended 31 March 2005 and 31 March 2006 include the results, changes in equity and cash flows of the companies comprising the Group as if the Company had always been the holding company of the Group and in accordance with the respective equity interests in the individual companies attributable to Shui On Company Limited, the existing ultimate holding company, throughout the Relevant Periods.

The consolidated balance sheets as at 31 December 2003, 31 December 2004, 31 December 2005, 31 March 2005 and 31 March 2006 have been prepared to present the assets and liabilities of the companies comprising the Group as if the group structure after the Group Reorganisation had been in existence at those dates and in accordance with the respective equity interests in the individual companies attributable to Shui On Company Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair values, and in accordance with the significant accounting policies set out below which conform with International Financial Reporting Standards ("IFRSs").

The International Accounting Standards Boards (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB issued a number of new and revised Standards and Interpretation (hereinafter collectively referred to as "new IFRSs") which are either effective for accounting periods beginning on or after 1 January 2005 or 1 January 2006 and require retrospective application. The financial information of the Group has been prepared in accordance with these new IFRSs throughout the Relevant Periods.

In addition, the Group has elected to early adopt the following International Accounting Standards ("IASs") from 1 January 2003 onwards:

IAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
IAS 39 (amended 2004)	Financial Instruments: Recognition and Measurement
IAS 39 (Amendment)	The Fair Value Option
IAS 39 and IFRS 4 (Amendments)	Financial Guarantee Contracts
IAS 40 (amended 2004)	Investment Property

At the date of this report, the IASB has issued the following Standards and Interpretations which are not yet effective in respect of the financial periods of the Relevant Periods. The Group has not early adopted these Standards and Interpretations in the financial statements for the Relevant Periods.

IFRS 7	Financial Instruments: Disclosures[1]
IAS 1	Presentation of Financial Statements (Amendment) - Capital Disclosure[1]
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies[2]
IFRIC 8	Scope of IFRS 2[3]
IFRIC 9	Reassessment of Embedded Derivatives[4]
IFRIC 10	Interim Financial Reporting and Impairment[5]

[1] Effective for annual periods beginning on or after 1 January 2007

[2] Effective for annual periods beginning on or after 1 March 2006

[3] Effective for annual periods beginning on or after 1 May 2006

[4] Effective for annual periods beginning on or after 1 June 2006

[5] Effective for annual periods beginning on or after 1 November 2006

The directors of the Company have considered these Standards and Interpretations but do not expect that they will have a material effect on the financial information prepared and presented.

The principal accounting policies adopted are set out as follows:

Basis of consolidation

The financial information incorporates the financial information of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policy of an entity so as to obtain benefits from its activities.

The difference between the fair value of the proceeds from the disposal of interest in subsidiary and its attributable carrying amount as of the date of disposal is recognised in the consolidated income statement as the gain or loss on the disposal of the subsidiary.

Inter-company transactions, balances and unrealised gains on transactions between group enterprises are eliminated on consolidation; unrealised loss are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an enterprise that is already an entity controlled by the Company, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities. No revaluation surplus or deficit on revaluating all of the identifiable assets, liabilities and contingent liabilities of the subsidiary to current fair value is recognised in the consolidated balance sheet. The difference between the fair value, representing the amount of consideration less the amount of goodwill, and the carrying amount of the net assets attributable to the additional interest acquired is recognised as a reserve movement. This difference represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at their fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties 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 or 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 income statement in the year/period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged using the straight-line method to write off the cost of buildings over their estimated useful lives of 50 years or where shorter, the terms of leasehold land where the buildings located.

Depreciation is charged using the straight-line method to write off the cost of each asset, other than buildings, to their residual value over their estimated useful lives, at the following rates per annum:

Plant and machinery	10 - 25%
Furniture, fixtures, equipment and motor vehicles	20 - 33%

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income statement.

Prepaid lease rentals

Cost of prepaid lease rentals represents consideration paid to the land bureau in the PRC for the rights to use the land. Prepaid lease rentals are charged to the income statements on a straight-line basis over the period of the land use rights.

Properties under development

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the prepaid lease payments in respect of the leasehold land is capitalised as part of the costs of the properties under development. Properties under development are carried at cost, less any identified impairment losses.

Properties under development which are intended to be held for own use or their investment potential are shown as non-current assets.

Properties under development which are intended to be held for sale are shown as current assets.

Interests in associates

An associate is an entity over which the Group 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, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

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. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part 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.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are incorporated in the financial information using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any impairment in the value of individual investments. Losses of a jointly controlled entity in excess of the Group's interest in that jointly controlled entities (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entities) are not recognised.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the jointly controlled entities.

Impairment

At each balance sheet date, 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs, other direct costs and, where applicable, related production overheads (based on normal operation capacity), that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realised value is determined based on prevailing market conditions.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Loans and receivables (including accounts receivable, amount due from an associate, amount due from a jointly controlled entity, amounts due from related companies, amounts due from subsidiaries, amount due from a minority shareholder of a subsidiary and bank deposits) are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group 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 accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities

Accounts payable, amount due to an associate, amounts due to related companies, amount due to a subsidiary, amounts due to minority shareholders of subsidiaries and loan from a minority shareholder of a subsidiary are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Convertible redeemable preference shares

Junior convertible redeemable preference shares are regarded as compound instruments, consisting of a liability component, an equity component and embedded derivatives which are not closely related to the host contract. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt without the conversion feature. The difference between the proceeds of issue of the convertible redeemable preference shares and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the preference shares into equity of the Company, is included in equity (capital reserve).

In subsequent periods, the liability component of the convertible redeemable preference shares is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in capital reserve until the embedded option is exercised (in which case the balance stated in capital reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in capital reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Senior preference shares consist a liability component, embedded derivatives which are not closely related to the host contract (the liability component) and conversion options that are not settled by the exchange of a fixed amount for fixed number of equity instrument. The liability component, embedded derivatives and conversion options are recognised at their fair values at initial recognition. The liability component is subsequently measured at amortised cost by using the effective interest method. The embedded derivatives are subsequently measured at fair value with changes recognised in the income statement. The conversion options which is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured is measured at cost. When, subsequently, the reliable measure is available, the conversion options shall be remeasured at fair value, and the difference between its carrying amount and fair value shall be recognised in the income statement.

Issue costs are apportioned between the liability and equity components of the convertible redeemable preference shares based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity. Issue costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible redeemable preference shares using the effective interest method.

Notes and Warrants

At the date of issue, the net proceeds received were assigned to the notes and the warrants according to their fair values. Issue costs are apportioned between the notes and the warrants based on their relative carrying value at the date of issue. Notes are subsequently measured at amortised cost, using the effective interest method.

The embedded option for the holder to early redeem the notes which is not closely related to the host contract is accounted for separately.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivatives financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in fair values of such derivatives are recognised directly in the income statement.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in the income statement.

Financial guarantee contracts

Financial guarantee contracts are accounted for as financial liability. A financial guarantee contract shall be recognised initially at its fair value and transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract except for the case of such contract being recognised at fair value through profit or loss. Subsequent to the initial recognition, the Group shall measure the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 *Revenue*.

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.

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 net profit as reported in the income statement 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 balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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 arising on investments in subsidiaries, associates and jointly controlled entities, 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company is US dollar. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in RMB, which is the presentation currency for the consolidated financial statements and the currency of the primary economic environment in which the major subsidiaries of the Group operates.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in RMB using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Retirement benefit costs

Defined contribution retirement benefit plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Defined benefit retirement plans

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Revenue recognition

Income from properties developed for sale, where there are no pre-sales prior to completion of the development, is recognised on the execution of a binding sales agreement entered into subsequent to the completion of the development.

Income from properties under pre-sale arrangement prior to completion of the development is recognised on the execution of a binding sales agreement or when the relevant completion certificates are issued by the respective government authorities, whichever is the later. Payments received from the purchasers prior to this stage are recorded as customers' deposits received on sale of properties and presented as current liabilities.

Rental income from operating leases is recognised 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 assets and recognised on a straight-line basis over the lease term.

Revenue from serviced apartment operation is recognised upon the provision of the services.

Property management, project management and service fee are recognised on an appropriate basis over the relevant period in which the services are rendered.

Sales of goods are recognised when significant risks and rewards of ownership of goods are transferred to the buyers, generally when goods are delivered and title has passed.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate over the period of maturity.

Government grants with no further related cost are recognised as income when they are unconditional and become receivable.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgement in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, the directors of the Company have made the following judgement and key sources of estimation uncertainty at the balance sheet date. The key assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Derivative financial instruments

Convertible redeemable preference shares

At the balance sheet date, the directors of the Company re-evaluated the likelihood of the crystallisation of the embedded derivatives on the redemption date (details of which are set out in note 33). In view that the Company has mandatory conversion right and that the event of default to cause the holders to serve notice to the Company to redeem their preference shares are considered as remote, the fair value of the embedded derivative has been assumed as nil. This situation will be closely evaluated by the directors of the Company and adjustments will be made in future periods if the circumstances indicate that such adjustments are appropriate.

Notes and warrants

The early redemption rights of the notes and the warrants are stated at fair value as at the balance sheet date. In determining the fair value, the directors of the Company have exercised their judgement on the assumptions used to derive the fair value.

Taxation

As at 31 December 2003, 31 December 2004, 31 December 2005 and 31 March 2006, deferred tax assets of RMB15,561,000, RMB25,664,000, RMB37,597,000 and RMB34,763,000 respectively in relation to tax losses have been recognised, as set out in note 32. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The directors of the Company determine the deferred tax assets based on the enacted or substantially enacted tax rates and laws and the best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilised. The directors of the Company will review the assumptions and profit projections by the balance sheet date. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a recognition or reversal takes place.

4. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the following categories of revenue:

	Year ended 31 December			Three months ended 31 March	
	2003	**2004**	**2005**	**2005**	**2006**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Property sales	851,038	796,181	603,989	4,113	33,811
Rental income received from investment properties	79,463	174,658	333,736	72,633	86,096
Income from operations of serviced apartments	14,809	23,756	24,802	6,004	5,704
Property management fees	16,922	16,871	16,888	4,274	4,281
Others	15,144	27,457	38,383	6,959	8,245
	977,376	1,038,923	1,017,798	93,983	138,137

Business segment

For management purposes, the Group is organised into two operating divisions — property development and property investment. These divisions are the basis on which the Group reports its primary segment information.

For the year ended 31 December 2003

	Property development	Property investment	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TURNOVER					
External sales	851,038	124,002	2,336	—	977,376
Inter-segment sales	—	—	—	—	—
	851,038	124,002	2,336	—	977,376
RESULTS					
Segment results	154,030	97,842	(9,381)	—	242,491
Interest income					620
Finance costs					(53,784)
Profit before taxation					189,327
Taxation					(104,592)
Profit for the year					84,735
OTHER INFORMATION					
Capital additions	2,418,451	49,866	349	—	2,468,666
Depreciation of property, plant and equipment charged to income statement	137	13,790	72	—	13,999
Loss on disposal of property, plant and equipment	—	129	—	—	129
Release of prepaid lease rentals charged to income statement	—	1,112	—	—	1,112
BALANCE SHEET					
ASSETS					
Segment assets	3,927,752	2,615,876	802	—	6,544,430
Unallocated corporate assets					1,620,171
Consolidated total assets					8,164,601
LIABILITIES					
Segment liabilities	(972,034)	(76,323)	(510)	—	(1,048,867)
Unallocated corporate liabilities					(6,193,791)
Consolidated total liabilities					(7,242,658)

For the year ended 31 December 2004

	Property development	Property investment	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TURNOVER					
External sales	796,181	237,774	4,968	—	1,038,923
Inter-segment sales	—	—	—	—	—
	796,181	237,774	4,968	—	1,038,923
RESULTS					
Segment results	178,683	1,816,588	1,587	—	1,996,858
Interest income					8,275
Finance costs					(109,539)
Unallocated expenses					(137,989)
Profit before taxation					1,757,605
Taxation					(647,872)
Profit for the year					1,109,733
OTHER INFORMATION					
Allowance for bad and doubtful debts	—	1,975	—	—	1,975
Capital additions	2,618,691	6,363	9,984	—	2,635,038
Depreciation of property, plant and equipment charged to income statement	115	13,185	1,580	—	14,880
Loss on disposal of property, plant and equipment	—	448	—	—	448
Release of prepaid lease rentals charged to income statement	—	1,113	—	—	1,113
BALANCE SHEET					
ASSETS					
Segment assets	4,911,436	5,367,184	20,075	—	10,298,695
Unallocated corporate assets					1,952,044
Consolidated total assets					12,250,739
LIABILITIES					
Segment liabilities	(794,567)	(188,437)	(12,055)	—	(995,059)
Unallocated corporate liabilities					(6,144,623)
Consolidated total liabilities					(7,139,682)

For the year ended 31 December 2005

	Property development	Property investment	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TURNOVER					
External sales	603,989	397,289	16,520	—	1,017,798
Inter-segment sales	—	—	—	—	—
	603,989	397,289	16,520	—	1,017,798
RESULTS					
Segment results	271,112	932,134	(9,733)	—	1,193,513
Interest income					15,701
Finance costs					(166,873)
Share of result of a jointly controlled entity					(52)
Unallocated expenses					(164,747)
Profit before taxation					877,542
Taxation					(331,856)
Profit for the year					545,686
OTHER INFORMATION					
Allowance for amount due from a jointly controlled entity	—	—	10,143	—	10,143
Allowance for bad and doubtful debts	—	984	—	—	984
Capital additions	4,588,144	146,684	21,574	—	4,756,402
Depreciation of property, plant and equipment charged to income statement	282	16,485	6,108	—	22,875
Release of prepaid lease rentals charged to income statement	—	1,112	—	—	1,112
BALANCE SHEET					
ASSETS					
Segment assets	9,791,730	6,112,337	36,359	—	15,940,426
Interests in associates					2,500
Unallocated corporate assets					2,686,022
Consolidated total assets					18,628,948
LIABILITIES					
Segment liabilities	(720,529)	(301,818)	(2,931)	—	(1,025,278)
Unallocated corporate liabilities					(12,541,817)
Consolidated total liabilities					(13,567,095)

For the three months ended 31 March 2005 (unaudited)

	Property development	Property investment	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TURNOVER					
External sales	4,113	83,579	6,291	—	93,983
Inter-segment sales	—	—	—	—	—
	4,113	83,579	6,291	—	93,983
RESULTS					
Segment results	(2,602)	446,059	287	—	443,744
Interest income					2,654
Finance costs					(16,069)
Unallocated expenses					(38,246)
Profit before taxation					392,083
Taxation					(133,105)
Profit for the period					258,978
OTHER INFORMATION					
Capital additions	512,589	545	880	—	514,014
Depreciation of property, plant and equipment charged to income statement	73	3,301	920	—	4,294
Release of prepaid lease rentals charged to income statement	—	278	—	—	278

For the three months ended 31 March 2006

	Property development	Property investment	Others	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TURNOVER					
External sales	33,811	94,348	9,978	—	138,137
Inter-segment sales	—	—	—	—	—
	33,811	94,348	9,978	—	138,137
RESULTS					
Segment results	33,069	80,872	7,424	—	121,365
Interest income					10,816
Finance costs					(87,914)
Unallocated expenses					(36,308)
Profit before taxation					7,959
Taxation					(25,328)
Loss for the period					(17,369)
OTHER INFORMATION					
Allowance for amount due from a jointly controlled entity	—	—	1,219	—	1,219
Reversal of allowance for bad and doubtful debts	—	(200)	—	—	(200)
Capital additions	980,560	103	1,167	—	981,830
Depreciation of property, plant and equipment charged to income statement	170	4,210	2,342	—	6,722
Release of prepaid lease rentals charged to income statement	—	(278)	—	—	(278)
BALANCE SHEET					
ASSETS					
Segment assets	10,773,145	6,122,814	36,317	—	16,932,276
Interests in associates					2,500
Unallocated corporate assets					2,186,925
Consolidated total assets					19,121,701
LIABILITIES					
Segment liabilities	(1,049,697)	(296,773)	(3,129)	—	(1,349,599)
Unallocated corporate liabilities					(12,617,168)
Consolidated total liabilities					(13,966,767)

Geographical segment

Over 90% of the Group's turnover and contribution to operating profit/loss is attributable to customers in the PRC. Accordingly, no analysis of geographical segment is presented.

No geographical segment information of the Group's assets and liabilities is shown as the Group's assets and liabilities are substantially located in the PRC.

5. OTHER OPERATING INCOME

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income	620	8,275	15,701	2,654	10,816
Sundry income	10,506	7,371	9,843	1,054	1,868
Net exchange gain	—	1,428	44,670	6,555	27,357
Grant received from local government	—	—	31,453	—	—
Gain on change in fair value of early redemption rights	—	—	1,952	—	—
Gain on disposal of property, plant and equipment	—	—	160	—	—
	11,126	17,074	103,779	10,263	40,041

6. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank loans and overdrafts wholly repayable within five years	31,821	42,119	130,959	15,763	50,057
Interest on amounts due to shareholders and a fellow subsidiary wholly repayable within five years *(notes 23 and 41(i)(i))*	38,822	44,595	26,306	13,665	—
Interest on amount due to a minority shareholder of a subsidiary wholly repayable within five years *(notes 25 and 41(i)(i))*	—	1,496	4,200	1,036	1,036
Imputed interest on loan from a minority shareholder of a subsidiary wholly repayable within five years *(notes 31 and 41(i)(i))*	—	—	2,948	—	2,245
Interest on consideration payable on acquisition of additional interests in subsidiaries *(notes 27(b) and 41(i)(i))*	—	—	—	—	9,273
Interest on convertible redeemable preference shares *(note 33)*	—	109,178	296,398	54,617	90,792
Interest on notes *(note 34)*	—	—	73,144	—	83,527
Other finance costs	17,725	17,684	9,036	3,825	3,789
	88,368	215,072	542,991	88,906	240,719
Less: Amount capitalised to properties under development	(34,584)	(105,533)	(376,118)	(72,837)	(152,805)
	53,784	109,539	166,873	16,069	87,914

Borrowing cost capitalised during the years ended 31 December 2004 and 31 December 2005 and the three months ended 31 March 2006 arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of approximately 12% to expenditure on the qualifying assets.

7. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Details of emoluments paid by the Group to the directors for the Relevant Periods are as follows:

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments for executive directors					
- basic salaries and other benefits	—	5,877	11,626	2,529	3,354
- discretionary bonuses	—	8,906	10,099	—	—
- retirement benefits costs	—	647	1,015	287	228
	—	15,430	22,740	2,816	3,582

The emoluments for directors were within the following bands:

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	Number of directors	Number of directors	Number of directors	Number of directors	Number of directors
Nil to HK$1,000,000	—	13	13	14	16
HK$1,000,001 to HK$1,500,000	—	1	1	1	1
HK$1,500,001 to HK$2,000,000	—	—	1	—	—
HK$2,500,001 to HK$3,000,000	—	1	—	—	—
HK$5,000,001 to HK$5,500,000	—	—	1	—	—
HK$10,500,001 to HK$11,000,000	—	1	—	—	—
HK$12,500,001 to HK$13,000,000	—	—	1	—	—

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
				(unaudited)	
Number of directors included in the top five highest paid individuals	—	2	2	2	3

The emoluments of the remaining top five highest paid individuals of the Group for the Relevant Periods and the three months ended 31 March 2005 are as follows:

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Basic salaries and other benefits	5,073	10,430	14,891	2,463	4,048
Discretionary bonuses	243	10,149	10,646	—	1,033
Retirement benefits costs	289	1,081	1,060	279	184
	5,605	21,660	26,597	2,742	5,265

The emoluments for the top five individuals were within the following bands:

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	Number of employee	Number of employee	Number of employee	Number of employee	Number of employee
Nil to HK$1,000,000.......................	3	—	—	4	3
HK$1,000,001 to HK$1,500,000	2	—	—	1	1
HK$1,500,001 to HK$2,000,000	—	1	—	—	1
HK$2,000,001 to HK$2,500,000	—	1	3	—	—
HK$2,500,001 to HK$3,000,000......	—	1	—	—	—
HK$3,000,001 to HK$3,500,000	—	1	—	—	—
HK$5,000,001 to HK$5,500,000	—	—	1	—	—
HK$10,500,001 to HK$11,000,000..	—	1	—	—	—
HK$12,500,001 to HK$13,000,000 .	—	—	1	—	—

During the Relevant Periods and the three months ended 31 March 2005, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) 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 Relevant Periods and the three months ended 31 March 2005.

8. TAXATION

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The charge comprises:					
PRC taxation:					
Current taxation	21,133	75,839	115,355	469	13,909
Deferred taxation	83,459	572,033	216,501	132,636	11,419
	104,592	647,872	331,856	133,105	25,328

PRC income tax has been provided at the applicable income tax rate of 33% on the assessable profits of the companies in the Group during the Relevant Periods and the three months ended 31 March 2005.

No provision for Hong Kong Profits Tax has been made as the income of the Group neither arises in, nor is derived from, Hong Kong.

Details of the deferred taxation are set out in note 32.

The tax charge for the Relevant Periods and the three months ended 31 March 2005 can be reconciled to the profit before taxation per the consolidated income statement as follows:

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	189,327	1,757,605	877,542	392,083	7,959
PRC income tax at 33%	62,478	580,010	289,589	129,387	2,626
Tax effect of expenses not deductible for tax purposes	35,181	69,397	66,737	9,222	21,358
Tax effect of income not taxable for tax purposes	(1,948)	(6,630)	(5,186)	(862)	(4,010)
Tax effect on tax losses not recognised	8,881	5,095	25,365	4,091	5,354
Tax effect on utilisation of tax losses previously not recognised	—	—	(10,473)	(8,733)	—
Tax effect on recognition of deferred tax assets arising from tax losses previously not recognised	—	—	(34,176)	—	—
Tax charge for the year/period	104,592	647,872	331,856	133,105	25,328

In the calculation of land appreciation tax ("LAT") of Shanghai Lakeville Properties Co., Ltd. ("Shanghai Lakeville"), a subsidiary of the Company, the directors of the Company are of the opinion that Shanghai Lakeville's share of the development costs for tax purposes amounting to approximately RMB135,000,000 in connection with a man-made lake and the underground carpark in the Taipingqiao area in Shanghai (the "Development Costs") can be utilised for the purpose of reducing the taxable income and the liability to LAT of Shanghai Lakeville. The Development Costs were originally paid by Shanghai Shui On Property Development Management Co., Ltd., a related company of Shanghai Lakeville, and recharged to Shanghai Lakeville. Should the relevant PRC tax authorities disapprove of the utilisation of the Development Costs in determining the amount of LAT, the estimated charge for LAT to Shanghai Lakeville would be approximately RMB35,000,000 (31.12.2005: RMB35,000,000; 31.12.2004: RMB35,000,000; 31.12.2003: RMB35,000,000). Pursuant to the Taipingqiao Sale and Purchase Agreement (note 41(a)), an indemnity was granted by Shui On Investment Company Limited, a subsidiary of Shui On Company Limited, to the Company in respect of the amount of potential charge for LAT.

9. PROFIT (LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit (loss) for the year/period has been arrived at after charging (crediting):					
Allowance (reversal of allowance) for bad and doubtful debts	—	1,975	984	—	(200)
Allowance for amount due from a jointly controlled entity	—	—	10,143	—	1,219
Auditors' remuneration	2,131	3,191	3,950	930	985
Depreciation and release of prepaid lease rentals:					
Depreciation of property, plant and equipment	14,476	16,424	24,741	4,710	7,305
Less: Amount capitalised to properties under development	(477)	(1,544)	(1,866)	(416)	(583)
	13,999	14,880	22,875	4,294	6,722
Release of prepaid lease rentals	14,898	28,985	66,784	7,763	19,085
Less: Amount capitalised to properties under development	(13,786)	(27,872)	(65,672)	(7,485)	(18,807)
	1,112	1,113	1,112	278	278
	15,111	15,993	23,987	4,572	7,000
Staff costs					
Directors' emoluments *(note 7)*	—	15,430	22,740	2,816	3,582
Other staff costs					
Staff costs excluding retirement benefit costs	51,294	90,272	142,387	24,814	52,752
Retirement benefit costs	4,265	7,635	12,975	2,508	4,721
Total staff costs	55,559	113,337	178,102	30,138	61,055
Less: Amount capitalised to properties under development	(33,091)	(47,183)	(100,452)	(6,078)	(40,838)
	22,468	66,154	77,650	24,060	20,217
Loss on change in fair value of warrants	—	—	3,132	—	2,889
Loss on change in fair value of early redemption rights	—	—	—	—	773
Loss on disposal of property, plant and equipment	129	448	—	—	—
Rental charges under operating leases	5,057	12,476	20,237	2,921	8,052

10. DIVIDENDS

No dividends have been paid or declared by the Company or any of its subsidiaries during the Relevant Periods and the three months ended 31 March 2005.

11. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

Earnings (loss)

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings (loss) for the purposes of basic earnings per share, being profit for the year/period attributable to equity holders of the Company	28,964	785,986	379,962	180,072	(18,674)
Effect of dilutive potential ordinary shares:					
Interest on convertible redeemable preference shares charged to consolidated income statements		49,873	62,537	6,470	
Earnings (loss) for the purpose of diluted earnings per share		835,859	442,499	186,542	

Number of shares

	Year ended 31 December			Three months ended 31 March	
	2003	2004	2005	2005	2006
	'000	'000	'000	'000 (unaudited)	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share *(Note)*	1,568,000	1,704,500	1,725,476	1,724,000	1,783,840
Effect of dilutive potential ordinary shares *(Note)*:					
Convertible redeemable preference shares		426,228	1,147,756	847,352	
Warrants		—	23,066	—	
Additional consideration in respect of the Taipingqiao Sale and Purchase Agreement *(note 39(b)(i))*		—	272,000	—	
Additional consideration in respect of the Rainbow Sale and Purchase Agreement *(note 39(b)(ii))*		—	35,200	—	
Weighted average number of ordinary shares for the purposes of diluted earnings per share *(Note)*		2,130,728	3,203,498	2,571,352	

No diluted loss per share has been presented for the three months ended 31 March 2006 as the inclusion of the effect of potential ordinary shares would reduce the loss per share for the period.

Note: The weighted average number of ordinary shares in issue for the Relevant Periods and the three months ended 31 March 2005 has been retrospectively adjusted for the effects of the sub-division of the ordinary shares took place subsequent to the balance sheet date as set out in Section B(a).

12. INVESTMENT PROPERTIES

	THE GROUP			
	Year ended 31 December			Three months ended 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
AT VALUATION				
At beginning of the year/period	2,287,000	2,382,880	5,142,247	5,877,300
Additions	33,133	—	128,488	—
Transfer from prepaid lease rentals and properties under development *(notes 14 and 15)*	—	1,072,151	—	—
Revaluation increase	62,747	1,687,216	606,565	—
At end of the year/period	2,382,880	5,142,247	5,877,300	5,877,300

The investment properties are all situated in the PRC under long/medium-term lease. All the investment properties are rented out under operating leases.

All the investment properties of the Group were stated at fair value at 31 December 2003, 31 December 2004, 31 December 2005 and 31 March 2006. The fair values have been arrived at based on valuations carried out by Knight Frank Petty Limited (formerly known as Chesterton Petty Limited), an independent valuer not connected to the Group. The valuations, which conform to the "First Edition of The HKIS Valuation Standards on Properties" published by Hong Kong Institute of Surveyors, have been determined on the basis of capitalisation of the net income. The revaluation increase has been credited to the consolidated income statement of the respective year/period.

13. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP			
	Buildings	Plant and machinery	Furniture, fixtures, equipment and motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2003				
AT COST				
At 1 January 2003	63,748	259	32,182	96,189
Transfer from properties under development *(note 15)*	45,977	—	—	45,977
Additions	3,915	18	15,079	19,012
Disposals	—	—	(2,130)	(2,130)
At 31 December 2003	113,640	277	45,131	159,048
ACCUMULATED DEPRECIATION				
At 1 January 2003	2,031	44	4,462	6,537
Charge for the year	3,652	52	10,772	14,476
Eliminated on disposals	—	—	(2,001)	(2,001)
At 31 December 2003	5,683	96	13,233	19,012
NET BOOK VALUES				
At 31 December 2003	107,957	181	31,898	140,036

	THE GROUP			
	Buildings	Plant and machinery	Furniture, fixtures, equipment and motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2004				
AT COST				
At 1 January 2004	113,640	277	45,131	159,048
Additions	2,943	10	19,411	22,364
Disposals	—	—	(901)	(901)
At 31 December 2004	116,583	287	63,641	180,511
ACCUMULATED DEPRECIATION				
At 1 January 2004	5,683	96	13,233	19,012
Charge for the year	4,678	55	11,691	16,424
Eliminated on disposals	—	—	(453)	(453)
At 31 December 2004	10,361	151	24,471	34,983
NET BOOK VALUES				
At 31 December 2004	106,222	136	39,170	145,528
2005				
AT COST				
At 1 January 2005	116,583	287	63,641	180,511
Acquisition of a subsidiary	—	—	3,771	3,771
Additions	17,480	246	26,087	43,813
Disposals	—	—	(1,331)	(1,331)
At 31 December 2005	134,063	533	92,168	226,764
ACCUMULATED DEPRECIATION				
At 1 January 2005	10,361	151	24,471	34,983
Acquisition of a subsidiary	—	—	184	184
Charge for the year	6,166	70	18,505	24,741
Eliminated on disposals	—	—	(1,150)	(1,150)
At 31 December 2005	16,527	221	42,010	58,758
NET BOOK VALUES				
At 31 December 2005	117,536	312	50,158	168,006
2006				
AT COST				
At 1 January 2006	134,063	533	92,168	226,764
Additions	65	—	2,285	2,350
Disposals	—	—	(5,533)	(5,533)
At 31 March 2006	134,128	533	88,920	223,581
ACCUMULATED DEPRECIATION				
At 1 January 2006	16,527	221	42,010	58,758
Charge for the period	1,269	41	5,995	7,305
Eliminated on disposals	—	—	(5,533)	(5,533)
At 31 March 2006	17,796	262	42,472	60,530
NET BOOK VALUES				
At 31 March 2006	116,332	271	46,448	163,051

The buildings are all situated in the PRC.

14. PREPAID LEASE RENTALS

	THE GROUP			
	Year ended 31 December			Three months ended 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year/period	241,440	676,618	854,974	2,664,625
Additions	450,076	390,671	1,876,435	288,543
Transfer to investment properties *(note 12)*	—	(183,330)	—	—
Release for the year/period	(14,898)	(28,985)	(66,784)	(19,085)
At end of the year/period	676,618	854,974	2,664,625	2,934,083

The cost of prepaid lease rentals represents the amount paid to the government of the PRC with lease terms ranging from 50 to 70 years.

15. PROPERTIES UNDER DEVELOPMENT

	THE GROUP			
	Year ended 31 December			Three months ended 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At beginning of the year/period	1,978,126	3,238,739	3,999,855	6,370,939
Exchange realignment	109	(47)	(557)	(172)
Additions	1,966,445	2,222,003	2,707,666	690,937
Release of prepaid lease rentals capitalised to properties under development *(note 9)*	13,786	27,872	65,672	18,807
Transfer to investment properties *(note 12)*	—	(888,821)	—	—
Transfer to properties held for sale	(673,750)	(599,891)	(401,697)	—
Transfer to property, plant and equipment *(note 13)*	(45,977)	—	—	—
At end of the year/period	3,238,739	3,999,855	6,370,939	7,080,511
Carrying amount analysed for reporting purposes as:				
Non-current	812,043	454,932	1,126,833	1,287,939
Current	2,426,696	3,544,923	5,244,106	5,792,572
	3,238,739	3,999,855	6,370,939	7,080,511

The properties under development are all situated in the PRC.

Included in the current portion of properties under development as at 31 March 2006 is carrying value of RMB3,307,986,000 (31.12.2005: RMB2,893,233,000; 31.12.2004: RMB3,230,439,000 and 31.12.2003: RMB1,799,006,000) which represents the carrying value of the properties expected to be completed and available for sale after more than twelve months from the balance sheet date.

16. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

	THE GROUP			
	As at 31 December			As at 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investments	—	—	2,500	2,500
Share of post-acquisition results	—	—	—	—
	—	—	2,500	2,500
Amount due from an associate	—	1,329	1,821	1,852

Particulars of the Group's associates at 31 March 2006 are as follows:

Name of associate	Form of legal entity	Place and date of incorporation and operation	Proportion of ownership interest	Principal activities
Synergis Shui On Management Services (Shanghai) Limited	Limited liability company	Hong Kong 14 November 2003	50%	Investment holding
上海淞滬公共交通樞紐建設發展有限公司 (Shanghai Songhu Public Traffic Hinge Construction Development Co., Ltd.)	Sino-Foreign Joint Venture	PRC 19 November 2004	25%	Traffic system development

The amount due from an associate is unsecured, interest free and repayable on demand.

17. INTEREST IN A JOINTLY CONTROLLED ENTITY/AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	THE GROUP			
	As at 31 December			As at 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investment	—	—	52	52
Share of post-acquisition results	—	—	(52)	(52)
	—	—	—	—
Amount due from a jointly controlled entity	—	—	10,143	11,362
Less: Allowance	—	—	(10,143)	(11,362)
	—	—	—	—

Particulars of the Group's jointly controlled entity at 31 March 2006 are as follows:

Name of jointly controlled entity	Form of legal entity	Place and date of incorporation and operation	Proportion of ownership interest	Principal activities
Crystal Jade Food and Beverage (Hangzhou) Limited	Limited liability company	Hong Kong 7 January 2004	50%	Investment holding

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand.

18. INVESTMENTS IN SUBSIDIARIES/LOAN TO A SUBSIDIARY

	THE COMPANY		
	As at 31 December		As at 31 March
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	184,233	1,267,219	1,258,448
Loan to a subsidiary	—	4,768,612	4,797,225

In September 2005, the Company disposed of all the investments in its subsidiaries to Shui On Development (Holding) Limited ("Shui On Development"), a wholly owned subsidiary of the Company newly incorporated in July 2005. The Company has also granted a loan to Shui On Development, which is unsecured, interest free and repayable on 31 December 2008.

Included in the cost of investments in Shui On Development are: (a) capital contribution amounting to RMB861,495,000 arising from the fair value adjustment at the initial recognition of an interest free loan, calculated by using an effective interest rate of 5.31% per annum and (b) fair value of the warrants issued by the Company of RMB228,376,000 at the date of issue (note 34).

Pursuant to a deed dated 30 September 2005 executed by the Company, the above loan to Shui On Development is subordinated in favour of the holders of the notes referred to in note 34.

19. OTHER FINANCIAL ASSETS

Accounts receivable, deposits and prepayments

Current

Current accounts receivable (net of allowance for bad and doubtful debts) aged analysis:

	THE GROUP			
	As at 31 December			As at 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
Not yet due	20,178	20,359	9,021	8,450
Within 30 days	2,541	3,372	5,266	14,428
31-60 days	2,430	2,359	1,910	1,981
61-90 days	1,086	460	1,656	2,838
Over 90 days	2,468	1,195	3,667	4,681
	28,703	27,745	21,520	32,378
Deposits	6,472	6,499	5,395	4,962
Prepayments of relocation costs	—	—	600,867	597,140
Other prepayments	5,200	35,341	34,319	58,096
Other receivables	7,256	12,379	16,646	25,211
	47,631	81,964	678,747	717,787

Non-current

Non-current accounts receivable represent rental receivables not yet due as at the balance sheet dates.

Trade receivables comprise:

(a) receivables arising from sales of properties which are due for settlement in accordance with the terms of the related sale and purchase agreements; and

(b) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Bank balances and cash

Bank balances and cash comprise cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

20. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to the banks to secure the banking facilities granted to the Group. The deposits earn interest at floating rates based on prevailing bank deposit rates. Deposits amounting to RMB109,155,000 (31.12.2005: RMB1,619,000; 31.12.2004: RMB611,434,000 and 31.12.2003: RMB575,203,000) have been pledged to secure long-term bank loans and are therefore classified as non-current assets.

The carrying amount of these deposits approximates their fair value.

21. INVENTORIES

THE GROUP

The amount represents finished goods which are carried at cost.

22. PROPERTIES HELD FOR SALE

THE GROUP

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost.

23. AMOUNTS DUE FROM/TO RELATED COMPANIES

Particulars of the amounts due from/to related companies are as follows:

	THE GROUP				THE COMPANY		
	As at 31 December			As at 31 March	As at 31 December		As at 31 March
	2003	2004	2005	2006	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from:							
— shareholders	54,925	978	103,176	101,229	—	—	—
— fellow subsidiaries	408,737	93,217	57,241	61,018	—	—	—
— a company in which a director of the Company has a beneficial interest *(note)*	56,426	2,978	3,636	4,332	—	—	—
Amounts due from related companies	520,088	97,173	164,053	166,579	—	—	—
Amounts due to:							
— shareholders	2,966,917	463,207	18,346	20,084	—	—	—
— fellow subsidiaries	495,343	48,729	119,656	125,970	451,354	—	—
Amounts due to related companies	3,462,260	511,936	138,002	146,054	451,354	—	—

Note: Mr. Lo Hong Sui, Vincent, a director of the Company, has a beneficial interest in this related company.

As at 31 December 2004, the carrying amounts of the amounts due to shareholders represented a net balance of the amounts due to shareholders of RMB1,487,143,000 (31.12.2003: RMB282,428,000), which were of non-trade nature and bore interest at prevailing marketing rates as set out in note 41 (i)(i), and the amounts due from shareholders which were of non-trade nature and interest free. The remaining amounts due from/ to related companies at each balance sheet date are of non-trade nature, unsecured, interest free and repayable on demand. The directors confirm that the balances will be settled prior to listing.

The directors consider that the carrying amounts approximate their fair values, which are determined based on present value of the estimated future cash flows discounted using the prevailing market rates at the respective balance sheet dates.

24. AMOUNTS DUE FROM/TO SUBSIDIARIES

THE COMPANY

The amounts due from/to subsidiaries are of non-trade nature, unsecured, interest free and repayable on demand.

The directors consider that the carrying amounts approximate their fair values, which are determined based on present value of the estimated future cash flows discounted using the prevailing market value at the balance sheet date.

25. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

As at 31 March 2006, other than an amount of RMB84,000,000 (31.12.2005: RMB84,000,000; 31.12.2004: RMB84,000,000 and 31.12.2003: Nil) due to a minority shareholder of a subsidiary, which bears interest at 5% per annum, the remaining amounts are unsecured, interest free and repayable on demand.

The directors consider the carrying amounts approximate their fair values, which are determined based on present value of the estimated future cash flows discounted using the prevailing market rates at the respective balance sheet date.

26. TAXATION PAYABLE

The amount represents provision for PRC income tax.

27. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

Accounts payable aged analysis:

	THE GROUP			
	As at 31 December			As at 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payable				
Not yet due	170,069	310,975	399,064	324,154
Within 30 days	3,463	25,294	24,419	424
31-60 days	—	—	308	—
	173,532	336,269	423,791	324,578
Retention payables *(note a)*	51,400	60,158	95,953	78,175
Deed tax payables	88,272	111,372	276,280	312,702
Business tax payables	5,750	20,843	24,548	26,046
Other tax payables	1,725	3,210	22,942	42,664
Deposits received and receipt in advance from property sales	668,970	314,686	12,340	412,928
Deposits received and receipt in advance in respect of rental of investment properties	33,138	92,425	110,280	109,975
Consideration payable on acquisition of additional interests in subsidiaries *(note b)*	—	—	625,970	625,970
Other payables and accrued charges	25,700	56,096	147,369	183,573
	1,048,487	995,059	1,739,473	2,116,611

Notes:

(a) Retention payables are expected to be repaid upon the expiry of the retention periods according to the respective contracts.

(b) The amount is unsecured, interest bearing at three months average London Interbank Offered Rates plus 150 basis points up to 31 December 2006 and 8.5% per annum for the period from 1 January 2007 up to the repayment date. The amount is repayable on seven days after the Initial Public Offering of the Company or 30 June 2007, whichever is the earlier.

28. BANK BORROWINGS

	THE GROUP			
	As at 31 December			As at 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Repayable within a period of				
— Not more than 1 year or on demand	63,597	1,085,157	2,657,022	2,266,709
— More than 1 year, but not exceeding 2 years	729,208	474,097	596,000	666,734
— More than 2 years, but not exceeding 5 years	639,429	798,391	666,794	226,309
— More than 5 years	503,653	—	—	799,459
	1,935,887	2,357,645	3,919,816	3,959,211
Less: Amount due within one year shown under current liabilities	(63,597)	(1,085,157)	(2,657,022)	(2,266,709)
Amount due after one year	1,872,290	1,272,488	1,262,794	1,692,502
Analysis of the bank loans by currency:				
Denominated in Hong Kong dollars *(note a)*	1,550,834	2,017,728	2,497,098	2,550,015
Denominated in RMB *(note b)*	385,053	339,917	1,422,718	1,409,196
	1,935,887	2,357,645	3,919,816	3,959,211

All the bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Notes:

(a) The amount comprising:

(i) a loan balance at 31 March 2006 of HK$589,992,000 (31.12.2005: HK$583,292,000; 31.12.2004: HK$426,261,000; 31.12.2003: HK$210,261,000) (equivalent to RMB609,521,000 (31.12.2005: RMB606,798,000; 31.12.2004: RMB453,414,000; 31.12.2003: RMB224,076,000)) which is interest bearing at Hong Kong Interbank Offered Rates ("HIBOR") plus 0.725%;

(ii) a loan balance at 31 March 2006 of HK$1,140,000,000 (31.12.2005: HK$1,140,000,000; 31.12.2004: HK$1,134,246,000; 31.12.2003: HK$1,005,134,000) (equivalent to RMB1,177,734,000 (31.12.2005: RMB1,185,942,000; 31.12.2004: RMB1,206,497,000; 31.12.2003: RMB1,071,170,000)) which is interest bearing at HIBOR plus 0.8%;

(iii) a loan balance at 31 December 2005 of HK$556,914,000 (31.12.2004: HK$336,389,000; 31.12.2003: HK$239,831,000) (equivalent to RMB579,358,000 (31.12.2004: RMB357,817,000; 31.12.2003: RMB255,588,000)) which is interest bearing at HIBOR plus 0.6125%; and

(iv) a loan balance at 31 March 2006 of HK$738,322,000 (31.12.2005: HK$120,157,000; 31.12.2004: Nil; 31.12.2003: Nil) (equivalent to RMB762,760,000 (31.12.2005: RMB125,000,000; 31.12.2004: Nil; 31.12.2003: Nil)) which is interest bearing at 90% of The People's Bank of China ("PBOC") Prescribed Interest Rate.

(b) The amount comprising:

(i) a loan balance at 31 December 2005 of RMB106,308,000 (31.12.2004: RMB64,308,000; 31.12.2003: RMB45,846,000) which is interest bearing at PBOC Prescribed Interest Rate;

(ii) a loan balance at 31 March 2006 of RMB294,196,000 (31.12.2005: RMB201,410,000; 31.12.2004: RMB275,609,000; 31.12.2003: RMB339,207,000) which is interest bearing at 90% of PBOC Prescribed Interest Rate;

(iii) a loan balance at 31 March 2006 of RMB595,000,000 (31.12.2005: RMB595,000,000; 31.12.2004: Nil; 31.12.2003: Nil) which is interest bearing at a floating interest rate (which has initially designated as 6.6% per annum). In the event that the PBOC adjusts its interest rate policy during the loan period, the portion of 6.5% of the applicable interest rate shall be correspondingly adjusted in proportion and the new interest rate shall be applied starting in the month following such adjustment of the PBOC's interest rate policy;

(iv) a loan balance at 31 March 2006 of RMB470,000,000 (31.12.2005: RMB470,000,000; 31.12.2004: Nil; 31.12.2003: Nil) which is interest bearing at 97.8% of PBOC Prescribed Interest Rate; and

(v) a loan balance at 31 March 2006 of RMB50,000,000 (31.12.2005: RMB50,000,000; 31.12.2004: Nil; 31.12.2003: Nil) which is interest bearing at 4.698% per annum.

The directors consider that the carrying amounts of bank loans approximate their fair values.

The bank loans as at balance sheet dates were secured by the pledge of assets as set out in note 37. Corporate guarantees were also issued in favour of banks to secure bank loans as at 31 December 2003 by Shui On Company Limited amounting to RMB1,450,174,000, and by Shui On Construction and Materials Limited, a subsidiary of Shui On Company Limited, amounting to RMB301,434,000.

Pursuant to the supplemental agreements entered into among the banks and Shui On Company Limited in 2004, and a supplemental agreement entered into among the banks and Shui On Construction and Materials Limited in 2005, Shui On Company Limited and Shui On Construction and Materials Limited were replaced by the Company as the guarantor of the bank loans as at 31 December 2004, 31 December 2005 and 31 March 2006.

29. SHARE CAPITAL

As at 31 December 2003

The balances as at 31 December 2003 represented the aggregate of the issued and fully paid share capital of the companies then comprising the Group.

As at 31 December 2004, 31 December 2005 and 31 March 2006

	Number of shares			Share capital		
	As at 31 December		As at 31 March	As at 31 December		As at 31 March
	2004	2005	2006	2004	2005	2006
				US$'000	US$'000	US$'000
Authorised:						
Ordinary shares of US$0.01 each	1,000,000,000	1,000,000,000	1,000,000,000	10,000	10,000	10,000
Issued and fully paid:						
At the beginning of the year/period	—	431,000,000	436,866,667	—	4,310	4,369
Issue of shares	431,000,000	5,866,667	11,048,880	4,310	59	110
At the end of the year/period	431,000,000	436,866,667	447,915,547	4,310	4,369	4,479
				RMB'000	RMB'000	RMB'000
Shown in the balance sheets as				35,689	36,164	37,054

Details of the ordinary shares issued by the Company during the years ended 31 December 2004 and 31 December 2005 and the three months ended 31 March 2006 are set out in notes 33, 41(a), (b) and 39(b)(ii).

Subsequent changes to the share capital of the Company are set out in section B. (a) and (b).

30. OTHER RESERVE

THE GROUP

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium issued by the Company and the aggregate of the share capital and share premium of the intermediate holding companies;

(ii) the share of profit attributable to the deemed minority shareholders exchanged upon the Group Reorganisation; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a minority shareholder upon the Group Reorganisation.

(b) Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from minority shareholders, which will be recognised in the income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

During the three months ended 31 March 2006, an amount of RMB290,000 was released to the income statement upon the disposal by the subsidiaries of the assets to which it relates.

(c) Other reserve comprises:

(i) The total amount of RMB483,330,000 waived in 2004 by Shui On Investment Company Limited, a subsidiary of Shui On Company Limited, in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of Shui On Investment Company Limited, and recharged to certain subsidiaries of the Company.

(ii) Capital contribution of RMB20,464,000 arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a minority shareholder of a subsidiary in 2005, as set out in note 31.

THE COMPANY

(a) Other reserve represents the total amount of RMB483,330,000 waived in 2004 by Shui On Investment Company Limited, a subsidiary of Shui On Company Limited, in respect of development cost of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of Shui On Investment Company Limited, and recharged to certain subsidiaries of the Company.

(b) The Company's reserves available for distribution to shareholders as at 31 March 2006 comprised the aggregate amount of the share premium and the accumulated losses of RMB1,963,634,000 (31.12.2005: RMB1,910,893,000; 31.12.2004: RMB2,175,093,000).

31. LOAN FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

THE GROUP

The amount is unsecured, interest free and repayable in two instalments of RMB100,000,000 each on 31 March 2008 and 31 March 2009.

The fair value of the above amounts as at 31 December 2005 and 31 March 2006, determined based on present value of the estimated future cash flows discounted using the original effective interest rate of 5.27% per annum at the balance sheet date, approximates to their carrying amounts. Fair value adjustment of RMB29,234,000 at the initial recognition was credited to equity.

32. DEFERRED TAX ASSETS/LIABILITIES

The following are the major components of the deferred tax (assets) liabilities recognised at the balance sheet date:

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2003	14,740	349,591	(16,345)	7,669	355,655
Charge (credit) to income for the year	64,743	20,706	784	(2,774)	83,459
At 31 December 2003	79,483	370,297	(15,561)	4,895	439,114
Charge (credit) to income for the year	22,762	556,022	(10,103)	3,352	572,033
At 31 December 2004	102,245	926,319	(25,664)	8,247	1,011,147
Charge (credit) to income for the year	25,741	200,926	(11,933)	1,767	216,501
At 31 December 2005	127,986	1,127,245	(37,597)	10,014	1,227,648
Charge to income for the period	8,274	—	2,834	311	11,419
At 31 March 2006	136,260	1,127,245	(34,763)	10,325	1,239,067

For the purposes of balance sheet presentation, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	THE GROUP			
	As at 31 December			As at 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	(76,700)	(73,471)	(94,260)	(95,384)
Deferred tax liabilities	515,814	1,084,618	1,321,908	1,334,451
	439,114	1,011,147	1,227,648	1,239,067

As at balance sheet date, the Group had unused tax losses of RMB184,650,000 (31.12.2005: RMB177,015,000; 31.12.2004: RMB199,293,000; 31.12.2003: RMB153,238,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB105,342,000 (31.12.2005: RMB113,930,000; 31.12.2004: RMB77,769,000; 31.12.2003: RMB47,154,000). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB79,308,000 (31.12.2005: RMB63,085,000; 31.12.2004: RMB121,524,000; 31.12.2003: RMB106,084,000) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	As at 31 December			As at 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
2007	79,170	79,170	1,285	1,285
2008	26,914	26,914	5,110	5,110
2009	—	15,440	14,899	14,899
2010	—	—	41,791	41,713
2011	—	—	—	16,301
	106,084	121,524	63,085	79,308

33. CONVERTIBLE REDEEMABLE PREFERENCE SHARES

The Group and the Company

Authorised:

	Number of shares			Junior preference shares of US$0.01 each	Senior preference shares of US$0.01 each	Total
	Junior preference shares	Senior preference shares	Total			
				US$'000	US$'000	US$'000
At 29 April 2004, 31 December 2004, 31 December 2005 and 31 March 2006	220,000,000	180,000,000	400,000,000	2,200	1,800	4,000

Issued and fully paid:

	Number of shares			Junior preference shares of US$0.01 each	Senior preference shares of US$0.01 each	Total
	Junior preference shares	Senior preference shares	Total			
				RMB'000	RMB'000	RMB'000
Issued on 31 May 2004	110,000,000	90,000,000	200,000,000	910,853	745,243	1,656,096
Issued on 4 November 2004	27,500,000	22,500,000	50,000,000	228,164	186,679	414,843
Balance at 31 December 2004	137,500,000	112,500,000	250,000,000	1,139,017	931,922	2,070,939
Issued on 20 May 2005	55,000,000	45,000,000	100,000,000	447,447	366,093	813,540
Issued on 20 June 2005	27,500,000	22,500,000	50,000,000	223,724	183,046	406,770
Balance at 31 December 2005	220,000,000	180,000,000	400,000,000	1,810,188	1,481,061	3,291,249
Conversion during the period *(Note)*	—	(10,000,000)	(10,000,000)	—	(82,281)	(82,281)
Balance at 31 March 2006	220,000,000	170,000,000	390,000,000	1,810,188	1,398,780	3,208,968

All the above junior preference shares and senior preference shares were issued at US$1 per share.

Note: In January 2006, the Company received notice from a holder of convertible redeemable preference shares for the conversion of 10,000,000 senior preference shares of US$0.01 each into 8,115,547 ordinary shares of US$0.01 each.

	Liability component	Equity component	Total
	RMB'000	RMB'000	RMB'000
The movement of convertible redeemable preference shares are as follows:			
Convertible redeemable preference shares issued on 31 May 2004	1,429,515	226,581	1,656,096
Convertible redeemable preference shares issued on 4 November 2004	359,730	55,113	414,843
	1,789,245	281,694	2,070,939
Issue costs	(95,625)	(15,122)	(110,747)
Net proceeds received	1,693,620	266,572	1,960,192
Exchange realignment	2,858	—	2,858
Interest charged during the year	109,178	—	109,178
Interest paid during the year	(62,443)	—	(62,443)
At 31 December 2004	1,743,213	266,572	2,009,785
Exchange realignment	(38,348)	—	(38,348)
	1,704,865	266,572	1,971,437
Convertible redeemable preference shares issued on 20 May 2005	708,491	105,049	813,540
Convertible redeemable preference shares issued on 20 June 2005	355,845	50,925	406,770
Net proceeds received	1,064,336	155,974	1,220,310
Interest charged during the year	296,398	—	296,398
Interest paid during the year	(190,363)	—	(190,363)
At 31 December 2005	2,875,236	422,546	3,297,782
Exchange realignment	(19,900)	—	(19,900)
Conversion during the period	(83,028)	—	(83,028)
Interest charged during the period	90,792	—	90,792
At 31 March 2006	2,863,100	422,546	3,285,646

The principal terms of these preference shares include the following:

Conversion

(i) Mandatory conversion:

The Company may, having given notice to the holders of the preference shares pursuant to the provisions of the Company's Articles of Association, require that all of the preference shares be converted into ordinary shares, provided that (a) the conversion date shall be at least 18 months after 31 May 2004; and (b) the conversion shall be effective only upon, but not before, the date on which the securities of the Company are first listed on a stock exchange in connection with a Qualifying IPO (as defined in the Company's Articles of Association), or such earlier date as may be approved by the holders then outstanding, whereupon all the preference shares shall automatically be converted without any further act by the Company or the members of the Company into such number of fully paid ordinary shares as determined in accordance with the then effective conversion rate.

(ii) Optional conversion:

(a) at the option of the holder thereof, at any time after the date of their allotment and without the payment of any additional consideration thereof, into such number of ordinary shares as determined in accordance with the then effective conversion rate credited as fully paid; and

(b) at the option of the Company pursuant to the Agreement (see note 41(c)), at any time after the date falling 60 days from the date of issue of a capital call by the Company, if the holder thereof shall continue to be in default of its obligation to subscribe for further preference shares under such capital call and the preference shares to be subscribed by such holder shall not have been subscribed by other members of the Company, into such number of ordinary shares as determined in accordance with the then effective conversion rate credited as fully paid.

(iii) Conversion price:

The junior preference shares and the senior preference shares are convertible into ordinary shares at an initial conversion price of US$1.07 and US$1.35, respectively. The conversion prices are subject to adjustments in accordance with the Company's Articles of Association.

(iv) In the event of a mandatory conversion of senior preference shares, the number of ordinary shares to which the holder of senior preference shares shall be entitled upon such mandatory conversion shall be capped at that number of ordinary shares which shall provide the holder with an internal rate of return on the holder's investment in such senior preference shares of 27.5%, computed in accordance with accepted financial practice in Hong Kong and on the basis that the ordinary shares arising from such conversion shall be valued at the price at which shares of the Company are on offer for subscription pursuant to an initial public offering.

Redemption

(i) Junior preference shares

(a) a holder may, at any time prior to 31 May 2009, by notice in writing require the Company to redeem all or some of its shares, in multiples of not less than 100,000 shares, on 31 May 2010;

(b) if an Event of Default (as defined in the Agreement) has been declared in accordance with the Agreement, the holders of at least 70% of the then outstanding junior preference shares may, by a written notice, require the Company to redeem all or part of their shares within 6 months from the date of the written notice; and

(c) subject to points (i)(a) and (i)(b) above and the mandatory conversion, the Company shall redeem all of the then outstanding junior preference shares on 31 May 2011.

The redemption price payable by the Company shall be a sum equal to any arrears or accruals of cash dividends payable in respect of the junior preference shares calculated up to the relevant redemption date, plus the issue price paid on the junior preference shares, plus a premium equal to the amount derived by dividing the Equity Participation (as defined in the Company's Articles of Association) by the total number of junior preference shares issued up to the relevant redemption date.

(ii) Senior preference shares

(a) a holder may, at any time prior to 31 May 2008, by notice in writing require the Company to redeem all or some of its shares, in multiples of not less than 100,000 shares, on 31 May 2009;

(b) if an Event of Default (as defined in the Agreement) has been declared in accordance with the Agreement, the holders of at least 70% of the then outstanding senior preference shares may, by a written notice, require the Company to redeem all or part of their shares within 6 months from the date of the written notice; and

(c) subject to points (ii)(a) and (ii)(b) above and the mandatory conversion, the Company shall redeem all of the then outstanding senior preference shares on 31 May 2011.

The redemption price payable by the Company shall be a sum equal to any arrears or accruals of cash dividends and cumulative dividends payable in respect of the senior preference shares calculated up to the relevant redemption date, plus the issue price paid on the senior preference shares, plus a premium equal to the amount derived by dividing the Equity Participation (as defined in the Company's Articles of Association) by the total number of senior preference shares issued up to the relevant redemption date. The overall return, including Equity Participation, on the senior preference shares investment to the holders thereof shall be capped at an internal rate of return of 27.5% before the application of the Discount Factor (as defined in the Company's Articles of Association).

Dividend

(i) The junior preference shares confer on the holders thereof the entitlement to a fixed cumulative preferential cash dividend at the rate of 7% per annum of the issue price commencing from the date of issue of the junior preference shares, payable semi-annually and in priority to the dividend in respect of the ordinary shares.

(ii) The senior preference shares confer on the holders thereof the following entitlements:

(a) a fixed cumulative preferential cash dividend at the rate of 7.5% per annum of the issue price commencing from the date of issue of the senior preference shares and payable semi-annually; and

(b) a fixed cumulative preferential cash dividend at the rate of 7.5% per annum of the issue price commencing from the date of issue of the senior preference shares and payable on the redemption date.

The cash dividends of senior preference shares are rank in priority to the ordinary shares and the junior preference shares on payment of dividend.

The net proceeds received from the issue of convertible redeemable preference shares contain the following components that are required to be separately accounted for in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement":

(a) Debt component represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

The interest charged for the Relevant Periods is calculated by applying effective interest rates of approximately 12% to the debt component for the Relevant Periods since the convertible redeemable preference shares were issued.

(b) Equity component represents the fair value of the embedded conversion option to convert the liability into equity of the Company.

(c) Embedded derivatives, comprising:

  (i) The holder's option to extend the redemption date from 31 May 2010 to 31 May 2011 and from 31 May 2009 to 31 May 2011 for junior preference shares and senior preference shares, respectively.

  (ii) Premium payable by the Company upon redemption of the junior preference shares and the senior preference shares, equal to the amount derived by dividing the Equity Participation (as defined in the Clauses 3B.22 and 3A.22 of the Company's Articles of Association) by the total number of junior/senior preference shares issued up to the redemption date. For senior preference shares, the overall return, including Equity Participation, on the senior preference shares investment to the holders thereof shall be capped at an internal rate of return of 27.5% before the application of the Discount Factor (as defined in clause 3A.22 of the Company's Articles of Association).

In the opinion of the directors of the Company, the fair value of the embedded derivatives as at 31 December 2004, 31 December 2005 and 31 March 2006 is nil.

(d) Conversion options of senior preference shares — in the event of a mandatory conversion of senior preference share, the number of ordinary shares to which the holders of senior preference shares shall be entitled upon mandatory conversion shall be capped at that number of ordinary shares which shall provide the holders with an internal rate of return on the holder's investment in such senior preference shares of 27.5%, computed in accordance with accepted financial practice in Hong Kong and on the basis that the ordinary shares arising from such conversion shall be valued at the price at which shares of the Company are on offer for subscription pursuant to an initial public offering

The conversion options are linked to and must be settled by delivery of the equity Shares of the Company whose fair values cannot be reliably measured as at 31 March 2006, 31 December 2005 and 31 December 2004.

34. NOTES AND WARRANTS

On 12 October 2005, the Company, being issuer of warrants, and Shui On Development (Holding) Limited (the "Note Issuer"), a wholly owned subsidiary of the Company, issued 1,750 Class A Units and 2,000 Class B Units (together referred to as the "Units"). Each Class A Unit consists of one US$100,000 principal amount note and 1,071 warrants and each Class B Unit consists of one US$100,000 principal amount note and 1,000 warrants. The notes and the warrants were immediately separable upon the issue date.

The principal terms of the notes

The notes are:

(a) general, unsecured obligations of the Note Issuer;

(b) senior in right of payment to any existing and future obligations of the Note Issuer expressly subordinated in right of payment to the notes;

(c) pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Note Issuer (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); and

(d) effectively subordinated to all existing and future obligations of the Note Issuer's subsidiaries.

The notes bear interest at the rate of 8.5% per annum, payable semi-annually in arrears and will mature on 12 October 2008, unless earlier redeemed.

The Note Issuer may, at its option, redeem all or part of the notes at the redemption prices equal to the percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on 12 October of the years indicated below:

12-month period commencing in year	**Percentage**
2005	108.50%
2006	104.25%
2007	100.00%

The principal terms of the warrants

Each warrant:

(a) will be exercisable on 30 June 2007, 31 December 2007, 30 June 2008 or 12 October 2008 or, following a Qualifying IPO (as defined in the warrant agreement), the warrants will be exercisable at any time on or after the date of the Qualifying IPO;

(b) when exercised prior to a Qualifying IPO will entitle the holder thereof to receive cash from the Company in an amount equal to the Fair Value (as defined in Section 6.01 (g) of the warrant agreement) of, a number of fully paid and non-assessable ordinary shares of the Company equal to X (as defined in Section 4.01 (k) of the warrant agreement) at an exercise price of US$0.01 per share; subject to adjustments in certain cases as defined in the warrant agreement.

(c) when exercised at any time on or after the date of a Qualifying IPO will entitle the holder thereof to receive cash from the Company in an amount equal to the Fair Value of a number of fully paid and non-assessable ordinary shares of the Company equal to Y (as defined in Section 4.01 (k) of the warrant agreement) at an exercise price of US$0.01 per share, subject to adjustments in certain cases as defined in the warrant agreement; provided that, if the issuance or delivery of ordinary shares by the Company to a holder would not be subject to any pre-emption right of holders of ordinary shares and the exercise price per ordinary shares is equal to or greater than the par value per ordinary share, the Company may deliver, at the Company's sole option, ordinary shares in lieu of cash.

The net proceeds received from the issue of the Units contain the following components that are required to be separately accounted for in accordance with IAS 32 and IAS 39:

(a) Notes represent the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

The interest charged for the Relevant Periods is calculated by applying an effective interest rate of approximately 12% to the notes for the Relevant Periods since the Units were issued.

(b) Warrants represent the fair value of the conversion option.

(c) The issuer's option to early redeem all or part of the notes during the period from 12 October 2005 to 11 October 2008.

	THE GROUP			
	Notes	Warrants	Early redemption rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000
3,750 Units at issue price, net of issue costs, as at 12 October 2005	2,771,086	228,376	(5,128)	2,994,334
Exchange realignment	(188)	(34)	22	(200)
Interest charged during the year	73,144	—	—	73,144
Interest paid during the year	(56,231)	—	—	(56,231)
Changes in fair values	—	3,132	(1,952)	1,180
As at 31 December 2005	2,787,811	231,474	(7,058)	3,012,227
Exchange realignment	(18,509)	(1,602)	48	(20,063)
Interest charged during the period	83,527	—	—	83,527
Interest paid during the period	(64,214)	—	—	(64,214)
Changes in fair values	—	2,889	773	3,662
As at 31 March 2006	2,788,615	232,761	(6,237)	3,015,139

	THE COMPANY
	Warrants
	RMB'000
At 12 October 2005 (date of issue)	228,376
Exchange realignment	(34)
Change in fair value	3,132
As at 31 December 2005	231,474
Exchange realignment	(1,602)
Change in fair value	2,889
As at 31 March 2006	232,761

35. ACQUISITION OF SUBSIDIARIES

On 11 July 2005, the Group acquired the entire equity interests in Chinalink Capital Limited and New Asia Limited, which are companies under common control of Shui On Company Limited, for an aggregate cash consideration of RMB5,000. The acquisition of the above subsidiaries are accounted for using the principles of merger accounting.

	RMB'000
Net liabilities acquired:	
Property, plant and equipment	3,587
Inventories	154
Bank balances and cash	2,495
Accounts receivable, deposits and prepayments	1,266
Accounts payable and accrued charges	(2,024)
Amounts due to related companies	(23,585)
Net identifiable liabilities	(18,107)
Deemed distribution to a shareholder upon acquisition of subsidiaries	18,112
Total consideration, satisfied by cash	5
Net cash flow arising on acquisition:	
Cash consideration paid	(5)
Cash and cash equivalents acquired	2,495
	2,490

36. PROVIDENT AND RETIREMENT FUND SCHEMES

Hong Kong

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The Plan was set up by the Group during 2004. The assets of the schemes are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The MPF Scheme

For members of the MPF Scheme, contributions made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of service with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated income statements as staff costs during the three months ended 31 March 2006 amounted to RMB45,000 (year ended 31.12.2005: RMB171,000; three months ended 31.3.2005: RMB51,000; year ended 31.12.2004: RMB129,000). The amount of employer's voluntary contributions to the MPF Scheme forfeited for the financial periods referred to above were immaterial and had been used to reduce the existing level of contributions.

The Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. The current employer contribution rate ranges from 5% to 10% of the members' salaries. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2004, 31 March 2005, 31 December 2005 and 31 March 2006 by Ms. Elaine Hwang of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal actuarial assumptions used as at the balance sheet date are as follows:

	As at 31 December 2004	**As at 31 March 2005**	**As at 31 December 2005**	**As at 31 March 2006**
Discount rate	4%	4.5%	4.25%	4.5%
Expected rate of salary increase	1% for the next three years commencing 1 January 2005 and 2% thereafter	1% for the next three years commencing 1 January 2005 and 2% thereafter	1% for the next two years commencing 1 January 2006 and 2% thereafter	2% for the next four years commencing 1 January 2006 and 3% thereafter
Expected rate of return on plan assets	6.5%	6.5%	6.5%	6.5%

The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31 March 2006 was RMB54,580,000 (31.12.2005: RMB47,057,000; 31.12.2004: RMB41,076,000), representing 112% (31.12.2005: 107%; 31.12.2004: 98%) of the benefits that had accrued to members. The surplus of the plan assets at 31 March 2006 of RMB5,979,000 (31.12.2005: surplus of RMB2,923,000; 31.12.2004: shortfall of RMB1,004,000) are to be cleared over the estimated remaining service period of the current membership ranging from 12 years to 13 years.

Amounts recognised in the consolidated income statement for the years ended 31 December 2004 and 31 December 2005 and the three months ended 31 March 2005 and 31 March 2006 in respect of the defined benefit plan are as follows:

	Year ended 31 December		Three months ended 31 March	
	2004	**2005**	**2005**	**2006**
	RMB'000	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Current service cost	1,011	2,161	432	288
Interest cost	971	1,631	415	544
Expected return on plan assets	(1,387)	(2,748)	(593)	(607)
Net actuarial losses recognised in current year/period	—	—	—	—
Net amount charged to consolidated income statement as staff costs	595	1,044	254	225

The actual returns on plan assets allocated to the Group for the years ended 31 December 2004 and 31 December 2005, the three months ended 31 March 2005 and the three months ended 31 March 2006 were gains (losses) of RMB4,300,000, RMB3,667,000, RMB(224,000) and RMB5,922,000 respectively.

The amounts included in the balance sheets as at 31 December 2005 and 31 March 2006 arising from the Group's obligations in respect of the Plan are as follows:

	As at 31 December 2004	**As at 31 December 2005**	**As at 31 March 2006**
	RMB'000	**RMB'000**	**RMB'000**
Present value of defined benefit obligations	42,080	44,134	48,601
Unrecognised actuarial (losses) gain	(2,430)	(510)	2,163
Fair value of plan assets	(41,076)	(47,057)	(54,580)
Defined benefit assets	(1,426)	(3,433)	(3,816)

Movements of the defined benefit assets are as follows:

	Year ended 31 December		Three months ended 31 March	
	2004	**2005**	**2005**	**2006**
	RMB'000	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
At beginning of the year/period	—	(1,426)	(1,426)	(3,433)
Exchange realignment	—	31	4	24
Amount charged to consolidated income statement	595	1,044	254	225
Employers' contributions	(2,021)	(3,082)	(923)	(632)
At end of the year/period	(1,426)	(3,433)	(2,091)	(3,816)

No defined benefit assets have been recognised in the balance sheet as at 31 December 2004 as the amount involved is insignificant.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specified percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

37. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to obtain certain banking facilities at the balance sheet date:

	As at 31 December			As at 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Investment properties	2,382,880	5,142,247	5,877,300	5,877,300
Property, plant and equipment	64,198	62,764	61,330	60,972
Prepaid lease rentals	233,056	361,451	417,449	448,460
Properties under development	2,500,111	1,660,132	3,216,614	3,632,394
Properties held for sale	—	51,129	147,870	132,594
Bank deposits	583,812	682,862	409,458	681,661
	5,764,057	7,960,585	10,130,021	10,833,381

In addition, the equity interests in certain subsidiaries were also pledged to banks as securities to obtain banking facilities at the balance sheet date.

38. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment properties earned, net of outgoings, during the three months ended 31 March 2006 was approximately RMB76,109,000 (year ended 31 December 2005: RMB292,868,000; year ended 31 December 2004: RMB121,257,000; year ended 31 December 2003: RMB56,747,000). The investment properties held have committed tenants for the next one to eighteen years at fixed rentals. Certain leases contain contingent rental income recognised during the three months ended 31 March 2006 amounting to approximately RMB1,652,000 (year ended 31 December 2005: RMB11,666,000; year ended 31 December 2004: RMB10,288,000; year ended 31 December 2003: RMB10,602,000).

As at the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	As at 31 December			As at 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	87,927	311,955	325,621	339,436
In the second to fifth years inclusive	152,297	718,911	615,752	582,533
Over five years	13,211	187,686	120,587	114,359
	253,435	1,218,552	1,061,960	1,036,328

As lessee

As at the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	7,061	16,959	19,977	24,153
In the second to fifth years inclusive	28,290	51,375	45,478	43,846
Over five years	100,500	91,500	82,500	97,717
	135,851	159,834	147,955	165,716

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to seventeen years.

39. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

As at the respective balance sheet dates, the Group had the following commitments:

	As at 31 December			As at 31 March
	2003	2004	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
Capital expenditure in respect of properties under development in the PRC	2,488,307	2,795,997	5,356,222	5,523,891
Capital expenditure in respect of the acquisition of property, plant and equipment	1,136	1,231	763	689

(b) Other commitments

(i) Pursuant to the Taipingqiao Sale and Purchase Agreement (as defined in the Agreement referred to in note 41(a)), Shui On Investment Company Limited, a subsidiary of Shui On Company Limited, is entitled to receive additional consideration up to a maximum amount of US$74,000,000 payable by the Company, if all of the performance targets specified in the Taipingqiao Sale and Purchase Agreement are achieved. Any additional consideration shall be satisfied by the Company by way of allotment and issue to Shui On Investment Company Limited of the relevant number of ordinary shares of par value of US$0.01 each credited as fully paid and valued for this purpose at US$1.00 per share.

(ii) Pursuant to the Rainbow Sale and Purchase Agreement (as defined in the Agreement referred to in note 41(b)), Shui On Construction and Materials Limited, a subsidiary of Shui On Company Limited, is entitled to receive additional consideration up to the maximum amount of US$8,800,000 payable by the Company, if all of the performance targets specified in the Rainbow Sale and Purchase Agreement are achieved. Any additional consideration shall be satisfied by the Company by way of allotment and issue to Shui On Construction and Materials Limited of the relevant number of ordinary shares of par value of US$0.01 each credited as fully paid and valued for this purpose at US$1.00 per share.

On 9 December 2005, the Company issued and allotted a total of 5,866,667 shares of US$0.01 each, credited as fully paid, to Shui On Construction and Materials Limited as settlement of additional consideration pursuant to the Rainbow Sale and Purchase Agreement.

On 2 March 2006, the Company issued and allotted a total of 2,933,333 ordinary shares of US$0.01 each, credited as fully paid, to Shui On Construction and Materials Limited as settlement of additional consideration pursuant to the Rainbow Sale and Purchase Agreement.

(iii) On 13 September 2004, the Group entered into an agreement with Shui On Construction Company Limited, a subsidiary of Shui On Company Limited, to form a company in which the Group is entitled to share 1% of the result of, and to provide a funding not exceeding RMB320,000 to, the company. Shui On Company Limited is the ultimate holding company of the Company.

No capital had been contributed by the Group to the company as at 31 December 2004, 31 December 2005 and 31 March 2006.

In August 2004, the Group issued a letter of guarantee amounting to HK$6,730,000 jointly with Shui On Construction Company Limited in favour of a third party to guarantee the due performance of the company.

(iv) Pursuant to an agreement entered into with the district government (the "Luwan Government") of the Luwan District, Shanghai, the PRC, the Group has committed to build certain educational facilities to be located in the Taipingqiao area of the Luwan District as compensation for the removal of those educational facilities originally located in that area. As at 31 March 2006, no construction contracts related to the educational facilities was entered.

(c) **Contingent liabilities**

Financial guarantee contracts:

The Group

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (31.12.2005: RMB324 million; 31.12.2004: RMB324 million; 31.12.2003: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 March 2006, no amount had been drawn down under this arrangement.

(ii) At 31 December 2005, Shanghai Rui Hong Xin Cheng Co., Ltd., a subsidiary of the Company, had outstanding guarantees issued in favour of banks amounting to RMB16,408,000 (31.12.2004: RMB156,777,000; 31.12.2003: RMB282,239,000) in respect of mortgage facilities granted to the buyers of its residential properties.

(iii) At 31 December 2003, Shanghai Lakeville Properties Co., Ltd., a subsidiary of the Company, had outstanding guarantees issued in favour of banks amounting to RMB35,865,000 in respect of mortgage facilities granted to buyers of its residential properties. These guarantees were released during the year ended 31 December 2004.

The Company

Certain banking facilities of the subsidiaries are guaranteed by the Company and the minority shareholders of the subsidiaries in proportion to their respective shareholding in these subsidiaries. At 31 March 2006, the Company had outstanding guarantees issued in favour of banks amounting to RMB3,352,459,000 (31.12.2005: RMB3,318,852,000; 31.12.2004: RMB677,954,000) in respect of banking facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at 31 March 2006 amounted to RMB3,909,211,000 (31.12.2005: RMB3,919,816,000; 31.12.2004: RMB968,506,000).

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group and the Company are insignificant at initial recognition and the directors consider that the possibility of the default of the parties involved is remote, accordingly, no value has been recognised in the balance sheets as at 31 March 2006, 31 December 2005, 31 December 2004 and 31 December 2003.

40. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2004, an amount due to a related company of RMB2,652,595,000 was settled through the current account with a related company upon a group reorganisation in that year.

(ii) During the year ended 31 December 2004, an amount due to a related company of RMB483,330,000 was waived by that related company as referred to in note 30.

(iii) Details of the non-cash transaction entered into during the year ended 31 December 2005 in relation to the acquisition of additional interest in Interchina International Limited are set out in note 41(h).

41. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances as stated in notes 8, 16, 17, 23, 24, 25, 28, 30, 31, 39 and 40, the Group had the following transactions with certain subsidiaries of Shui On Company Limited.

(a) Pursuant to a sale and purchase agreement dated 18 February 2004 (the "Taipingqiao Sale and Purchase Agreement") entered into among Shui On Investment Company Limited as vendor, the Company as purchaser and Shui On Company Limited as guarantor, the Company agreed to acquire from Shui On Investment Company Limited the Sale Shares, the Interest and the benefits of the Debts (as defined in the Taipingqiao Sale and Purchase Agreement), subject to and in accordance with the terms and conditions stipulated in the Taipingqiao Sale and Purchase Agreement. The acquisition was satisfied by the issue of 301,000,000 ordinary shares of US$0.01 each in the Company and was completed on 31 May 2004.

Shui On Investment Company Limited, Shui On Properties Limited and Shui On Construction and Materials Limited are subsidiaries of Shui On Company Limited.

(b) Pursuant to the sale and purchase agreement dated 18 February 2004 (the "Rainbow Sale and Purchase Agreement") entered into between Shui On Construction and Materials Limited as vendor and the Company as purchaser, the Company agreed to acquire from Shui On Construction and Materials Limited the entire issued share capital of Foresight Profits Limited and the benefits of the amount owned by Hollyfield Holdings Limited, a wholly owned subsidiary of Foresight Profits Limited, to Shui On Construction and Materials Limited immediately prior to the completion of the Rainbow Sale and Purchase Agreement, subject to and in accordance with the terms and conditions stipulated in the Rainbow Sale and Purchase Agreement. The acquisition was satisfied by the issue of 130,000,000 ordinary shares of US$0.01 each in the Company and was completed on 31 May 2004.

(c) Pursuant to a subscription and shareholders' agreement dated 18 February 2004 (the "Agreement") entered into among the Company, NRI Limited (a wholly owned subsidiary of Shui On Construction and Materials Limited), the Investors (as defined in the Agreement), Shui On Investment Company Limited, Shui On Properties Limited, Shui On Company Limited and Shui On Construction and Materials Limited, NRI Limited agreed to subscribe in stages up to 50,000,000 junior preference shares and the Investors agreed to subscribe in stages up to 170,000,000 junior preference shares and 180,000,000 senior preference shares in the Company, in each case at a subscription price of US$1 per share in cash.

On 31 May 2004, 4 November 2004, 20 May 2005 and 20 June 2005, the Company issued 25,000,000, 6,250,000, 12,500,000 and 6,250,000 junior preference shares of US$0.01 each for a total consideration of US$25,000,000, US$6,250,000, US$12,500,000 and US$6,250,000 (equivalent to approximately RMB206,912,000, RMB51,728,000, RMB103,456,000 and RMB51,728,000) respectively to NRI Limited.

(d) Pursuant to a sale and purchase agreement dated 31 December 2004 entered into between Shui On Investment Company Limited, Shui On Properties Limited and the Company, Shui On Investment Company Limited and Shui On Properties Limited agreed to sell their interests in, and the benefits of debts of, certain companies engaged in property development and property investment business in Hangzhou, Chongqing and Shanghai, the PRC for a consideration of RMB953,879,000.

(e) Pursuant to a sale and purchase agreement dated 11 July 2005 entered into among the Company as purchaser, Shui On Investment Company Limited as vendor and Shui On Company Limited as guarantor, the Company agreed to acquire the entire equity interests in, and the benefits of debts due from, Chinalink Capital Limited and New Asia Limited. The consideration for acquisition of the equity interests and the benefits of the debts are RMB5,000 and RMB6,292,000 respectively.

(f) Pursuant to a promissory note entered into between the Group and Shanghai Ruichen Property Company Limited ("Shanghai Ruichen"), a subsidiary of Shui On Company Limited, in September 2005, a loan of RMB100,000,000 was granted by Ruichen to the Group. The amount was unsecured and interest bearing at 5.22% per annum for the period from September 2005 to November 2005. The promissory note matured in November 2005 and was replaced by a loan agreement with the same amount of loan. Under the agreement, the loan is unsecured, interest free and repayable within one year from the balance sheet date.

(g) On 12 October 2005, 1,000 Class B Units, as set out in note 34, were subscribed by Shui On Investment Company Limited, a shareholder of the Company, for a cash consideration of US$100,000,000.

(h) Pursuant to a sale and purchase agreement dated 7 December 2005 entered into among Equity Millennium Limited ("Equity Millennium") and Shun Hing China Investment Limited ("Shun Hing") as vendors and Shui On Development as purchaser, Shui On Development agreed to acquire 20% and 10% of the issued share capital of a then 70% owned subsidiary, Interchina International Limited ("Interchina"), from Equity Millennium and Shun Hing, respectively. In addition, Shui On Development also agreed to acquire the benefit of the shareholders' loans advanced to Interchina by Equity Millennium and Shun Hing amounting to RMB61,168,000 and RMB30,584,000 respectively. The consideration for the acquisition of the equity interests and the benefit of the shareholders' loans, which amounted to RMB802,488,000 and RMB91,752,000 respectively, is payable by two instalments in US dollars. The first instalment amounting to RMB268,270,000 was settled in December 2005 and the second instalment amounting to RMB625,970,000, which remains unpaid as at 31 March 2006, is interest bearing and repayable according to the terms as set out in note 27(b). Upon completion of the acquisition, Interchina has become a wholly-owned subsidiary of the Group.

(i) The Group also had the following transactions with related companies as follows:

(i) Nature of transaction	Notes	Year ended 31 December			Three months ended 31 March	
		2003	2004	2005	2005	2006
		RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Related companies in which directors of the Company have beneficial interests						
Property sales		54,082	—	—	—	—
Project consultancy fee		—	—	4,910	—	—
Fellow subsidiaries						
Sales and marketing fee income		—	—	180	30	45
Sales and marketing fees		30,771	10,039	—	—	—
Commission expenses		757	737	141	—	—
Cost of man-made lake and underground carpark in the Taipingqiao area in Shanghai	(1)	483,330	—	—	—	—
Consultancy fee		—	740	—	—	—
Interest expenses	(3)	—	—	1,187	—	—
Rental and building management income		3,905	3,267	3,299	896	1,898
Property, plant and equipment rental income		2,548	2,438	2,798	466	—
Project management fee income		—	—	960	240	240
Project construction fees	(2)	25,101	75,957	106,220	17,673	10,006
Project management fees	(2)	4,336	8,172	—	—	—
Purchase of property, plant and equipment		46,354	6,112	—	—	—
Rental and building management fee expenses		—	6,126	16,194	2,896	4,460
Agency fee income		—	2,987	—	—	—
Agency fee		16,837	2,885	—	—	—
Associates						
Building management fee expenses		—	442	556	136	572
Rental income		—	—	238	—	—
Sales and marketing fee income		—	—	240	—	60
Shareholders						
Interest expenses	(3)	38,822	44,595	25,119	13,665	—
Staff costs	(4)	2,977	395	—	—	—
Reimbursement of staff cost received		—	—	1,988	312	238
Minority shareholders of subsidiaries						
Interest expenses	(3)	—	1,496	7,148	1,036	12,554
Property management fee		—	2,454	3,272	818	818
Jointly controlled entity						
Rental and building management fee income		—	—	4,492	—	1,216
Rental and building management fee expenses		—	—	487	—	175
Sales and marketing fee income		—	—	240	—	—

The directors have confirmed that the above related party transactions were conducted on normal commercial terms in the ordinary course of the Group's business.

Notes:

(1) The cost was paid to Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of the Company, on an actual reimbursement basis.

(2) Project construction fees and project management fees were determined based on terms mutually agreed by both parties.

(3) Borrowing costs amounting to RMB13,536,000 for the year ended 31 December 2003 was paid to Shui On Investment Company Limited and were based on prevailing Singapore Interbank Offered Rates plus 2.875% on principal outstanding. The corresponding borrowings were fully settled by the Group in 2003.

Borrowing costs amounting to RMB21,378,000 for the year ended 31 December 2003 were paid to Shui On Investment Company Limited and were based on Hong Kong Prime Rates plus 1% on principal outstanding. The corresponding borrowings were fully settled by the Group in 2003.

Borrowing costs of RMB16,331,000 for the year ended 31 December 2005 (three months ended 31 March 2005: RMB7,824,000; year ended 31 December 2004: RMB43,542,000) were paid to Shui On Investment Company Limited and were based on 5% on principal outstanding. The corresponding borrowings were fully settled by the Group in June 2005.

Borrowing costs of RMB8,788,000 for the year ended 31 December 2005 (three months ended 31 March 2005: RMB5,841,000) were paid to Shui On Investment Company Limited and were based on Hong Kong Prime Rates on principal outstanding. The corresponding borrowings were fully settled by the Group in May 2005.

Borrowing costs of RMB1,053,000 for the year ended 31 December 2004 (year ended 31 December 2003: RMB3,908,000) represent up-front agency fees and interest expenses charged by Shui On Construction and Materials Limited at prevailing Hong Kong Inter Bank Offered Rates plus 0.8%. The corresponding borrowings were fully settled by the Group in 2004.

Borrowing costs of RMB1,187,000 for the year ended 31 December 2005 were paid to a fellow subsidiary and were based on an interest rate of 5.22% per annum as set out in note 41(f).

Borrowing costs of RMB2,245,000 for the three months ended 31 March 2006 (year ended 31 December 2005: RMB2,948,000) represents the imputed interest on the loan from a minority shareholder amounting to RMB200,000,000 as set out in note 31.

Borrowing costs of RMB9,273,000 for the three months ended 31 March 2006 represents interest on consideration payable on acquisition of additional interests in subsidiaries paid to minority shareholders of subsidiaries as set out in note 27(b) and 41(h).

The remaining borrowing costs of RMB1,036,000 for the three months ended 31 March 2006 (year ended 31 December 2005: RMB4,200,000; three months ended 31 March 2005: RMB1,036,000; year ended 31 December 2004: RMB1,496,000) were paid to minority shareholder of a subsidiary and were based on an interest rate of 5% per annum as set out in note 25.

(4) Staff costs were paid to Shui On Construction and Materials Limited on an actual reimbursement basis.

(ii) Pursuant to deeds of assignment dated 29 April 2004 and 31 May 2004 entered into among the Company as assignee and certain subsidiaries of Shui On Company Limited (including Shui On Construction and Materials Limited, Shui On Investment Company Limited, Shui On Properties Limited) as assignors (the "Assignors"), the Assignors assigned to the Company their benefits of an aggregate net amount of RMB2,970,417,000 owed by, together with the rights to obtain and enforce payment of such amount from, the respective subsidiaries as at 31 May 2004.

(iii) Pursuant to a relinquishment agreement (the "Relinquishment Agreement") entered into between Hollyfield Holdings Limited, a wholly-owned subsidiary of the Company, and Shanghai Ruichen on 2 May 2001 (as supplemented by an agreement dated 22 May 2001 between these parties), Shanghai Ruichen agreed, among others, to relinquish and surrender the development rights and title of the Shanghai Rui Hong Xin Cheng development at Hongkou District of Shanghai ("Rainbow City") to Shanghai Rui Hong Xin Cheng Co., Ltd. ("Rui Hong"), a 99% owned subsidiary of Hollyfield Holdings Limited. In consideration of the above, Rui Hong paid Shanghai Ruichen the sum of RMB184,547,000 in 2002.

An agreement was entered into between Shanghai Ruichen and Hollyfield Holdings Limited on 29 April 2004 to terminate the Relinquishment Agreement which provided for, among others, revenue sharing arrangements between Shanghai Ruichen and Hollyfield Holdings Limited relating to the sale and lease of the development project in the Rainbow City.

Another agreement was entered into between Shanghai Ruichen and Rui Hong on 29 April 2004 to terminate the management agreement dated 4 February 2002 which provided for, among others, the reimbursement to Rui Hong by Shanghai Ruichen of staff costs relating to works performed for the benefit of Shanghai Ruichen since Rui Hong would no longer be required to perform any work for Shanghai Ruichen. Up to 31 December 2004, Rui Hong received project management service fees and sales and marketing service fees from Shanghai Ruichen amounting to approximately RMB17,834,000 and RMB5,414,000 respectively.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, convertible redeemable preference shares and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as accounts receivables and accounts payables, which arise directly from its operations.

The directors consider that the carrying amounts of accounts receivable, amount due from an associate, amounts due from related companies, amounts due from subsidiaries and amount due from a minority shareholder of a subsidiary approximate their fair values, which are determined based on present value of the estimated future cash flows discounted using the prevailing market value at the balance sheet date.

Bank balances and cash comprise cash and short-term deposits held for the treasury function of the Group. The carrying amounts of these assets approximate their fair values.

Accounts payable, amount due to an associate, amounts due to related companies, amount due to a subsidiary and amounts due to minority shareholders of subsidiaries principally comprise amounts outstanding for ongoing costs. The directors consider that the carrying amounts of accounts payable approximate their fair values.

It is, and has been throughout the Relevant Periods, the Group's policy that no trading in financial instruments are undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group's exposure to cash flow interest rate risk resulted from fluctuations in interest rates. All of the bank borrowings of the Group consist of variable rate debt obligations with original maturities ranging from three years to seven years for the project construction loans and five to seven years for the mortgage loans. Increases in interest rates would increase interest expenses relating to the outstanding variable rate borrowings and increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of the debt obligations. The Group has not used any derivative instruments to manage the interest rate risk.

Foreign currency risk

All of the turnover of the Group is denominated in Renminbi. A portion of the turnover in Renminbi, however, is converted into other currencies to meet the foreign currency denominated debt obligations, such as the bank loans denominated in Hong Kong dollars and the interest payment obligations for the convertible redeemable preference shares and the notes, which are denominated in US dollars. As a result, the Group is exposed to fluctuations in foreign exchange rates.

Considering (i) a relatively stable currency regime with regard to the Renminbi is maintained by the PRC government which only allows the exchange rate to fluctuate within a narrow range and (ii) it is the Group's view that it is more probable that the value of the Renminbi will appreciate than depreciate relative to the Hong Kong dollars/US dollars in the foreseeable future, the Group expects that any adverse effect of fluctuation of the exchange rate between Renminbi, Hong Kong dollars and US dollars is remote. Therefore, the Group has not entered into any forward contracts to hedge the exposures. However, the Group is monitoring the situation closely and will implement an effective hedging arrangement whenever it considers there is any sign that the currently benign environment will change in the future.

Credit risk

The Group's principal financial assets are bank balances and cash, accounts receivable, deposits and prepayments and amounts due from related companies, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its accounts receivable. The amounts presented in the balance sheets are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

With respect to credit risk arising from the other financial assets of the Group which comprise cash and cash equivalents and amounts due from related companies, the Group's exposure to credit risk arising from default of the counter party is limited as the counter party has good reputation and the Group does not expect to incur a significant loss for uncollected advances/deposits from these entities.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings and convertible redeemable preference shares. In the opinion of the directors of the Company, most of the borrowings that mature within one year are able to renew and the Group expects to have adequate sources of funding to finance the Group and manage the liquidity position. As at 31 March 2006, total undrawn facilities available to the Group amounted to approximately RMB2,460,000,000. In addition, as the conversion of the convertible redeemable preference shares will take place, the liquidity position of the Group will improve.

B. SUBSEQUENT EVENTS

(a) In May 2006, the Company passed a resolution that the par value of the ordinary shares of US$0.01 each in the authorised and issued share capital of the Company be sub-divided into four ordinary shares of US$0.0025 each. In addition, the authorised share capital of the Company was increased by the creation of a further 8,000,000,000 new ordinary shares of US$0.0025 each. Upon completion of the sub-division of the existing ordinary shares and the issuance of new ordinary shares, the existing authorised share capital of 1,000,000,000 ordinary shares of US$0.01 each has been increased to 12,000,000,000 ordinary shares of US$0.0025 each and the issued share capital of the Company of 447,915,547 ordinary shares of US$0.01 each at 31 March 2006 has been increased to 1,791,662,188 ordinary shares of US$0.0025 each.

Following the sub-division of ordinary shares, the conversion prices of the junior preference shares and the senior preference shares have been adjusted in accordance with the Company's Articles of Association.

(b) Pursuant to an agreement entered into between the Company and HSBC Securities Investments (Asia) Limited ("HSBC Investor") dated 4 June 2006, the Company issued 102,754,966 ordinary share of US$0.0025 each to HSBC Investor for a total cash consideration of US$100,000,000.

(c) Pursuant to an amendment agreement in relation to the warrant agreement dated 12 October 2005 (Note 34 of Section A) entered into in August 2006 among the Company, JPMorgan Chase Bank, N.A. as warrant agent and J.P. Morgan Bank Luxembourg S.A. as registrar, in the event that a prospectus has been issued pursuant to a HK Qualifying IPO (as defined in the agreement), all of the warrants of the Company shall be deemed to be automatically exercised on the same day as the ordinary shares are allotted to investors under the HK Qualifying IPO, without the need for any holder to deliver the warrants or any exercise notice or the payment of the exercise price in respect of those warrants and the warrant shares shall be issued and allotted upon such automatic exercise on the same day.

(d) Pursuant to a sale and purchase agreement dated 1 September 2006 entered into between Shui On Development as seller and an independent third party as purchaser, Shui On Development agreed to sell to the purchaser a 9.9% of the issued share capital of Score High Limited, a then wholly owned subsidiary of the Company, subject to the terms and conditions of the agreement. The consideration for the sale of the equity interests, which amounted to RMB503,382,000, is payable by two instalments in US dollars. The first instalment in the sum of RMB352,367,000 shall be paid on Completion Date (as defined in the agreement) and the second instalment in the remaining sum of RMB151,015,000 shall be paid on or before 30 June 2007.

Pursuant to a sale and purchase agreement dated 9 September 2006 entered into between Shui On Development as seller and a preference shareholder of the Company as purchaser, Shui On Development agreed to sell to the purchaser a 9.9% of the issued share capital of Score High Limited, a then wholly owned subsidiary of the Company, subject to the terms and conditions of the agreement. The consideration for the sale of the equity interests, which amounted to RMB503,382,000, is payable by three instalments in US dollars. The first instalment in the sum of RMB251,691,000 shall be paid on Completion Date (as defined in the agreement), the second instalment in the sum of RMB75,507,000 shall be paid on or before 31 March 2007 and the third instalment in the remaining sum of RMB176,184,000 shall be paid on or before 30 June 2007.

In the opinion of the directors, the estimated gain on disposal of the 19.8% interests in Score High Limited, upon completion of the above agreements, will be not less than RMB580 million.

(e) Subsequent to the balance sheet date, arrangement was made by Shui On Investment Company Limited, a shareholder of the Company, to dispose of the 1,000 Class B Units held by Shui On Investment Company Limited as set out in note 41(g) of Section A.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or its subsidiaries have been prepared in respect of any period subsequent to 31 March 2006.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out below does not form part of the Accountants' Report prepared by the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included in this prospectus for information purposes only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" and the Accountants' Report set out in Appendix I.

REPORT ON PRO FORMA FINANCIAL INFORMATION

For illustrative purposes, the financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set out here to provide prospective investors with further information about how the financial position of the Group might be affected by completion of the Global Offering. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual results and earnings per Share of the Group and financial position of the Group as at 31 March 2006 or at any future date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group as at 31 March 2006 is based on the audited consolidated net tangible assets of the Group as at 31 March 2006 included in Appendix I to this prospectus and adjusted as follows.

	Audited consolidated net tangible assets attributable to the equity holders of the Company as at 31 March 2006[(1)]	**Estimated net proceeds from the Global Offering and the HSBC Investment[(2)]**	**Mandatory conversion of Preference Shares[(3)]**	**Conversion of the Warrants[(4)]**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share[(5)]**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB**
Based on an Offer Price of HK$4.80 per Share	4,839,880	3,255,591	2,863,100	232,761	11,191,332	2.71
Based on an Offer Price of HK$5.35 per Share	4,839,880	3,557,521	2,863,100	232,761	11,493,262	2.82

Notes:

(1) The audited consolidated net tangible assets attributable to the equity holders of the Company as at 31 March 2006 has been extracted without adjustment from the Accountants' Report set out in Appendix I.

(2) The amounts comprise (i) the estimated net proceeds from the Global Offering based on the Offer Price of HK$4.80 and HK$5.35 per Share after deduction of the underwriting fees and other related expenses payable by the Company and (ii) the net proceeds from the HSBC Investment of US$100 million.

(3) Pursuant to a subscription and shareholders' agreement dated 18 February 2004 (the "Agreement"), as disclosed in note 41(c) to the Accountants' Report set out in Appendix I to this prospectus, the Company may, having given notice to the holders of the Preference Shares pursuant to the provisions of the Company's Articles of Association, require that all the Preference Shares issued under the Agreement be converted into ordinary shares, provided that (a) the conversion date shall be at least 18 months after 31 May 2004; and (b) the conversion shall be effective only upon, but not before, the date on which the securities of the Company are first listed on a stock exchange in connection with a Qualifying IPO (as defined in the Company's Articles of Association), or such earlier date as may be approved by the holders then outstanding, whereupon all the Preference Shares shall automatically be converted without any further act by the Company or the members of the Company into such number of fully paid ordinary shares as determined in accordance with the then effective conversion rate. The liability portion of the Preference Shares as at 31 March 2006 is adjusted accordingly to arrive at the unaudited pro forma adjusted net tangible assets.

(4) We have obtained the consent of holders of Warrants to amend the terms of the Warrants such that they will be exercised automatically upon Listing and satisfied by the issue of Shares. 108,990,200 Shares (based on an Offer Price of HK$4.80 per Share) or 107,370,582 Shares (based on an Offer Price of HK$5.35 per Share) will be issued on exercise of the Warrants immediately upon Listing. If the conversion had taken place on 31 March 2006, the corresponding liability of RMB232,761,000 carried in the balance sheet would have been reclassified to equity.

(5) The unaudited pro forma adjusted net tangible assets per Share are arrived at after making the adjustments referred to in the preceding paragraphs and on the basis that a total of 4,128,088,044 Shares were in issue based on an Offer Price of HK$4.80 and 4,069,222,571 Shares were in issue based on an Offer Price of HK$5.35.

The aforementioned 4,128,088,044 Shares (after taking into account the effect of the subdivision of shares on 20 May 2006, if applicable) based on an Offer Price of HK$4.80 comprise (i) 1,791,662,188 Shares in issue as at 31 March 2006; (ii) 556,000,000 Shares to be issued under the Global Offering; (iii) 1,237,810,656 Shares to be issued upon conversion of the Preference Shares; (iv) 272,000,000 Shares to be issued as settlement of additional consideration pursuant to the Taipingqiao Sale and Purchase Agreement as disclosed in notes 41(a) to the Accountants' Report set out in Appendix I to this prospectus; (v) 161,625,000 Shares issued/to be issued pursuant to the HSBC Investment and (vi) 108,990,200 Shares to be issued at conversion of Warrants.

The aforementioned 4,069,222,571 Shares (after taking into account the effect of the subdivision of shares on 20 May 2006, if applicable) based on an Offer Price of HK$5.35 comprise (i) 1,791,662,188 Shares in issue as at 31 March 2006; (ii) 556,000,000 Shares to be issued under the Global Offering; (iii) 1,197,180,456 Shares to be issued upon conversion of the Preference Shares; (iv) 272,000,000 Shares to be issued as settlement of additional consideration pursuant to the Taipingqiao Sale and Purchase Agreement as disclosed in notes 41(a) to the Accountants' Report set out in Appendix I to this prospectus; (v) 145,009,345 Shares issued/to be issued pursuant to the HSBC Investment and (vi) 107,370,582 Shares to be issued at conversion of Warrants.

(6) As of 30 June 2006, the Group's properties interests were revalued by Knight Frank Petty Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV — Property Valuation. The values of revalued investment properties and other property interests are approximately RMB6,050,100,000 and RMB268,900,000, respectively. By comparing the valuation of the Group's property interests as set out in Appendix IV and the unaudited net book value of these properties as at 30 June 2006, net revaluation surplus on investment properties is approximately RMB168,365,000 and the net revaluation surplus on other property interests is approximately RMB164,966,000, which has not been included in the above adjusted net tangible assets of the Group. Revaluation surplus on other property interests will not be recorded in the Group's financial statements for the year ending 31 December 2006 as such property interests are carried at cost less accumulated depreciation and any recognised impairment loss. Had other property interests been stated at the valuation amount, additional depreciation of approximately RMB3,836,000 would be charged for the year ending 31 December 2006.

UNAUDITED PRO FORMA FULLY DILUTED FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share on a fully diluted basis have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2006. These unaudited pro forma forecast earnings per Share on a fully diluted basis have been prepared for illustrative purposes only and because of their nature, they may not give a true picture of the financial results of the Group following the Global Offering.

For the year ending 31 December 2006

	Based on an Offer Price of HK$5.35 per Share
Forecast net profit attributable to equity holders of the Company	
• before revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments(1)	not less than RMB1,450 million
• after revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments(1)	not less than RMB982 million
Unaudited pro forma forecast earnings per Share	
• before revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments — not less than	RMB0.36
• after revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments — not less than	RMB0.24

Notes:

(1) The forecast net profit attributable to equity holders of the Company for the year ending 31 December 2006 is extracted from the section headed "Financial information — Profit Forecast" in the prospectus. The bases of preparation of the above profit forecast for the year ending 31 December 2006 are summarised in Appendix III to the prospectus.

(2) The calculation of the unaudited pro forma forecast basic earnings per Share is based on the forecast net profit attributable to equity holders of the Company for the year ending 31 December 2006 and assuming a total of 4,069,222,571 Shares (based on an Offer Price of HK$5.35) had been in issue during the entire year.

Set out below are the texts of the letter received from Deloitte Touche Tohmatsu, the auditors and reporting accountants of the Company, in connection with the unaudited pro forma financial information.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF SHUI ON LAND LIMITED, DEUTSCHE BANK AG, HONG KONG BRANCH, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, J.P. MORGAN SECURITIES (ASIA PACIFIC) LIMITED

We report on the unaudited pro forma adjusted net tangible assets and unaudited pro forma fully diluted forecast earnings per share (hereinafter collectively referred to as the "Unaudited Pro Forma Financial Information") of Shui On Land Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which have been prepared by the directors for illustrative purposes only, to provide information about how the global offering of the Company's shares might have affected the financial information presented, for inclusion as Appendix II to the prospectus of the Company dated 20 September 2006 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

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 purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments 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 31 March 2006 or any future date or the earnings per share of the Group for the year ending 31 December 2006 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.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 September 2006

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2006

The forecast net profit of the Group attributable to equity holders of the Company for the year ending 31 December 2006 is set out in the section entitled "Financial Information — Profit Forecast".

Bases and assumptions

The forecast of the consolidated profit after taxation and minority interests of the Group for the year ending 31 December 2006 is based on our audited results shown in Appendix I for the three months ended 31 March 2006 and our forecast of the consolidated results of the Group for the remaining nine months of the year ending 31 December 2006. The forecast for the year ending 31 December 2006 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountants' Report set out in Appendix I.

Assumption with respect to values of investment properties

Changes in the fair value of our investment properties are dependent on market conditions and other factors that are beyond our control at the relevant time. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value of our investment properties as at 31 December 2006, and our independent property valuer is of the view that the assumptions upon which the forecast is based are reasonable, the fair value of our investment properties and/or any revaluation increase or decrease on investment properties as at the relevant time may differ materially from our estimate.

Under IFRS, movements in the valuation of investment properties will be reflected in our financial statements, through our consolidated income statement. Revaluation increases or decreases arising from changes in the fair value of our investment properties are required to be recognised as a credit or charge to our income statement, as applicable. Our operating income may be substantially affected by such movements: See "Risk Factors — Risks relating to the Global Offering — Our net profit attributable to equity holders of the Company for the year ending 31 December 2006 will involve gains and losses that may arise on revaluation of our investment properties and/or derivative financial instruments, and our profit forecast involves estimates and assumptions in this regard as well as other assumptions and estimates which may prove to be incorrect".

The forecast profit of RMB1,450 million for the year ending 31 December 2006 is before revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments. The forecast profit of RMB982 million after revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments includes a revaluation increase on investment properties estimated at RMB76 million (net of deferred tax effect and share of minority interests). The effect of revaluation on investment of our properties has been estimated based on projected valuations at 31 December 2006 according to a basis of valuation which is, so far as practicable, consistent with the basis of valuation which has been adopted by our independent property valuer in valuing our properties for the purposes of our audited consolidated financial statements for the year ended 31 December 2005 and the three months ended 31 March 2006, and the independent valuer's report in Appendix IV. Accordingly, we have adopted an income approach under which the market value of a property is estimated by adding together the estimated value of (i) the lease term interest of the property and (ii) the reversionary interest of the property. The estimated value of the lease term interest of a property is derived by capitalising the contractual rental for the relevant period, being in our case from 1 January 2006 to the end of the term of the relevant leases. The estimated value of the reversionary interest is derived by capitalising the estimated market rental of the property for its remaining life, as adjusted for certain items, including those relating to expected rental increase. These projected valuations, adopting the income approach, have been based on our projections of rental income from the properties for the period to 31 December 2006, assuming the leases of any lease-expired units of the properties as at 31 December 2006 will all be renewed for a term expiring on 31 December 2008, at an estimated average rental. Our projections of rental income, and the projected valuations and adoption of the income approach have been prepared in conjunction with, and reviewed by, our independent property valuer. We expect the fair value of our investment properties as at 31 December 2006, and in turn any revaluation increase or decrease on investment properties, to continue to be dependent on market conditions and other factors that are beyond our control, and to be based on the valuation performed by an independent professional property valuer involving the use of assumptions that are, by their nature, subjective and uncertain, including those described in "Risk Factors — Risks relating to the Global Offering — The valuation attached to our property interests contains assumptions that may or may not materialise."

The following table illustrates the sensitivity of the net profit attributable to the equity holders of the Company (net of deferred tax effect and share of minority interests) to levels of revaluation increase/decrease on investment properties for the year ending 31 December 2006:

Changes in valuation of investment properties compared to the estimated revaluation increase on investment properties of RMB76 million	-15%	-10%	-5%	5%	10%	15%
Impact on profit attributable to equity holders of the Company (RMB millions)	(660)	(440)	(220)	220	440	660

This sensitivity illustration is intended for reference only, and any variation could exceed the ranges given. Investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive and is limited to the impact of changes in the level of revaluation of investment properties and (ii) the profit forecast is subject to further and additional uncertainties generally. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the revaluation increase on our investment properties as at 31 December 2006, the actual revaluation increase or decrease on our investment properties as at that date may differ materially from our estimate and is dependent on market conditions and other factors that are beyond our control. See "Risk Factors — Risks relating to the Global Offering — Our net profit attributable to equity holders of the Company for the year ending 31 December 2006 will involve gains and losses that may arise on revaluation of our investment properties and/or derivative financial instruments, and our profit forecast involves estimates and assumptions in this regard as well as other assumptions and estimates which may prove to be incorrect."

Assumption with respect to Warrants

Changes in the fair value of the Warrants are dependent on a number of variables and other factors affected by market conditions that are beyond our control at the relevant time.

Under IFRS, the Warrants are required to be recorded at fair value on the balance sheet date, and any increase or decrease in fair value in any applicable accounting period is required to be recognised as a charge or credit to our income statements. This charge or credit is a non-cash item representing the increase or decrease in fair value of the Warrants.

We have obtained the consent of Warrant holders to amend the terms of the Warrants such that they will be exercised automatically upon Listing and satisfied by the issue of Shares.

The forecast profit of RMB1,450 million for the year ending 31 December 2006 is before revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments. The forecast profit of RMB982 million after revaluation of investment properties and Fair Value Adjustment on Derivative Financial Instruments includes a charge in respect of Fair Value Adjustment on Warrants estimated at RMB356 million based on an assumed Offer Price of HK$5.35 per Share, representing the Maximum Offer Price, and on the basis that all Warrants are exercised in full automatically upon Listing, and a charge in respect of fair value adjustment on the capped conversion right with respect to Senior Preference Shares estimated at RMB188 million. The actual amount of Fair Value Adjustment on Warrants will be dependent on the Offer Price of our Shares. Accordingly, the actual Fair Value Adjustment on Warrants will be commensurately lower if the Offer Price is fixed below the Maximum Offer Price.

The following table illustrates the sensitivity of the net profit attributable to equity holders of the Company, by the changes in Fair Value Adjustments on Warrants if our Offer Price is at the bottom end of the Offer Price range in this prospectus, or the Maximum Offer Price:

	Based on an Offer Price per Share of HK$4.80	**Based on Maximum Offer Price**
Increase in profit attributable to equity holders of the Company (RMB millions)	52	0

This sensitivity illustration is intended for reference only. Investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive and is limited to the quantum of the Fair Value Adjustment on Warrants (before any further exchange rate adjustment) and (ii) the profit forecast is subject to further and additional uncertainties generally. See “Risk Factors — Risks relating to the Global Offering — Our net profit attributable to equity holders of the Company for the year ending 31 December 2006 will involve gains and losses that may arise on revaluation of our investment properties and derivative financial instruments, and our profit forecast involves estimates and assumptions in this regard as well as other assumptions and estimates which may prove to be incorrect.”

The estimated RMB188 million charge in respect of the capped conversion right with respect to the Senior Preference Shares will not be affected by applying different Offer Prices because the value of the Shares to which the holder shall be entitled upon mandatory conversion has been capped by an internal rate of return of 27.5% on the holder's investment.

Assumption with respect to sales of part interests in the Chongqing Tiandi project

In September 2006, we entered into legally binding agreements with Winnington Capital Limited and Ocean Equity Holdings Limited respectively for the sale of 19.8% in total (9.9% to each of Winnington Capital Limited and Ocean Equity Holdings Limited) of our 99% indirect interest in the Chongqing Tiandi project, as described in the sections entitled "Our Business — Our Property Projects — Our Projects Outside of Shanghai — Chongqing Tiandi" and "Our Business — Connected Transactions — Sale of indirect interest in Chongqing Tiandi project company". As of the date of this prospectus neither of these agreements has been completed, but both are scheduled to be completed by 31 December 2006. Following completion of these sales, we expect to recognise a gain equal to the amount by which the sale consideration exceeds the attributable cost, which we expect to record as a gain on disposal of interest in a subsidiary in our financial statements for the year ending 31 December 2006. See the section entitled "Financial Information — Factors Affecting our Results of Operations and Financial Condition — Sales of land or interests in uncompleted projects." When completed, we estimate these sales will give rise to profits of not less than approximately RMB580 million after tax. We will continue to consider further sales of interests in the Chongqing Tiandi project currently envisaged not to exceed 30% (inclusive of the 19.8% already agreed to be sold) in total.

General assumptions

Our directors have adopted the following further assumptions in the preparation of the profit forecast:

- There will be no material changes in existing political, legal, fiscal, market or economic conditions in Hong Kong, the PRC or any other countries or territories in which the Group currently operates or which are otherwise material to the Group's income.

- There will be no changes in policies, legislation, regulations, or practices in Hong Kong, the PRC or any other countries or territories in which the Group operates or has arrangements or agreements (including, but not limited to, those in relation to land acquisition, property development and taxation of sales income derived therefrom), which may adversely affect the Group's business or operations, including but not limited to, LAT. To date, we have, consistent with other property developers and current implementation of LAT in practice, only been required to pay, and have paid, provisional LAT at a rate of 1% on the gross proceeds of sale and, accordingly, LAT has been estimated to arise on that basis during the forecast period. Further, with respect to the real estate industry in particular, the PRC Government will not impose material changes to, or impose, additional austerity measures to dampen the sales and prices of properties. Land certificates, sales permits, planning permits for construction works and permits for commencement of construction works related to properties under development will be granted to us before the commencement of sale of each related project.

- There will be no material changes in the bases or rates of taxation or the policies with respect to imposition of such taxation, in the countries or territories in which the Group operates.

- There will be no material changes in interest rates or foreign currency exchange rates from those currently prevailing as at the date of this prospectus.

- The Group's operations and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the directors, including the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents.

- Major contracts for the sales and leases of properties will not be cancelled. Properties of the Group are developed in accordance with management's plans and there are no substantial variations of construction costs from budgeted amount. There are no substantial changes in development schedule due to relocation and Government approvals.

- No further equity capital will be raised by the Company during the forecast period.

LETTERS

Set out below are texts of the letters received from Deloitte Touche Tohmatsu, the auditors and reporting accountants of the Company, and from the Joint Sponsors, in connection with the forecast net profit of the Group attributable to equity holders of the Company for the year ending 31 December 2006.

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

20 September 2006

The Directors
Shui On Land Limited
Deutsche Bank AG, Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
J.P. Morgan Securities (Asia Pacific) Limited

Dear Sirs

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the net profit of Shui On Land Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending 31 December 2006 (the "Profit Forecast") attributable to equity holders of the Company as set out in the section headed "Financial Information — Profit Forecast" of the prospectus of the Company dated 20 September 2006 (the "Prospectus").

We conducted our work in accordance with the Auditing Guideline 3.341 on "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast attributable to the equity holders of the Company, for which the directors of the Company are solely responsible, have been prepared by them based on the audited results of the Company for the three months ended 31 March 2006 shown in Appendix I to the Prospectus and a forecast of the results for the remaining nine months ending 31 December 2006.

In our opinion, the Profit Forecast attributable to the equity holders of the Company, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out under the section headed "Profit Forecast for the year ending 31 December 2006 — Bases and assumptions" and is presented on a basis consistent in all material respects with the accounting policies adopted in preparing the Accountants' Report dated 20 September 2006, as set out in Appendix I to the Prospectus.

Without qualifying our opinion above, we draw to your attention that the directors of the Company have disclosed in the section headed "Profit Forecast for the year ending 31 December 2006 — Bases and assumptions" in Appendix III to the Prospectus the following:

- In preparing the Profit Forecast, the directors have assumed that there will be a credit to the income statement in respect of the revaluation increase on investment properties, net of deferred tax effect and share of minority interests, amounting to RMB76 million which is estimated based on projected valuation at 31 December 2006 according to a basis of valuation which is, so far as practicable in the opinion of the directors, consistent with the basis of valuation which has been adopted by their independent property valuer in valuing the properties for the purposes of the audited consolidated financial statements of the Company for the year ended 31 December 2005 and the three months ended 31 March 2006. While the directors believe this is the best estimate of the revaluation increase on the investment properties for the year ending 31 December 2006, and the independent property valuer is of the view that the assumptions upon which the forecast is based are reasonable, the fair value of the investment properties and/or any revaluation increase or decrease on investment properties as at the relevant time may differ materially from their estimate. Should the actual increase or decrease in fair value of the investment properties differ from the amount estimated by the directors, such difference would have the effect of increasing or decreasing the net profit of the Group for the year ending 31 December 2006.

- In preparing the Profit Forecast, the directors have assumed that there will be a charge to the income statement in respect of the increase in fair value of the Warrants amounting to RMB356 million which is estimated based on an assumed offer price of the Company's shares of HK$5.35 per Share (representing the Maximum Offer Price) and on the basis that all the Warrants are exercised in full automatically upon Listing. The amount of actual adjustments to the fair value of the Warrants for the year ending 31 December 2006 will be dependent on the actual offer price of the Company's shares. Should the amount of actual adjustments differ from the amount estimated by the directors, such difference would have the effect of increasing the net profit of the Group for the year ending 31 December 2006.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deutsche Bank

Deutsche Bank AG,
Hong Kong Branch
55/F Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

HSBC

The Hongkong and Shanghai
Banking Corporation Limited
1 Queen's Road Central
Central
Hong Kong

JPMorgan

J.P. Morgan Securities
(Asia Pacific) Limited
28/F Chater House
8 Connaught Road Central
Central
Hong Kong

20 September 2006

The Directors
Shui On Land Limited

Dear Sirs

We refer to the forecast of the net profit of Shui On Land Limited ("Company") and its subsidiaries (together the "Group") for the year ending 31 December 2006 (the "Profit Forecast") attributable to equity holders of the Company as set out in the section entitled "Financial Information — Profit Forecast" of the prospectus of the Company dated 20 September 2006 (the "Prospectus").

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered, and relied upon, the letter dated 20 September 2006 from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and upon the bases and assumptions of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Forecast, for which you are solely responsible, have been made after due and careful enquiry.

Yours faithfully

For and on behalf of
Deutsche Bank AG,
Hong Kong Branch

Douglas Morton
Managing Director

Charles Tsui
Director

For and on behalf of
The Hongkong and Shanghai
Banking Corporation Limited

Stephen J Clark
Managing Director

For and on behalf of
J.P. Morgan Securities
(Asia Pacific) Limited

Nicholas R Johnson
Vice President

Set out below is the text of a letter with the summary of values and valuation report received from Knight Frank Petty Limited, prepared for the purpose of incorporation in the prospectus, in connection with their valuation as at 30 June 2006 of the property interests of the Group in the PRC and Hong Kong.

Knight Frank
PETTY 卓德·萊坊

International Property Consultants

4/F Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Tel 2840 1177
Fax 2840 0600

20 September 2006

The Directors
Shui On Land Limited
26/F Shui On Plaza
333 Huai Hai Zhong Road
Shanghai
The PRC

Dear Sirs

In accordance with your instructions for us to value the property interests held by Shui On Land Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such property interests as at 30 June 2006. We have also included the valuation of the property interests as at 31 March 2006 in this valuation report as a supplement. *(All the contents in this report are referring to the valuation date of 30 June 2006 except the note specially referring to the valuation as at 31 March 2006 mentioned under the valuation figures of 31 March 2006 in the content of each valuation report.)*

Our valuation is our opinion of the market value of the property which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

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

We have valued Property Nos. 1 to 4 of Group I by reference to sales evidence as available on the market and where appropriate on the basis of capitalisation of the net incomes shown on the documents handed to us by the Group. We have allowed for outgoings, and where appropriate, made provisions for reversionary income potential.

We have valued Property No. 5 of Group II and Property No. 6 of Group III by using "Direct Comparison Approach" whenever market comparable transactions are available and assumed sale of property interests with the benefit of vacant possession.

We have valued Property Nos. 7 to 11 of Group IV and Property Nos. 12, 15, 16 and 22 of Group V on the basis that the property interests will be developed and completed in accordance with the development proposals provided to us. We have assumed that the approvals for the proposals have been obtained. In arriving at our opinion of capital values, we have valued the property interests by making reference to comparable transactions in the locality and have also taken into account the construction costs that will be expended to complete the developments to reflect the quality of the completed developments.

According to the Group's PRC legal advisers' (Jin Mao Law Firm) opinion, land use right certificates to portion of the property interests in Group V have not yet been obtained. Also, the Group's PRC legal adviser are of the opinion that the land use right certificates to those property interests can be obtained without any legal obstacle upon full settlement of the outstanding land premium, compensation/resettlement costs and relevant taxes and through proper application procedures. The property interests can be freely transferred, let or mortgaged in the market upon obtaining the land use right certificates. Nonetheless, due to lack of proper legal title or insufficient title proofs, we have assigned no commercial value to the property interests in Group V except Property Nos. 12, 15, 16 and 22. We have estimated the market values of the property interests in Group V except Property Nos. 12 and 15 based on the assumption that proper titles have been obtained and all outstanding premium, compensation/resettlement costs and any associated payments have been fully settled. The market values of those property interests and the relevant details have been disclosed in the relevant property report for reference purpose.

We have attributed no commercial value to the property interests in Group VI and VII, which are leased by the Group in Hong Kong and the PRC respectively, due to prohibition against assignment or sub-letting or otherwise due to lack of substantial profit rents.

We have been provided with copies of extracts of title documents relating to the properties. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Group and its legal adviser, Jin Mao Law Firm, on the PRC laws, regarding the title and other legal matters relating to the properties.

We have relied to a considerable extent on the information given by the Group and the legal opinion of the Group's PRC legal adviser. We have no reason to doubt the truth and accuracy of the information provided to us by the Group and/or its PRC legal adviser which is material to the valuation. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, ownership, completion dates of buildings, particulars of occupancy, tenancy details, floor and site areas, development proposals, construction costs and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us and are therefore only approximations. We have not been able to carry out on-site measurements to verify the correctness of the site and floor areas of the properties and we have assumed that the site and the floor areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out site investigations to determine the suitability of ground conditions and services, etc for any future developments. Our valuations are prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

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

In preparing our valuation report, we have complied with the "First Edition of The HKIS Valuation Standards on Properties" published by the Hong Kong Institute of Surveyors and all the requirements contained in the provision of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

All money amounts stated are in Renminbi. The exchange rate adopted for conversion is US$1:RMB7.99 and there has been no material fluctuation of the exchange rate between the valuation date and the date of this letter.

Our summary of values and valuation report are attached.

Yours faithfully	Yours faithfully
For and on behalf of	For and on behalf of
Knight Frank Petty Limited	**Knight Frank Petty Limited**
Alex S L Ng	**Clement W M Leung**
MRICS MHKIS RPS (GP)	*BSc (Hons) MRICS MHKIS RPS (GP)*
Executive Director	*Executive Director*

Notes: Alex S L Ng, M.R.I.C.S, M.H.K.I.S., R.P.S. (G.P.), has been a qualified valuer with Knight Frank Petty Limited since November 1995 and has 19 years' experience in the valuation of properties in Hong Kong and has been involved in the valuation of properties in the People's Republic of China and the Asia Pacific regions since 1988.

Clement W M Leung, BSc (Hons)., M.R.I.C.S., M.H.K.I.S., R.P.S.(G.P.), has been a qualified valuer with Knight Frank Petty Limited since August 1999 and has 13 years' experience in the valuation of properties in Hong Kong and has extensive experience in the valuation of properties in the People's Republic of China and the Asia Pacific regions.

SUMMARY OF VALUES

	Property	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2006	Capital value in existing state attributable to the Group as at 30 June 2006
		RMB	*RMB*		*RMB*	*RMB*
	Group I – Property interests held by the Group for investment purpose in the PRC					
	Shanghai Rui Hong Xin Cheng Project					
1	Commercial portion and car parking spaces of Shanghai Rui Hong Xin Cheng (Lot 149) Hong Kou District Shanghai The PRC	533,500,000	502,600,000	99%	528,165,000	497,574,000
	(Portion of car parking spaces with a total GFA of 5,415 sq m had been sold as at 30 June 2006, which have been excluded in our valuation as at 30 June 2006. The total GFA of the property to be valued was approximately 50,016 sq m and 44,601 sq m as at 31 March 2006 and 30 June 2006 respectively.)					
	Shanghai Taipingqiao Project					
2	Lot 109-I, 109-II, 112-I and 112-II Shanghai Xintiandi Taipingqiao Area Lu Wan District Shanghai The PRC	3,006,000,000	3,158,000,000	97%	2,915,820,000	3,063,260,000
3	Lot 110 Taipingqiao Area Lu Wan District Shanghai The PRC	2,745,000,000	2,760,000,000	99%	2,717,550,000	2,732,400,000
	Hangzhou Xihu Tiandi Project					
4	Hangzhou Xihu Tiandi Phase 1 Xihu Main Road Shang Cheng District Hangzhou Zhejiang Province The PRC	No commercial value	No commercial value		No commercial value	No commercial value
				Sub-total:	6,161,535,000	6,293,234,000

	Property	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2006	Capital value in existing state attributable to the Group as at 30 June 2006
		RMB	*RMB*		*RMB*	*RMB*
	Group II – Property interest held by the Group for sale purpose in the PRC					
	Shanghai Rui Hong Xin Cheng Project					
5	Unsold residential portion of Shanghai Rui Hong Xin Cheng (Lot 149) Hong Kou District Shanghai The PRC	201,400,000	74,100,000	99%	199,386,000	73,359,000
	(Portion of residential units with a total GFA of 8,643 sq m had been sold between 1 April 2006 to 30 June 2006, which have been excluded in our valuation as at 30 June 2006. The total GFA of the property to be valued was approximately 13,427 sq m and 4,784 sq m as at 31 March 2006 and 30 June 2006 respectively.)					
				Sub-total:	199,386,000	73,359,000
	Group III – Property interest held by the Group in the PRC					
	Shanghai Taipingqiao Project					
6	Unsold portion of Lakeville Lot 117 Taipingqiao Area Lu Wan District Shanghai The PRC	24,000,000	24,000,000	69.3%	16,632,000	16,632,000
				Sub-total:	16,632,000	16,632,000
	Group IV – Property interests held by the Group under development in the PRC					
	Shanghai Rui Hong Xin Cheng Project					
7	Block Nos. 15 and 16 of Shanghai Rui Hong Xin Cheng (Lot 149) Hong Kou District Shanghai The PRC	381,000,000	369,000,000	99%	377,190,000	365,310,000
	Shanghai Taipingqiao Project					
8	Lot 114 Taipingqiao Area Lu Wan District Shanghai The PRC	5,304,000,000	4,293,000,000	69.3%	3,675,672,000	2,975,049,000
	(We have excluded the pre-sold residential portion with a total GFA of 35,404 sq m in our valuation as at 30 June 2006. The total GFA of the property to be valued was approximately 169,809 sq m and 134,405 sq m as at 31 March 2006 and 30 June 2006 respectively.)					

	Property	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2006	Capital value in existing state attributable to the Group as at 30 June 2006
		RMB	*RMB*		*RMB*	*RMB*
	Shanghai Knowledge and Innovation Community Project					
9	A development site west of Song Hu Road north of Zheng Min Road and east of Guo Ding Road Live Work Area Phase 1 (R1) Shanghai Knowledge and Innovation Community Yang Pu District Shanghai The PRC	1,175,000,000	1,223,000,000	70%	822,500,000	856,100,000
10	A development site Hub Area 1 Shanghai Knowledge and Innovation Community Yang Pu District Shanghai The PRC	859,000,000	872,000,000	70%	601,300,000	610,400,000
	Chongqing Tiandi Project					
11	Phase 1A of Chongqing Tiandi Project Hualongqiao Development Area Yu Zhong District Chongqing The PRC	90,000,000	182,000,000	99%	89,100,000	180,180,000
				Sub-total:	5,565,762,000	4,987,039,000
	Group V − Property interests held by the Group for future development in the PRC					
	Shanghai Rui Hong Xin Cheng Project					
12	Shanghai Rui Hong Xin Cheng (Lot 1, 2, 3, 4, 6, 7, 8, 9 and 10) Hong Kou District Shanghai The PRC	6,270,000,000	6,420,000,000	99%	6,207,300,000	6,355,800,000

	Property	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2006	Capital value in existing state attributable to the Group as at 30 June 2006
		RMB	*RMB*		*RMB*	*RMB*
	Hangzhou Xihu Tiandi Project					
13	Hangzhou Xihu Tiandi Phase 2 Xihu Main Road Sheng Cheng District Hangzhou Zhejiang Province The PRC	No commercial value	No commercial value		No commercial value	No commercial value

(No commercial value has been assigned to the property as the land use right certificate has not yet been obtained as at the dates of valuation. However, based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market value of the property was RMB458,000,000 and RMB430,000,000 as at 31 March 2006 and 30 June 2006 respectively.)

	Property	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2006	Capital value in existing state attributable to the Group as at 30 June 2006
	Shanghai Knowledge and Innovation Community Project					
14	A development site Hub Area 2 Shanghai Knowledge and Innovation Community Yang Pu District Shanghai The PRC	No commercial value	No commercial value		No commercial value	No commercial value

(No commercial value has been assigned to the property as the land use right certificate has not yet been obtained as at the dates of valuation. However, based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market value of the property was RMB281,000,000 and RMB292,000,000 as at 31 March 2006 and 30 June 2006 respectively.)

	Property	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2006	Capital value in existing state attributable to the Group as at 30 June 2006
15	A development site (R2) west of Song Hu Road north of Zheng Min Road and east of Guo Ding Road Shanghai Knowledge and Innovation Community Yang Pu District Shanghai The PRC	488,000,000	549,000,000	70%	341,600,000	384,300,000

	Property	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2006	Capital value in existing state attributable to the Group as at 30 June 2006
		RMB	*RMB*		*RMB*	*RMB*
16	A development site (R3, R4, C1, C2 and C3) Shanghai Knowledge and Innovation Community Yang Pu District Shanghai The PRC	82,000,000	77,000,000	70%	57,400,000	53,900,000

(Except for portion of C1 site of the property that the Certificate of Real Estate Ownership has been obtained, no commercial value has been assigned to the remaining of the property as the land use right certificate has not yet been obtained as at the dates of valuation. However, based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market value of the property (including the market value of whole C1 site) was RMB1,531,000,000 and RMB1,619,000,000 as at 31 March 2006 and 30 June 2006 respectively.)

	Chongqing Tiandi Project					
17	Phases 1B, 1C, 1D, 2A, 2B, 2C, 2D and 2E of Chongqing Tiandi Project Hualongqiao Development Area Yu Zhong District Chongqing The PRC	No commercial value	No commercial value		No commercial value	No commercial value

(No commercial value has been assigned to the property as the land use right certificate has not yet been obtained as at the dates of valuation. However, based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market value of the property was RMB4,605,000,000 and RMB5,417,000,000 as at 31 March 2006 and 30 June 2006 respectively.)

18	Phase 3 of Chongqing Tiandi Project Hualongqiao Development Area Yu Zhong District Chongqing The PRC	No commercial value	No commercial value		No commercial value	No commercial value

(No commercial value has been assigned to the property as the land use right certificate has not yet been obtained as at the dates of valuation. However, based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market value of the property was RMB109,000,000 and RMB134,000,000 as at 31 March 2006 and 30 June 2006 respectively.)

	Property	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2006	Capital value in existing state attributable to the Group as at 30 June 2006
		RMB	*RMB*		*RMB*	*RMB*
	Shanghai Taipingqiao Project					
19	Lot 113 Taipingqiao Area Lu Wan District Shanghai The PRC	No commercial value	No commercial value		No commercial value	No commercial value
20	Lot 116, 118, 122, 126 and 127 Taipingqiao Area Lu Wan District Shanghai The PRC	No commercial value	No commercial value		No commercial value	No commercial value
21	Lot 115, 119, 120, 123, 124 and 132 Taipingqiao Area Lu Wan District Shanghai The PRC	No commercial value	No commercial value		No commercial value	No commercial value

Note to 19: *(No commercial value has been assigned to the property as the land use right certificate has not yet been obtained as at the dates of valuation. However, based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market value of the property was RMB2,601,000,000 and RMB2,748,000,000 as at 31 March 2006 and 30 June 2006 respectively.)*

Note to 20: *(No commercial value has been assigned to the property as the land use right certificate has not yet been obtained as at the dates of valuation. However, based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market value of the property was RMB8,424,000,000 and RMB8,680,000,000 as at 31 March 2006 and 30 June 2006 respectively.)*

Note to 21: *(No commercial value has been assigned to the property as the land use right certificate has not yet been obtained as at the dates of valuation. However, based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market value of the property was RMB5,715,000,000 and RMB5,854,000,000 as at 31 March 2006 and 30 June 2006 respectively.)*

	Property	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2006	Capital value in existing state attributable to the Group as at 30 June 2006
		RMB	*RMB*		*RMB*	*RMB*
	Wuhan Yongqing Project					
22	Sites A and B Wuhan Yongqing Project Yongqing Street Jiang'an District Wuhan Hubei Province The PRC	No commercial value	2,088,000,000	100%	No commercial value	2,088,000,000

(Except for portion of site A of the property that the State-owned Land Use Right Certificates have been obtained on 18 August 2006, no commercial value has been assigned to the remainder of the property as the land use right certificate has not yet been obtained as at the dates of valuation. However, based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market value of the property (including the market value of whole site A) was RMB4,107,000,000 and RMB4,730,000,000 as at 31 March 2006 and 30 June 2006 respectively.)

				Sub-total:	6,606,300,000	8,882,000,000

(Based on the assumption that the land use right certificates of property nos. 13, 14, 16, 17, 18, 19, 20, 21 and 22 have been obtained and the land premium and relocation cost have been fully paid, the total market value of those property was RMB27,831,000,000 and RMB29,904,000,000 as at 31 March 2006 and 30 June 2006 respectively.)

Group VI – Property interest leased by the Group in Hong Kong

23	Various units of Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	No commercial value	No commercial value		No commercial value	No commercial value
				Sub-total:	No commercial value	No commercial value

Group VII – Property interests leased by the Group in the PRC

24	Units 1201, 2502, 2503-2507, 2510A, 2511, 2512, 2601-2603 and 26G Shui On Plaza 333 Huai Hai Zhong Road Lu Wan District Shanghai The PRC	No commercial value	No commercial value		No commercial value	No commercial value
25	Portion of Basement 1 of Shanghai Rui Hong Xin Cheng 333 Lin Ping Road Hong Kou District Shanghai The PRC	No commercial value	No commercial value		No commercial value	No commercial value

	Property	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 March 2006	Capital value in existing state attributable to the Group as at 30 June 2006
		RMB	*RMB*		*RMB*	*RMB*
26	Level 9 and Unit 2801 of Office Tower Hilton Hotel Zhongshan San Road Chongqing The PRC	No commercial value	No commercial value		No commercial value	No commercial value
27	Units 516-519, 520 and 514 of Jujing Yuan Chongjin Plaza Xihu Main Road Hangzhou Zhejiang Province The PRC	No commercial value	No commercial value		No commercial value	No commercial value
28	Units 3303, 3305-3308, 3309 and Unit C on Level 33 New World International Trade Centre 568 Hankou Jianshe Main Road Wuhan Hubei Province The PRC	No commercial value	No commercial value		No commercial value	No commercial value
29	Units 1 to 6 on Level 15 98 Song Hu Road Yang Pu District Shanghai The PRC	No commercial value	No commercial value		No commercial value	No commercial value
30	Units 2004 and 2007 on Level 20 of Block A 1555 Kong Jiang Road Yang Pu District Shanghai The PRC	No commercial value	No commercial value		No commercial value	No commercial value
				Sub-total:	No commercial value	No commercial value
				Grand-total:	18,549,615,000	20,252,264,000

(For property nos. 11, 17 and 18, as advised by the Group, the interest of the Joint Venture attributable to the Group is changed from 99% to 79.4% pursuant to two Agreements of shares sale and purchase entered into between Shui On Development (Holdings) Limited and Winnington Capital Limited on 1 September 2006 and Ocean Equity Holdings Limited on 9 September 2006.)

VALUATION REPORT

Group I − Property interests held by the Group for investment purpose in the PRC

<table>
<tr><th></th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at 31 March 2006</th><th>Capital value in existing state as at 30 June 2006</th></tr>
<tr><td>1</td><td>Commercial portion and car parking spaces of Shanghai Rui Hong Xin Cheng (Lot 149)
Hong Kou District
Shanghai
The PRC</td><td><p>Shanghai Rui Hong Xin Cheng (“RHXC”) is situated on Linping Road in Hong Kou District, Shanghai, with a total site area of approximately 350,000 sq m (3,767,400 sq ft). The whole development will be constructed in phases and comprise various high-rise residential blocks with a total GFA of approximately 1,100,000 sq m (11,840,400 sq ft).</p><p>Lot 11 and Lot 174 of RHXC were amalgamated to form one site re-named as Lot 149 with a total site area of approximately 45,131 sq m (485,790 sq ft). RHXC will also be supplemented by public amenities and other facilities including an underground car park, garden, a club house and a ground level pedestrian plaza. The commercial component of Lot 149 includes a 2-level shopping complex and a 3-level commercial podium situated beneath the residential blocks completed in 2004 and 2005.</p><p>The property comprises commercial portion and car parking spaces of RHXC (Lot 149). Details of the GFAs are as follows:</p>
<table>
<tr><th></th><th colspan="2">GFA</th></tr>
<tr><th></th><th><i>sq m</i></th><th><i>sq ft</i></th></tr>
<tr><td>Commercial</td><td>9,611.33</td><td>103,456</td></tr>
<tr><td>Club house</td><td>5,212.64</td><td>56,109</td></tr>
<tr><td>Sub-total</td><td>14,823.97</td><td>159,565</td></tr>
<tr><td>Commercial (Basement)</td><td>15,074.82</td><td>162,265</td></tr>
<tr><td>Carpark (Basement)</td><td>13,388.00</td><td>144,108</td></tr>
<tr><td>Other</td><td>1,314.62</td><td>14,151</td></tr>
<tr><td>Total</td><td>44,601.41</td><td>480,090</td></tr>
</table>
<p>The land use right term of RHXC (Lot 149) is held for a term of 70 years commencing from 20 November 2001 and expiring on 19 November 2071 for residential use.</p></td><td>Portion of commercial podium of the property with a total lettable area of approximately 17,347 sq m has been leased under various tenancies with the latest term expiring on 12 April 2019 yielding a total monthly base rental of RMB1,590,000 exclusive of management fee whereas the remaining portion of the property is vacant.</td><td>RMB533,500,000

(99% interest attributable to the Group: RMB528,165,000)</td><td>RMB502,600,000

(99% interest attributable to the Group: RMB497,574,000)

<i>(please see note 10)</i></td></tr>
</table>

Notes:

1. Pursuant to the co-operative Joint Venture Contract entered into between Shanghai Zhong Hong (Group) Company Limited ("Party A") and Hollyfield Holdings Limited ("Party B") dated 27 April 2001 and the approval letter No. Hu Wai Zi Wei Xie (2006) 214 dated 20 January 2006, both parties agreed to establish a co-operative joint-venture company. The salient conditions as stipulated in the co-operative Joint Venture Contract and the approval letter are, inter alia, cited as follows:

   (i) Name of joint-venture company: Shanghai Rui Hong Xin Cheng Co., Ltd. (the "Joint Venture")

   (ii) Period of operation: 70 years from the date of issuance of business licence

   (iii) Total investment amount: RMB1,700,000,000

   (iv) Registered capital: RMB567,000,000 (Party A:1%, Party B: 99%)

2. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.

3. Pursuant to the Business Licence No. Qi Zuo Hu Zong Zi Di 028894 dated 7 February 2006, the Joint Venture was incorporated with a registered capital of RMB567,000,000 for a valid period from 2 July 2001 to 1 July 2071. The scope of business for the Joint Venture includes construction, development and operation of real estate within the old districts of Hong Zheng and Xin Gang; leasing and sales of real estate; provision of amenities, commercial and entertainment facilities in association with real estate development; and property management.

4. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2001) Di 036585 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 29 November 2001, the title to the land (Lot 149) with a site area of approximately 45,131 sq m is vested in the Joint Venture for a term commencing from 20 November 2001 and expiring on 19 November 2071 for residential use.

5. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2004) Di 013175 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 4 June 2004, the title to the property (Block Nos 1-3 and 5-8) with a total GFA of 95,020.04 sq m is vested in the Joint Venture for residential use.

6. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2004) Di 015979 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 8 July 2004, the title to the property (Block Nos 13 and 14) with a total GFA of 49,375.5 sq m is vested in the Joint Venture for residential use.

7. Pursuant to the Pre-sale Permit No. Hong Kou (2003) Yu Zi 030 issued by the Shanghai Hong Kou Real Estate and Land Administration Bureau dated 7 August 2003, Block Nos. 1 to 3 and 5 to 8 of Shanghai RHXC (Lot 149) were allowed to be pre-sold.

8. Pursuant to the Supplementary Contract No. Hu Fang Di (2002) Chu Rang He Tong (Hong) Bu Zi Di 001, Lot 174 and Lot 11 were combined to form a site with an area of approximately 45,131 sq m. As advised by the Group, the combined site is named as Lot 149.

9. The valuations of the commercial podium of the property as at 31 March 2006 and 30 June 2006 are RMB399,000,000 and RMB401,000,000 respectively.

10. As advised by the Group, portion of car parking spaces with a total GFA of approximately 5,415 sq m had been sold as at 30 June 2006 and we have excluded the said portion from our valuation.

11. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

    The Joint Venture has legally obtained the land use rights of the property and the ownership of the buildings erected thereon. The Joint Venture is the sole owner of the property and has the rights to sell the buildings.

    Except for Block Nos. 1-3 and 5-8 of the property owned by the Joint Venture, the property is subject to a mortgage and all relevant consents, approvals for the mortgage have been obtained. The mortgage is legal, valid and enforceable. The property can be legally transferred, let, occupied, managed and handled subject to approval from the mortgagor.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
2	Lot 109-I, 109-II, 112-I and 112-II Shanghai Xintiandi Taipingqiao Area Lu Wan District Shanghai The PRC	Shanghai Xintiandi is Phase 1 of the entire Taipingqiao redevelopment area and is a mixed use property development project located at the city centre of Shanghai - the Taipingqiao Area in Lu Wan District. It is located only one block south of Huai Hai Zhong Road and at the intersection of Shanghai's major urban freeways. The property comprises 4 plots of land (namely Lot 109-I, 109-II, Lot 112-I and 112-II) and was developed as a low density commercial, residential, entertainment and cultural complex by refurbishment of existing Li Long buildings together with some low-rise modern buildings. The total site area of the property is approximately 29,706 sq m (319,755 sq ft). The property was developed in two phases completed in 2001 and May 2002 respectively, providing the following approximate GFAs:	The property is being occupied as restaurants, office, shops, etc. Portion of the property with a total lettable area of approximately 38,819 sq m has been leased under various tenancies with the latest term expiring on 30 September 2020 yielding a total monthly base rental of approximately RMB13,500,000 exclusive of management fee whereas the remaining portion of the property is vacant.	RMB3,006,000,000 (97% interest attributable to the Group: RMB2,915,820,000)	RMB3,158,000,000 (97% interest attributable to the Group: RMB3,063,260,000)

Lot 109-I

House No.	GFA	
	sq m	*sq ft*
6 (Commercial)	717.43	7,722
7 (Commercial)	699.94	7,534
8 (Commercial)	680.14	7,321
9 (Commercial)	412.99	4,445
10 (Commercial)	636.29	6,849
11 (Commercial)	559.16	6,019
12 (Commercial)	346.63	3,731
15 (Commercial)	1,130.66	12,170
25 (Commercial)	659.56	7,100
26 (Commercial)	96.12	1,035
Other	78.30	843
Sub-total	6,017.22	64,769

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006

Lot 109-II

House No.	GFA	
	sq m	*sq ft*
1 (clubhouse)	1,234.24	13,285
1 (commercial)	185.19	1,993
2, 3 & 5 (commercial)	1,390.60	4,968
16 (commercial)	1,311.01	14,112
17 (commercial)	1,870.26	20,131
18 (commercial)	732.67	7,886
19, 20, 21(commercial)	1,021.47	10,995
22, 23 (commercial)	1,694.05	18,235
27 (commercial)	1,209.04	13,014
27 (office)	1,452.16	15,631
28 (commercial)	1,145.74	12,333
28 (office)	2,535.04	27,287
Other	1,355.09	14,586
Sub-total	17,136.56	184,458

Lot 112-I

House No.	GFA	
	sq m	*sq ft*
1 (commercial)	919.56	9,898
2-3 (commercial)	1,973.68	21,245
7 (commercial)	6,342.58	68,272
Other	315.34	3,394
Sub-total	9,551.16	102,809

Lot 112-II

House No.	GFA	
	sq m	*sq ft*
5 (commercial)	2,382.88	25,649
5 (serviced apartment)	4,726.47	50,876
6 (commercial)	18,204.05	195,948
6 (basement office)	696.00	7,492
Other	25.02	269
Sub-total	26,034.42	280,234
Grand Total	58,739.36	632,270
Carpark (basement)	10,153.53	109,293

The property is held under a land use right term of 50 years commencing from 19 August 1998 and expiring on 18 August 2048 for composite use.

Notes:

Lot 109

1. Pursuant to the co-operative Joint Venture Contract entered into between Shanghai Fuxing Construction and Development Company ("Party A") and Century Team Limited ("Party B") dated 1 December 1998 (the "Joint Venture Contract") and the approval letter No. Hu Wai Zi Wei Pi Zi (2002) Di 1481 dated 22 October 2002, both parties agreed to establish a co-operative joint venture company. The salient conditions as stipulated in the Joint Venture Contract and the approval letter are cited inter alia as follows:

   (i) Name of joint-venture company: Shanghai Ji Xing Properties Co., Ltd. ("Ji Xing")

   (ii) Period of operation: 50 years from the date of issuance of business licence

   (iii) Total investment amount: RMB170,430,000

   (iv) Registered capital: RMB71,600,000 (Party A: 3%, Party B: 97%)

2. According to the information provided, the profit sharing ratio for Ji Xing is 3% and 97% for Party A and Party B respectively.

3. Pursuant to the Business Licence No. Qi He Hu Zong Zi Di 025754 dated 2 November 2004, Ji Xing was incorporated with a registered capital of RMB71,600,000 for a valid period from 2 February 1999 to 1 February 2049 and the scope of business is to engage in planning, restructuring, development, construction, sale and lease of various properties which can be transferable to overseas buyers and ancillary facilities (for entertainment, commercial, residential, office and travel use) within the granted lands in the old city; to provide property consulting and management services; and to operate Chinese and western style restaurants (including sale of tobacco and alcohol), fast food restaurants, music bars, music tea houses, cafes, gymnasium facilities, swimming pools, squash courts, snooker rooms, parking spaces, exhibition facilities, beauty and hair-dressing parlors, wedding photography studios, Karaoke studios, entertainment halls, outdoor performance venues, game centers, business centers, and sale centers for souvenirs (separate licences shall be obtained if required).

4. Pursuant to the co-operative Joint Venture Contract entered into between Party A and Princemax Limited ("Party C") dated 1 December 1998 (the "Joint Venture Contract") and the approval letter No. Hu Wai Zi Wei Pi Zi (2002) Di 1482 dated 22 October 2002, both parties agreed to establish a co-operative joint venture company. The salient conditions as stipulated in the Joint Venture Contract and the approval letter are cited inter alia as follows:

   (i) Name of joint-venture company: Shanghai Bai Xing Properties Co., Ltd. ("Bai Xing")

   (ii) Period of operation: 50 years from the date of issuance of business licence

   (iii) Total investment amount: RMB419,900,000

   (iv) Registered capital: RMB151,300,000 (Party A: 3%, Party C: 97%)

5. According to the information provided, the profit sharing ratio for Bai Xing is 3% and 97% for Party A and Party C respectively.

6. Pursuant to the Business Licence No. Qi He Hu Zong Zi Di 025753 dated 11 November 2004, Bai Xing was incorporated with a registered capital of RMB151,300,000 for a valid period from 2 February 1999 to 1 February 2049 and the scope of business is to engage in planning, restructuring, development, construction, sale and lease of properties which can be transferable to overseas buyers and ancillary facilities (for entertainment, commercial,

residential, office and travel use) within the granted land at the old city; to provide property consulting and management services; and to operate Chinese and western style restaurant (including sale of tobacco and alcohol), fast food restaurants, music bars, music tea houses, cafes, gymnasium facilities, swimming pools, squash courts, snooker rooms, parking spaces, exhibition facilities, beauty and hair-dressing parlors, wedding photography studios, karaoke studios, entertainment halls, outdoor performance venues, game centers, business centers, and sale centers for souvenirs (separate licences shall be obtained, if required).

7. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (1999) Di 100084 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 31 May 1999, the title to the land located at Lot 109-I with a site area of approximately 5,886 sq m is vested in Ji Xing for a term commencing from 19 August 1998 and expiring on 18 August 2048 for composite use.

8. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (1999) Di 100083 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 31 May 1999, the title to the land located at Lot 109-II with a site area of approximately 8,558 sq m is vested in Bai Xing for a term commencing from 19 August 1998 and expiring on 18 August 2048 for composite use.

9. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2001) Di 010756 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 31 December 2001, the title to the property of Lot 109-I at Tai Cang Road 181 Nong Nos. 9-12 and 25 with a total GFA of approximately 2,634.12 sq m is vested in Ji Xing for commercial use.

10. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2001) Di 010757 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 31 December 2001, the title to the property of Lot 109-I at Tai Cang Road 181 Nong Nos. 15 and 26 with a total GFA areas of approximately 1,285.61 sq m is vested in Ji Xing for commercial use.

11. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2001) Di 010758 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 31 December 2001, the title to the property of Lot 109-I at Tai Cang Road Nos. 6-8 with a total GFA of approximately 2,097.51 sq m is vested in Ji Xing for commercial use.

12. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2001) Di 010759 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 31 December 2001, the title to the property of Lot 109-II at Tai Cang Road 181 Nong Nos. 19-23 with a total GFA of approximately 2,840.80 sq m is vested in Bai Xing for commercial use.

13. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2001) Di 010760 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 31 December 2001, the title to the property of Lot 109-II at Tai Cang Road 181 Nong Nos. 2, 3, 5, 16 and 18 with a total GFA of approximately 3,434.28 sq m is vested in Bai Xing for commercial use.

14. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2001) Di 010761 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 31 December 2001, the title to the property of Lot 109-II at Tai Cang Road 181 Nong Nos. 1 and 17 with a total GFA of approximately 3,316.59 sq m is vested in Bai Xing for commercial use.

15. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2002) Di 003005 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 1 April 2002, the title to the property of Lot 109-II at Tai Cang Road Nos. 27 and 28 with a total GFA of approximately 7,545.94 sq m is vested in Bai Xing for commercial use.

Lot 112

16. Pursuant to the co-operative Joint Venture Contract entered into between Party A and Kinmax Limited ("Party D") dated 1 December 1998 (the "Joint Venture Contract") and the approval letter No. Hu Wai Zi Wei Pi Zi (2002) Di 1479 dated 22 October 2002, both parties agreed to establish a co-operative joint venture company. The salient conditions as stipulated in the Joint Venture Contract and the approval letter are cited inter alia as follows:

    (i) Name of joint-venture company: Shanghai Xing Qi Properties Co., Ltd. ("Xing Qi")

    (ii) Period of operation: 50 years from the date of issuance of business licence

    (iii) Total investment amount: RMB816,680,000

    (iv) Registered capital: RMB274,900,000 (Party A: 3%, Party D: 97%)

17. According to the information provided, the profit sharing ratio for Xing Qi is 3% and 97% for Party A and Party D respectively.

18. Pursuant to the Business Licence No. Qi He Hu Zong Zi Di 025750 dated 11 November 2004, Xing Qi was incorporated with a registered capital of RMB274,900,000 for a valid period from 2 February 1999 to 1 February 2049 and the scope of business is to engage in planning, restructuring, development, construction, sale and lease of various properties which can be transferable to overseas buyers and ancillary facilities (for entertainment, commercial, residential, office and travel use) within the granted lands in the old city; to provide property consulting and management services; and to operate Chinese and Western style restaurants (including sale of tobacco and alcohol), fast food restaurants, music bars, music tea houses, cafes, gymnasium facilities, swimming pools, squash courts, snooker rooms, parking spaces, exhibition facilities, beauty and hair-dressing parlors, wedding photography studios, karaoke studios, entertainment halls, outdoor performance venues, game centers, theaters and sale apartments (separate licences shall be obtained, if required).

19. Pursuant to the co-operative Joint Venture Contract entered into between Party A and Focus Top Limited ("Party E") dated 1 December 1998 (the "Joint Venture Contract") and the approval letter No. Hu Wai Zi Wei Pi Zi (2002) Di 1480 dated 22 October 2002, both parties agreed to establish a co-operative joint venture company. The salient conditions as stipulated in the Joint Venture Contract and the approval letter are cited inter alia as follows:

    (i) Name of joint-venture company: Shanghai Fu De Properties Co., Ltd. ("Fu De")

    (ii) Period of operation: 50 years from the date of issuance of business licence

    (iii) Total investment amount: RMB234,440,000

    (iv) Registered capital: RMB101,300,000 (Party A: 3%, Party E: 97%)

20. Pursuant to a document issued by Shanghai Foreign Investment Working Committee dated 16 July 2001, Fu De is allowed to change the name to Shanghai Xintiandi Plaza Co., Ltd. (hereinafter referred to as "Xintiandi").

21. According to the information provided, the profit sharing ratio for Xintiandi is 3% and 97% for Party A and Party E respectively.

22. Pursuant to the Business Licence No. Qi He Hu Zong Zi Di 025752 dated 9 November 2004, Xintiandi was incorporated with a registered capital of RMB101,300,000 for a valid period from 2 February 1999 to 1 February 2049 and the scope of business is to engage in planning, restructuring, development, construction, sale and lease

of various properties which can be transferable to overseas buyers and ancillary facilities (for entertainment, commercial, residential, office and travel use) within the granted land at the old city; to provide property consulting and management services; and to operate Chinese and western style restaurants (including sale of tobacco and alcohol), fast food restaurants, music bars, music tea houses, cafes, gymnasium facilities, swimming pools, squash courts, snooker rooms, parking spaces, exhibition facilities, beauty and hair-dressing parlors, wedding photography studios, karaoke studios, entertainment halls, outdoor performance venues, game centers, sale apartments (separate licences shall be obtained if required).

23. Pursuant to the Shanghai Real Estate Title Ownership Certificate No. Hu Fang Di Shi Zi (2001) Di 003633 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 23 May 2001, the title to the land located at Lot 112-I with a site area of approximately 6,559 sq m is vested in Xintiandi for a term commencing from 19 August 1998 and expiring on 18 August 2048 for composite use.

24. Pursuant to the Shanghai Real Estate Title Ownership Certificate No. Hu Fang Di Shi Zi (2001) Di 003634 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 23 May 2001, the title to the land located at Lot 112-II with a site area of approximately 8,703 sq m is vested in Xing Qi for a term commencing from 19 August 1998 and expiring on 18 August 2048 for composite use.

25. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2002) Di 012063 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 November 2002, the title to the property of Lot 112-I at Xingye Road 123 Nong No. 1-3 with a total GFA of approximately 2,907.58 sq m is vested in Xintiandi for composite use.

26. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2002) Di 012370 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 5 December 2002, the title to the property of Lot 112-II at Xingye Road 123 Nong No. 6 with a total GFA of approximately 24,926 sq m is vested in Xing Qi for composite use.

27. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2002) Di 012371issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 5 December 2002, the title to the property of Lot 112-II at Xingye Road 123 Nong No. 5 with a total GFA of approximately 7,134.37 sq m is vested in Xing Qi for composite use.

28. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2002) Di 012451 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 6 December 2002, the title to the property of Lot 112-I at Xingye Road 123 Nong No. 7 with a total GFA of approximately 10,771.16 sq m is vested in Xintiandi for composite use.

29. According to your specific terms of instruction to provide the market values of the clubhouse in Lot 109 and the serviced apartment in Lot 112 as at 31 March 2006 and 30 June 2006, the breakdowns are listed as follows:

Portion	**Market Value as at 31 March 2006**	**Market Value as at 30 June 2006**
	RMB	*RMB*
Clubhouse	80,600,000	79,600,000
Serviced apartment	191,700,000	189,300,000

30. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

Ji Xing, Bai Xing, Xintiandi and Xing Qi have legally obtained the land use rights of the property and the ownership of the buildings erected thereon. Ji Xing, Bai Xing, Xintiandi and Xing Qi are the sole owner of Lot 109-I, 109-II, 112-I and 112-II of the property respectively.

The property is subject to a mortgage and all relevant consents, approvals for the mortgage have been obtained. The mortgage is legal, valid and enforceable. The property can be legally transferred, let, occupied, managed and handled subject to approval from the mortgagor.

The property has been leased out and Ji Xing, Bai Xing, Xintiandi and Xing Qi have obtained consents from mortgagor to lease the property and has entered into lease contracts with the lessees with lease registration both duly completed and not yet completed. The lease contracts are legal, valid, enforceable and binding on the contractual parties. Ji Xing, Bai Xing, Xintiandi and Xing Qi enjoy their rights in receiving incomes from the property and other contractual rights as stipulated in the said contracts.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
3	Lot 110 Taipingqiao Area Lu Wan District Shanghai The PRC	The property is part of the Shanghai Taipingqiao Project. The property has a site area of approximately 11,119.00 sq m (119,685 sq ft). The property is bounded by Hu Bin Road on the south, Shun Chang Road on the east, Tai Cang Road on the north and Huang Pi Nan Road on the west within the Taipingqiao Area. The development comprises a 3-storey commercial building and two office buildings, Block A of 21-storey and Block B of 10-storey, both erected upon a common 2-storey commercial podium and a 2-level basement, which accommodates car parking spaces and other buildings facilities. It was completed in 2003. Two footbridges are on Level 2 of the commercial podium providing pedestrian links. The property provides the following approximate GFAs:	Portion of the property with a total lettable area of approximately 69,458 sq m has been leased under various tenancies with the latest term expiring on 19 September 2011 yielding a total monthly base rental of approximately RMB16,900,000 exclusive of management fee whereas the remaining portion of the property is vacant.	RMB2,745,000,000 (99% interest attributable to the Group: RMB2,717,550,000)	RMB2,760,000,000 (99% interest attributable to the Group: RMB2,732,400,000)

Retail	GFA	
	sq m	*sq ft*
Pavilion (Levels 1-3)	1,450.46	15,613
One Corporate Avenue (Levels 1-2)	2,127.63	22,902
Two Corporate Avenue (Levels 1-2)	3,796.83	40,869
Sub-total	7,374.92	79,384
Office		
One Corporate Avenue (Levels 3-25)	57,981.03	624,108
Two Corporate Avenue (Levels 3-11)	17,798.88	191,587
Sub-total	75,779.91	815,695
Car parking spaces (Basement)	14,664.94	157,853
Plant rooms (Basement)	407.74	4,389
Open space	632.05	6,803
Sub-total	15,704.73	169,046
Grand Total	98,859.56	1,064,124

The property is held under a land use right term of 50 years commencing from 16 May 2001 and expiring on 15 May 2051 for composite use.

Notes:

1. Pursuant to the Equity Joint Venture Contract dated 20 April 2001 entered into between Shanghai Fuxing Construction and Development Company Limited ("Party A") and Atlantic Best Limited ("Party B") and the approval letter No. Hu Wai Zi Wei Pi Zi (2001) Di 1915, both parties agreed to establish an equity joint-venture company to jointly develop Lot 110 in Lu Wan District. The salient conditions as stipulated in the joint venture contract and the approval letter are as follows:

   (i) Name of joint venture company: Shanghai Xing Bang Properties Co., Ltd. (the "Joint Venture")

   (ii) Period of operation: 50 years

   (iii) Total investment amount: RMB871,500,000

   (iv) Registered capital: RMB290,500,000 (Party A: 1%, Party B: 99%)

2. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.

3. Pursuant to the Business Licence No. Qi He Hu Zong Zi Di 028808 dated 8 November 2004, the Joint Venture was incorporated with a registered capital of RMB290,500,000 for a valid period from 21 June 2001 to 20 June 2051. The scope of business for the Joint Venture includes construction, development and operation of real estate; lease and sale of real estate; provision of amenities, commercial and entertainment facilities in association with real estate development; and property management.

4. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2001) Di 010129 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 18 December 2001, the title to the land with a site area of approximately 11,119 sq m is vested in the Joint Venture for a term commencing from 16 May 2001 and expiring on 15 May 2051 for composite use.

5. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Lu Zi (2004) Di 002166 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 9 March 2004, the title to the property with a total GFA of 98,080.47 sq m is vested in the Joint Venture for composite use.

6. In the course of our valuation, we have taken into account the current litigation against the property.

7. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   The Joint Venture has legally obtained the land use rights of the property and the ownership of the buildings erected thereon. The Joint Venture is the sole owner of the property.

   The property is subject to a mortgage and all relevant consents, approvals for the mortgage have been obtained. The mortgage is legal, valid and enforceable. The property can be legally transferred, let, occupied, managed and handled subject to approval from the mortgagor.

   The property has been leased out and the Joint Venture has obtained consents from mortgagor to lease the property and has entered into lease contracts with the lessees with lease registration both duly completed and not yet completed. The lease contracts are legal, valid, enforceable and binding on the contractual parties. The Joint Venture enjoys its rights in receiving incomes from the property and other contractual rights as stipulated in the said contracts.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
4	Hangzhou Xihu Tiandi Phase 1 Xihu Main Road Shang Cheng District Hangzhou Zhejiang Province The PRC	Hangzhou Xihu Tiandi ("XHTD") is situated on Xi Hu Main Road in Shang Cheng District of Hangzhou, with a total site area of approximately 51,072 sq m (549,739 sq ft). The whole development is being developed in two phases and will comprise various retail outlets with a total GFA of approximately 50,000 sq m (538,200 sq ft). First Phase (Phase 1) of XHTD comprises 10 retail blocks and amenities on site area of approximately 30,000 sq m (322,920 sq ft) completed in May 2003. Second Phase (Phase 2) of XHTD is scheduled to be constructed in mid 2005 and anticipated to be completed in 2 years. The property comprises Phase 1 of XHTD and the details of GFAs of the property are listed below:	The property has been fully leased under various tenancies with the latest term expiring on 24 May 2011 yielding a total monthly base rental of approximately RMB906,000 exclusive of management fee.	No commercial value *(please see to note 6)*	No commercial value *(please see to note 6)*

	GFA	
	sq m	*sq ft*
Block 2 Unit K	486.90	5,241
Club house	623.00	6,706
Block 3 Unit I	126.70	1,364
Block 5 Unit G	294.80	3,173
Block 6 Unit D	404.40	4,353
Block 7 Unit F	369.60	3,978
Block 8 Unit A	671.70	7,230
Block 9A Unit E1	666.90	7,179
Block 9B Unit E3	34.60	372
Block 10A Unit BC	1,671.20	17,989
Block 12 Unit H1	134.10	1,443
Total	5,483.90	59,029

Notes:

1. Pursuant to the Co-operative Contract dated 30 December 2002 entered into between 杭州風景園林發展總公司 (Hangzhou Feng Jing Yuan Lin Development Company) ("Party A") and Pacific Gain Limited ("Party B"), both parties agreed to form a co-operative company and the salient conditions are as follows:

    (i) Name of co-operative company: Hangzhou Xihu Tiandi Management Company Limited ("Hangzhou Xihu")

    (ii) Period of operation: 20 years

    (iii) Total investment amount: US$2,000,000

(iv) Registered capital: US$1,400,000 (Party A: operating right of the property, Party B: US$1,400,000)

2. The above-mentioned document contains, inter-alia, the following salient profit sharing arrangement:

(i) Hangzhou Xihu has to pay a fixed annual amount of RMB6,000,000 to Party A for the first 5 years commencing from 1 March 2003. When the operating profit of Hangzhou Xihu is over RMB12,000,000/year, Party A is entitled to 50% of the total profit of that year.

(ii) Starting from the sixth year, Hangzhou Xihu has to pay a fixed annual amount of RMB9,000,000 to Party A. When the operating profit of Hangzhou Xihu is over RMB18,000,000/year, Party A is entitled to 50% of the total profit of that year.

3. According to the information provided, the profit sharing ratio for Hangzhou Xihu is as follows:

(i) Hangzhou Xihu has to pay a fixed amount of RMB6,000,000 to Party A for the first 5 years commencing from 1 March 2003. When the operating profit of Hangzhou Xihu is over RMB12,000,000/year, Party A is entitled to 50% of the total profit of that year.

(ii) Starting from the sixth year, Hangzhou Xihu has to pay a fixed amount of RMB9,000,000 to Party A. When the operating profit of Hangzhou Xihu is over RMB18,000,000/year, Party A is entitled to 50% of the total profit of that year.

4. Pursuant to the Certificate of Approval for establishment of enterprises with investment for Taiwan, Hong Kong, Macau and overseas Chinese in the People's Republic of China dated 29 March 2004, Hangzhou Xihu was established with a registered capital of US$1,400,000 and a total investment amount of US$2,000,000 is allowed to operate for a period of 20 years.

5. Pursuant to the Business Licence dated 2 September 2003 issued by the Hangzhou Commercial Administration Bureau, Hangzhou Xihu was established with a registered capital of US$1,400,000 for a period commencing from 6 March 2003 and expiring on 5 March 2023. The scope of business includes property management and operating of a Chinese restaurant.

6. Due to the non-transferability of the property in the market, we have assigned no commercial value to the property.

7. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

The property has obtained all necessary permits and approvals for the construction of the development. Hangzhou Xihu has not obtained the land use rights of the property and the ownership of the buildings erected thereon. Hangzhou Xihu legally obtained the rights to operate and use the property according to the co-operative contract and memorandum of association.

Group II – Property interest held by the Group for sale purpose in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
5	Unsold residential portion of Shanghai Rui Hong Xin Cheng (Lot 149) Hong Kou District Shanghai The PRC	Shanghai Rui Hong Xin Cheng ("RHXC") is situated on Linping Road in Hong Kou District, Shanghai, with a total site area of approximately 350,000 sq m (3,767,400 sq ft). The whole development will be constructed in phases and comprise various high-rise residential blocks with a total GFA of approximately 1,100,000 sq m (11,840,400 sq ft). Lot 11 and Lot 174 of RHXC were amalgamated to form one site re-named as Lot 149 with a total site area of approximately 45,131 sq m (485,790 sq ft). RHXC will also be supplemented by public amenities and other facilities including an underground car park, garden, a club house and a ground level pedestrian plaza. The commercial component of Lot 149 includes a 2-level shopping complex and a 3-level commercial podium situated beneath the residential blocks completed in 2004 and 2005. The property comprises the unsold residential portion of Blocks 9 to 12 of RHXC (Lot 149) with a total GFA of 4,783.43 sq m (51,489 sq ft). The land use right term of RHXC (Lot 149) is held for a term of 70 years commencing from 20 November 2001 and expiring on 19 November 2071 for residential use.	The property is currently vacant.	RMB201,400,000 (99% interest attributable to the Group: RMB199,386,000)	RMB74,100,000 (99% interest attributable to the Group: RMB73,359,000) *(please see note 7)*

Notes:

1. Pursuant to the co-operative Joint Venture Contract entered into between Shanghai Zhong Hong (Group) Company Limited ("Party A") and Hollyfield Holdings Limited ("Party B") dated 27 April 2001 and the approval letter No. Hu Wai Zi Wei Xie (2006) 214 dated 20 January 2006, both parties agreed to establish a co-operative joint-venture company. The salient conditions as stipulated in the co-operative Joint Venture Contract and the approval letter are, inter alia, cited as follows:

   (i) Name of joint-venture company: Shanghai Rui Hong Xin Cheng Co., Ltd. (the "Joint Venture")

   (ii) Period of operation: 70 years from the date of issuance of business licence

   (iii) Total investment amount: RMB1,700,000,000

   (iv) Registered capital: RMB567,000,000 (Party A:1%, Party B: 99%)

2. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.

3. Pursuant to the Business Licence No. Qi Zuo Hu Zong Zi Di 028894 dated 7 February 2006, the Joint Venture was incorporated with a registered capital of RMB567,000,000 for a valid period from 2 July 2001 to 1 July 2071. The scope of business for the Joint Venture includes construction, development and operation of real estate within the old districts of Hong Zheng and Xin Gang; leasing and sales of real estate; provision of amenities, commercial and entertainment facilities in association with real estate development; and property management.

4. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2001) Di 036585 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 29 November 2001, the title to the land (Lot 149) with a site area of approximately 45,131 sq m is vested in the Joint Venture for a term commencing from 20 November 2001 and expiring on 19 November 2071 for residential use.

5. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2005) Di 010078 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 8 May 2005, the title to the property (Block Nos 9-12) with a total GFA of 65,203.36 sq m is vested in the Joint Venture for residential use.

6. Pursuant to the Supplementary Contract No. Hu Fang Di (2002) Chu Rang He Tong (Hong) Bu Zi Di 001, Lot 174 and Lot 11 were combined to form a site with an area of approximately 45,131 sq m. As advised by the Group, the combined site is named as Lot 149.

7. As advised by the Group, portion of residential units (Blocks 9 to 12) with a total GFA of approximately 8,643 sq m had been sold between 1 April 2006 to 30 June 2006 with a total consideration of approximately RMB129,200,000 and we have excluded the said portion from our valuation.

8. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   The Joint Venture has legally obtained the land use rights of the property and the ownership of the buildings erected thereon. The Joint Venture is the sole owner of the property and has the rights to sell the buildings.

   Except for Block Nos. 1-3 and 5-8 of the property owned by the Joint Venture, the property is subject to a mortgage and all relevant consents, approvals for the mortgage have been obtained. The mortgage is legal, valid and enforceable. The property can be legally transferred, let, occupied, managed and handled subject to approval from the mortgagor.

Group III – Property interest held by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
6	Unsold portion of Lakeville Lot 117 Taipingqiao Area Lu Wan District Shanghai The PRC	Lakeville (the "Development") is part of the Shanghai Taipingqiao Project with a site area of approximately 16,937 sq m (182,310 sq ft). The Development is bounded by Zhi Zhong Road on the north, Shun Chang Road on the west, Fu Xing Zhong Road on the south and Ji Nan Road on the east within the Taipingqiao Area. The Development is a large-scale residential development, comprising detached villas, townhouse, duplexes and high-rise residential buildings of 8 to 23-storey. It was completed in 2003. The property comprises a club house with GFA of 1,231 sq m (13,250 sq ft) and 70 car parking spaces. The Development is held under a land use right term of 70 years commencing from 7 May 2001 and expiring on 6 May 2071 for residential use.	The property is currently vacant.	RMB24,000,000 (69.3% interest attributable to the Group: RMB16,632,000)	RMB24,000,000 (69.3% interest attributable to the Group: RMB16,632,000)

Notes:

1. Pursuant to the Equity Joint Venture Contract dated 6 April 2001 entered into between Shanghai Fuxing Construction and Development Company Limited ("Party A") and Cititop Pacific Limited ("Party B"), both parties agreed to establish an equity joint venture company to jointly develop Lot 117 in Lu Wan District. The salient conditions as stipulated in the joint venture contract are as follows:

   (i) Name of joint-venture company: Shanghai Si Fu Properties Co., Ltd.

   (ii) Period of operation: 70 years

   (iii) Total investment amount: RMB495,000,000

   (iv) Registered capital: RMB165,000,000 (Party A: 1%, Party B: 99%)

2. Pursuant to a document issued by the Shanghai Foreign Investment Working Committee dated 10 September 2002, the name of Shanghai Si Fu Properties Co., Ltd. was changed to Shanghai Lakeville Properties Co., Ltd. (the "Joint Venture").

3. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.

4. Pursuant to the Business Licence No. Qi He Hu Zong Zi Di 028669 dated 28 September 2002, the Joint Venture was incorporated with a registered capital of RMB165,000,000 for a valid period from 23 May 2001 to 22 May 2071. The scope of business of the Joint Venture includes construction, development and operation of real estate; lease and sale of real estate; provision of amenities, commercial and entertainment facilities in association with real estate development; and property management.

5. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2001) Di 006891 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 14 September 2001, the title to the land with a site area of approximately 16,937 sq m is vested in the Joint Venture for a term commencing from 7 May 2001 and expiring on 6 May 2071 for residential use.

6. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Lu Zi (2003) Di 004955 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 24 July 2003, the title to the Development with a total GFA of approximately 54,233.23 sq m is vested in the Joint Venture for apartment/car parking/club house uses.

7. As advised by the Group, three car parking spaces of the property are for the use of disabled.

8. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   The Joint Venture also has legally obtained the land use rights of the property and the ownership of the buildings of the property erected thereon. The Joint Venture is the sole owner of the property. The property can be legally transferred, let, occupied, used and mortgaged by the Joint Venture.

Group IV – Property interests held by the Group under development in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
7	Block Nos. 15 and 16 of Shanghai Rui Hong Xin Cheng (Lot 149) Hong Kou District Shanghai The PRC	Shanghai Rui Hong Xin Cheng (“RHXC”) is situated on Linping Road in Hong Kou District, Shanghai, with a total site area of approximately 350,000 sq m (3,767,400 sq ft). The whole development will be constructed in phases and comprise various high-rise residential blocks with a total GFA of approximately 1,100,000 sq m (11,840,400 sq ft).	The property is currently under construction and is scheduled to be completed in third quarter of 2006.	RMB381,000,000 (99% interest attributable to the Group: RMB377,190,000 *(please see note 8)*	RMB369,000,000 (99% interest attributable to the Group: RMB365,310,000 *(please see note 8)*

Lot 11 and Lot 174 of RHXC were amalgamated to form a single lot named Lot 149 with a total site area of approximately 45,131 sq m (485,790 sq ft). RHXC is also supplemented by public amenities and other facilities including an underground car park, garden, a club house and a ground level pedestrian plaza. The commercial components of Lot 149 include a 2-level shopping complex and a 3-level commercial podium situated beneath the residential blocks.

The property comprises blocks 15 to 16 of RHXC (Lot 149) and the details of the GFA are listed as follows:

	GFA	
	sq m	*sq ft*
Residential	31,118.51	334,960
Commercial	2,940.08	31,647
Other	1,951.92	21,010
Total	36,010.51	387,617

The land use right term of RHXC (Lot 149) is held under a term of 70 years commencing from 20 November 2001 and expiring on 19 November 2071 for residential use.

Notes:

1. Pursuant to the co-operative Joint Venture Contract entered into between Shanghai Zhong Hong (Group) Company Limited (”Party A”) and Hollyfield Holdings Limited (“Party B”) dated 27 April 2001 and the approval letter No. Hu Wai Zi Wei Xie (2006) 214 dated 20 January 2006, both parties agreed to establish a co-operative joint venture company. The salient conditions as stipulated in the Joint Venture Contract and the approval letter are as follows:

   (i) Name of joint-venture company: Shanghai Rui Hong Xin Cheng Co., Ltd. (the “Joint Venture”)

   (ii) Period of operation: 70 years from the date of issuance of business licence

   (iii) Total investment amount: RMB1,700,000,000

   (iv) Registered capital: RMB567,000,000 (Party A: 1%, Party B: 99%)

2. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.

3. Pursuant to the Business Licence No. Qi Zuo Hu Zong Zi Di 028894 dated 7 February 2006, the Joint Venture was incorporated with a registered capital of RMB567,000,000 for a valid period from 2 July 2001 to 1 July 2071. The scope of business for the Joint Venture includes construction, development and operation of real estate within the old districts of Hong Zheng and Xin Gang ; leasing and sales of real estate; provision of amenities, commercial and entertainment facilities in association with real estate development; and property management.

4. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2001) Di 036585 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 29 November 2001, the title to the land (Lot 149) with a site area of approximately 45,131 sq m is vested in the Joint Venture for a term commencing from 20 November 2001 and expiring on 19 November 2071 for residential use.

5. Pursuant to the Commencement Permit for Construction Works No. 310109200110130201 dated 31 May 2002 issued by the Shanghai Construction Management Office, the construction works of property with a total GFA of 35,067 sq m is permitted to be commenced.

6. Pursuant to the Supplementary Contract No. Hu Fang Di (2002) Chu Rang He Tong (Hong) Bu Zi Di 001, Lot 174 and Lot 11 were combined to form a site with an area of approximately 45,131 sq m. As advised, the combined site is named as Lot 149.

7. Pursuant to two Commodity Housing Pre-sale Permits Nos. Hong Kou Fang Di (2006) Yu Zi 0000648 and 0000933 both issued by the Shanghai Hong Kou District Real Estate and Land Resources Administration Bureau dated 8 June 2006 and 18 August 2006 respectively, pre-sale of the property was permitted.

8. “Construction Cost Paid” in this valuation report is defined as the cost incurred in constructing the property including, but not limited to, the professional fee and financing cost. This amount does not include any other indirect costs such as allocated corporate expenses and costs of debt and preference shares taken out at the parent company level. As advised by the Group, the Construction Cost Paid of RHXC (Lot 149) and the outstanding construction cost of the property as at 31 March 2006 were approximately RMB861,000,000 and RMB81,000,000 respectively. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the market value of the proposed development (Block Nos. 15 and 16), assuming it were completed as at 31 March 2006, was estimated approximately as RMB516,000,000.

As advised by the Group, the Construction Cost Paid of RHXC (Lot 149) and the outstanding construction cost of the property as at 30 June 2006 were approximately RMB879,000,000 and RMB113,000,000 respectively. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the market value of the proposed development (Block Nos. 15 and 16), assuming it were completed as at 30 June 2006, was estimated approximately as RMB538,000,000.

9. As advised by the Group, the relocation cost of the property of RMB69,000,000 have been fully paid as at the dates of our valuation.

10. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

All necessary permits, approvals for the construction work of the property have been obtained by the Joint Venture and the construction work is legal and valid and the Joint Venture has no legal obstacles in obtaining the ownership certificates of the buildings. The Joint Venture has legally obtained the land use rights of the property and the ownership of the construction works erected thereon. The Joint Venture is the sole owner of the land use rights of the property and the construction works erected thereon.

The Joint Venture has obtained all necessary approvals and permits for the pre-sale of the buildings thereon and the two Pre-sale Permits are legal and valid. The Joint Venture has the right to pre-sell the relevant buildings under construction as stipulated under the Pre-sale Permits.

The mortgage for the land and construction works of the property has been cancelled. The Joint Venture has the right to occupy, let, transfer, or mortgage the unsold portion of the property.

<table>
<tr><th></th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at 31 March 2006</th><th>Capital value in existing state as at 30 June 2006</th></tr>
<tr><td>8</td><td>Lot 114
Taipingqiao Area
Lu Wan District
Shanghai
The PRC</td><td>The property is part of the Shanghai Taipingqiao Project located at the centre of the development zone with a site area of approximately 32,603 sq m (350,939 sq ft).

The property is bounded by Zi Zhong Road on the north, Huang Pi Nan Road on the west, Fu Xing Central Road on the south and Shun Chang Road on the east within the Taipingqiao Area.

According to the information provided to us, the development scheme is planned to comprise high-rise and low-rise residential blocks with ancillary commercial facilities. Upon completion, they will provide the following approximate GFAs:

<table>
<tr><th></th><th colspan="2">GFA</th></tr>
<tr><th></th><th><i>sq m</i></th><th><i>sq ft</i></th></tr>
<tr><td>Residential</td><td>127,212.80</td><td>1,369,319</td></tr>
<tr><td>Club house</td><td>8,803.82</td><td>94,764</td></tr>
<tr><td>Other</td><td>2,700.75</td><td>29,071</td></tr>
<tr><td>Total</td><td>138,717.37</td><td>1,493,154</td></tr>
</table>

It also comprises basement car parking spaces with a total GFA of 31,090.96 sq m (334,663 sq ft).

The property is held under a land use right term of 70 years commencing from 7 May 2001 and expiring on 6 May 2071 for residential use.</td><td>The property is currently under construction and is scheduled to be completed in third quarter of 2006.</td><td>RMB5,304,000,000

(69.3% interest attributable to the Group: RMB3,675,672,000)

<i>(please see note 9)</i></td><td>RMB4,293,000,000

(69.3% interest attributable to the Group: RMB2,975,049,000)

<i>(please see notes 9 and 10)</i></td></tr>
</table>

Notes:

1. Pursuant to the Equity Joint Venture Contract entered into between Shanghai Fuxing Construction and Development Company Limited ("Party A") and Oriental Gain Limited ("Party B") dated 11 September 2001 and the approval letter No. Hu Wai Zi Wei Pi Zi (2003) Di 1143 dated 12 August 2003, both parties agreed to establish a joint venture company. The salient conditions as stipulated in the joint venture contract and the approval letter are as follows:

   (i) Name of joint venture company: Shanghai Jing Fu Properties Co., Ltd. (the "Joint Venture")

   (ii) Period of operation: 70 years from the date of issuance of business licence

   (iii) Total investment amount: RMB1,200,000,000

   (iv) Registered capital: RMB400,000,000 (Party A: 1%, Party B: 99%)

2. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.

3. Pursuant to the Business Licence No. Qi He Hu Zong Zi Di 030025 dated 15 October 2003, the Joint Venture was incorporated with a registered capital of RMB400,000,000 for a valid period from 26 December 2001 to 25 December 2071. Its scope of business includes construction, development and operation of real estate; leasing and sales of real estate; provision of amenities, commercial and entertainment facilities in association with real estate development; and property management.

4. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Shi Zi (2003) Di 004176 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 10 April 2003, the title to the land with a site area of approximately 32,603 sq m is vested in the Joint Venture for a term commencing from 7 May 2001 and expiring on 6 May 2071 for residential use.

5. Pursuant to the Construction Engineering Planning Permit Certificate No. Hu Lu Jian (003) B028 dated 25 September 2003 issued by the Lu Wan District Urban Planning Bureau, the property with a total GFA of 138,577 sq m was permitted to be constructed.

6. Pursuant to the Construction Works Commencement Permit No. 310103200209270201 dated 29 September 2003 issued by the Shanghai Construction Management Office, the construction works of property was permitted to be commenced.

7. Pursuant to seven Commodity Housing Pre-sale Permits Nos. Lu Wan Fang Di (2005) Yu Zi 0001774, (2006) Yu Zi 0000143, (2006) Yu Zi 0000082, (2006) Yu Zi 0000144, (2006) Yu Zi 0000386, (2006) Yu Zi 0000548 and (2006) Yu Zi 0000549 all issued by the Shanghai Lu Wan District Real Estate and Land Resources Administration Bureau, pre-sale of the property was permitted.

8. Pursuant to the Construction Works Recording Certificate for Completion issued by the Shanghai Lu Wan District Construction and Transport Committee on 29 June 2006, the construction works of Block 1, 2, 3, 5, 8, 9, 18, 19, 20 and 21 of the property with a total GFA of 87,546 sq m were completed.

9. As advised by the Group, the Construction Cost Paid and the outstanding construction cost of the property as at 31 March 2006 were approximately RMB585,000,000 and RMB476,000,000 respectively. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the market value of the proposed development, assuming it were completed as at 31 March 2006, was estimated approximately as RMB7,028,000,000.

   As advised by the Group, the Construction Cost Paid and the outstanding construction cost of the property as at 30 June 2006 were approximately RMB795,000,000 and RMB399,000,000 respectively. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the market value of the proposed development (excluding the pre-sold portion as mentioned in note 10 below), assuming it were completed as at 30 June 2006, was estimated approximately as RMB5,330,000,000.

10. As advised by the Group, portion of residential units of the property with a total GFA of approximately 62,000 sq m have been pre-sold under the contracts as at 30 June 2006. However, we have excluded pre-sold residential portion with a total GFA of approximately 35,404 sq m in our valuation as at 30 June 2006 due to the fact that this pre-sold area has met the Group's sale recognition policy.

11. As advised by the Group, the relocation cost and land grant fee of the property of approximately RMB501,000,000 and RMB59,000,000 respectively have both been fully paid as at the dates of our valuation.

12. According to your specific terms of instruction, the market value of unsold residential portion of Block 1, 2, 3, 5, 8, 9, 18, 19, 20 and 21 of the property with a total GFA of 52,065.12 sq m, which have been completed as at 30 June 2006, was RMB2,567,000,000.

13. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

The land grant fee and relocation cost of Lot 114 have been fully settled according to the requirements as stipulated in land use right grant contract and relocation contract.

All necessary permits, approvals for the construction work on Lot 114 have been obtained by the Joint Venture and the construction work is legal and valid. The Joint Venture has legally obtained the land use right certificate of Lot 114. The Joint Venture is the sole owner of the land use rights of Lot 114 and the construction works erected thereon.

The Joint Venture has obtained all necessary approvals and permits for the pre-sale of the buildings erected on Lot 114. The Joint Venture has the rights to pre-sale the relevant buildings under construction as stipulated under the Per-sale Permit.

The Joint Venture has obtained the recording certificate for completion and inspection of construction in relation to ten buildings erected thereon. The Joint Venture will be able to obtain the property ownership certificate in respect of the said buildings without any legal obstacles.

The mortgage for the land and construction works of the property has been cancelled. The Joint Venture has the right to occupy, let, transfer, or mortgage the unsold portion of the property. The Joint Venture has entered into a loan contract with Bank of China Limited, Shanghai Lu Wan Branch on 19 July 2006 for a loan amount of HK$500,000,000. The Joint Venture has agreed in written that the unsold portion of the property would be mortgaged to the bank in first priority after the Real Estate Ownership Certificate has been obtained.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
9	A development site west of Song Hu Road, north of Zheng Min Road and east of Guo Ding Road Live Work Area Phase 1 (R1) Shanghai Knowledge and Innovation Community Yang Pu District Shanghai The PRC	The property is an irregular-shaped site to be developed into a composite development comprising retail, office and residential buildings named as "Live Work Area Phase 1 (R1)" of Shanghai Knowledge and Innovation Community in Yang Pu District. The site area is approximately 42,708 sq m (459,709 sq ft). The detail GFA of the proposed development are listed as follows:	The construction work of the property was completed in third quarter of 2006.	RMB1,175,000,000 (70% interest attributable to the Group: RMB822,500,000) *(please see note 17)*	RMB1,223,000,000 (70% interest attributable to the Group: RMB856,100,000) *(please see note 17)*

Use	GFA	
	sq m	*sq ft*
Residential	41,491	446,609
Office	37,443	403,036
Commercial	6,890	74,164
Sub-total	85,824	923,809
Carpark (Basement)	21,991	236,711
Other	5,919	63,712
Total	113,734	1,224,233

The property is held under a land use right term commencing from 29 March 2004 and expiring on 28 March 2054 for composite use.

Notes:

1. Pursuant to the Joint Venture Contract entered into between Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. (formerly known as Shanghai Yang Pu University Town Investment and Development Co., Ltd.) ("Party A") and Bright Continental Limited ("Party B") on 13 June 2003, both parties agreed to incorporate a joint venture company. The salient conditions as stipulated in the said contract are as follows:

   (i) Name of joint venture company: Shanghai Yang Pu University Town Centre Development Co., Ltd

   (ii) Period of operation: 70 years from the date of issue of the business licence

   (iii) Total investment amount: US$90,000,000

   (iv) Registered capital: US$30,000,000 (Party A: 3%, Party B: 97%)

2. Pursuant to the Supplementary Joint Venture Contract entered into between Party A and Party B on 29 March 2004, amendments to the Joint Venture Contract were made. The salient conditions as stipulated in the contract are as follows:

   (i) The original name of the joint venture company, Shanghai Yang Pu University Town Centre Development Co., Ltd. was changed to Shanghai Yang Pu Centre Development Co., Ltd. (the "Joint Venture")

(ii) The total investment amount was raised to US$180,000,000

(iii) The registered capital was raised to US$60,500,000 (Party A: 30%, Party B: 70%)

3. According to the information provided, the profit sharing ratio for the Joint Venture is 30% and 70% for Party A and Party B respectively.

4. Pursuant to the Business Licence dated 8 October 2004 issued by the Shanghai Commercial Administration Bureau, the Joint Venture was established with a registered capital of US$60,500,000 for a period commencing from 26 August 2003 and expiring on 25 August 2073. The scope of business includes property development, management, operation, consultancy, agency, construction and operation of ancillary commercial buildings, technology, training and exhibition.

5. Pursuant to the Certificate of Approval for establishment of enterprises with investment for Taiwan, Hong Kong, Macau and overseas Chinese in the People's Republic of China dated 21 May 2004, the Joint Venture with a registered capital of US$60,500,000 and a total investment amount of US$180,000,000 is allowed to operate for a period of 70 years.

6. Pursuant to the Contract for Grant of State-owned Land Use Right No. Hu Fang Di Yang (2004) Chu Rang He Tong Di 036 entered into between the Shanghai Yang Pu District Real Estate and Land Resources Administration Bureau and the Joint Venture on 29 March 2004, the former party agreed to grant a land use right of the property with a site area of approximately 42,708 sq m to the latter party at a consideration of RMB439,721,568 for a land use right term of 50 years for composite use.

7. Pursuant to the Supplementary Contract No. Hu Fang Di Yang (2004) Chu Rang He Tong Bu Zi Di 006 entered into between the Shanghai Yang Pu District Real Estate and Land Resources Administration Bureau and the Joint Venture on 29 March 2004, amendments to the land premium and compensation clauses of the above-mentioned Contract for Grant of State-owned Land Use Right in Note (6) were made.

8. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Yang Zi (2004) Di 042636 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 15 December 2004, the title to the land (portion of the property) with a site area of 17,966 sq m is vested in the Joint Venture for a term commencing from 29 March 2004 and expiring on 28 March 2054 for composite use.

9. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Yang Zi (2004) Di 042638 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 15 December 2004, the title to the land (portion of the property) with a site area of 24,742 sq m is vested in the Joint Venture for a term commencing from 29 March 2004 and expiring on 28 March 2054 for composite use.

10. Pursuant to the Construction Land Use Planning Permit Certificate No. Hu Gui De (2004) 003 issued by the Yang Pu District Urban Planning Administration Bureau dated 1 April 2004, the property with a site area of 49,323 sq m is permitted to be developed.

11. Pursuant to the Construction Engineering Planning Permit Certificate No. Hu Yang Jian (2004) 0086 issued by the Yang Pu District Urban Planning Administration Bureau dated 25 November 2004, the property with a total GFA of 57,601 sq m is permitted to be constructed.

12. Pursuant to the Construction Engineering Planning Permit Certificate No. Hu Yang Jian (2005) 10050308F00176 issued by the Yang Pu District Urban Planning Administration Bureau dated 8 March 2005, the property with a total GFA of 12,771 sq m (basement) is permitted to be constructed.

13. Pursuant to the Construction Engineering Planning Permit Certificate No. Hu Yang Jian (2005) 10050308F00177 issued by the Yang Pu District Urban Planning Administration Bureau dated 8 March 2005, the property with a total GFA of 495 sq m (including 169 sq m basement area) is permitted to be constructed.

14. Pursuant to the Construction Engineering Planning Permit Certificate No. Hu Yang Jian (2005) 10050609F00931 issued by the Yang Pu District Urban Planning Administration Bureau dated 8 June 2005, the property with a total GFA of 56,285 sq m (including 12,771 sq m basement area) is permitted to be constructed.

15. Pursuant to four Construction Works Commencement Permits Nos. 0401YP0022D01, 0401YP0022D02, 0401YP0022D03 and 0401YP0022D05 all issued by the Shanghai Construction Management Office dated 23 June 2004, 20 December 2004, 22 April 2005 and 29 June 2005 respectively, the construction works of the property was permitted to be commenced.

16. Pursuant to two Construction Works Recording Certificates for Completion both issued by the Shanghai Yang Pu District Construction and Transport Committee on 17 January 2006 and 2 August 2006, the construction works of the property were completed.

17. As advised by the Group, the Construction Cost Paid and the outstanding construction cost of the property as at 31 March 2006 were approximately RMB410,000,000 and RMB117,000,000 respectively. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the market value of the proposed development, assuming it were completed as at 31 March 2006, was estimated approximately as RMB1,495,000,000.

    As advised by the Group, the Construction Cost Paid and the outstanding construction cost of the property as at 30 June 2006 were approximately RMB437,000,000 and RMB121,000,000 respectively. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the market value of the proposed development, assuming it were completed as at 30 June 2006, was estimated approximately as RMB1,495,000,000.

18. As advised by the Group, the relocation cost and land grant fee of the property of approximately RMB440,000,000 and RMB6,600,000 respectively have been fully paid as at the dates of our valuation.

19. According to your specific terms of instruction, the market value of portion of the property with a total GFA of 49,108.20 sq m (the GFA for residential, office and carpark are 23,555.87 sq m, 15,027.48 sq m and 10,524.85 respectively), which have been completed as at 30 June 2006, was RMB623,000,000.

20. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

    The Contract for Grant of State-owned Land Use Right of the property is legal and valid. Land grant fee as stipulated in the land use right grant contract has been fully settled.

    All necessary permits, approvals for the construction work of the property have been obtained by the Joint Venture and the construction work is legal and valid. The Joint Venture has legally obtained the land use right certificate of the property. The Joint Venture is the sole owner of the land use rights of the property and the construction works erected thereon.

    The Joint Venture has obtained the recording certificates for completion and inspection of construction in relation to buildings erected thereon. The Joint Venture will be able to obtain the property ownership certificate in respect of the said buildings without any legal obstacles.

    The property is subject to a mortgage and all relevant consents, approvals for the mortgage have been obtained. The mortgage is legal, valid and enforceable. The property can be legally transferred, let, occupied, managed and handled subject to approval from the mortgagor.

<table>
<tr><th></th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at 31 March 2006</th><th>Capital value in existing state as at 30 June 2006</th></tr>
<tr><td>10</td><td>A development site
Hub Area 1
Shanghai Knowledge and Innovation Community
Yang Pu District
Shanghai
The PRC</td><td>The property is an irregular-shaped site to be developed into a composite development comprising retail and office buildings. The site area is approximately 34,339 sq m (369,625 sq ft).

The detail GFA of the proposed development are listed as follows:

<table>
<tr><th>Use</th><th colspan="2">GFA</th></tr>
<tr><td></td><td><i>sq m</i></td><td><i>sq ft</i></td></tr>
<tr><td>Retail</td><td>6,519.91</td><td>70,180</td></tr>
<tr><td>Office</td><td>29,117.45</td><td>313,420</td></tr>
<tr><td>Sub-total</td><td>35,637.36</td><td>383,600</td></tr>
<tr><td>Retail (Basement)</td><td>16,608.16</td><td>178,770</td></tr>
<tr><td>Carpark (Basement)</td><td>22,750.00</td><td>244,881</td></tr>
<tr><td>Total</td><td>74,995.61</td><td>807,253</td></tr>
</table>

The property is held under a land use right term commencing from 29 March 2004 and expiring on 28 March 2054 for composite use.</td><td>The property is currently under construction and is scheduled to be completed in fourth quarter of 2006.</td><td>RMB859,000,000

(70% interest attributable to the Group: RMB601,300,000)

<i>(please see note 16)</i></td><td>RMB872,000,000

(70% interest attributable to the Group: RMB610,400,000)

<i>(please see note 16)</i></td></tr>
</table>

Notes:

1. Pursuant to the Joint Venture Contract entered into between Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. (formerly known as Shanghai Yang Pu University Town Investment and Development Co., Ltd.) ("Party A") and Bright Continental Limited ("Party B") on 13 June 2003, both parties agreed to incorporate a joint-venture company. The salient conditions as stipulated in the said contract are as follows:

    (i) Name of joint venture company: Shanghai Yang Pu University Town Centre Development Co., Ltd

    (ii) Period of operation: 70 years from the date of issue of the business licence

    (iii) Total investment amount: US$90,000,000

    (iv) Registered capital: US$30,000,000 (Party A: 3%, Party B: 97%)

2. Pursuant to the Supplementary Joint Venture Contract entered into between Party A and Party B on 29 March 2004, amendments to the Joint Venture Contract were made. The salient conditions as stipulated in the contract are as follows:

   (i) The original name of the joint venture company, Shanghai Yang Pu University Town Centre Development Co., Ltd., has been changed to Shanghai Yang Pu Centre Development Co., Ltd. (the "Joint Venture")

   (ii) The total investment amount was raised to US$180,000,000

   (iii) The registered capital was raised to US$60,500,000 (Party A: 30%, Party B: 70%)

3. According to the information provided, the profit sharing ratio for the Joint Venture is 30% and 70% for Party A and Party B respectively.

4. Pursuant to the Business Licence dated 8 October 2004 issued by the Shanghai Commercial Administration Bureau, the Joint Venture was established with a registered capital of US$60,500,000 for a period commencing from 26 August 2003 and expiring on 25 August 2073. The scope of business includes property development, management, operation, consultancy, agency, construction and operation of ancillary commercial buildings, technology, training and exhibition.

5. Pursuant to the Certificate of Approval for establishment of enterprises with investment for Taiwan, Hong Kong, Macau and overseas Chinese in the People's Republic of China dated 21 May 2004, the Joint Venture with a registered capital of US$60,500,000 and a total investment amount of US$180,000,000 is allowed to operate for a period of 70 years.

6. Pursuant to the Contract for Grant of State-owned Land Use Right No. Hu Fang Di Yang (2004) Chu Rang He Tong Di 035 entered into between the Shanghai Yang Pu District Real Estate and Land Resources Administration Bureau and the Joint Venture on 29 March 2004, the former party agreed to grant the land use rights of the property with a site area of approximately 33,476 sq m to the latter party at a consideration of RMB303,794,700 for a land use term of 50 years for composite use.

7. Pursuant to Supplementary Contract No. Hu Fang Di Yang Zi (2006) Chu Rang He Tong Bu Zi Di 004 entered into between the Shanghai Yang Pu District Real Estate and Land Resources Administration Bureau and the Joint Venture on 31 March 2006, both parties agreed that the site area of the property was changed to 34,339 sq m and the consideration was changed to RMB311,626,425.

8. Pursuant to the Supplementary Contract No. Hu Fang Di Yang (2004) Chu Rang He Tong Bu Zi Di 005 entered into between the Shanghai Yang Pu District Real Estate and Land Resources Administration Bureau and the Joint Venture on 29 March 2004, amendments to the above-mentioned Contract for Grant of State-owned Land Use Right in Note (6) were made.

9. Pursuant to Supplementary Contract No. Hu Fang Di Yang Zi (2006) Chu Rang He Tong Bu Zi Di 005 entered into between the Shanghai Yang Pu District Real Estate and Land Resources Administration Bureau and the Joint Venture on 31 March 2006, the Joint Venture agreed to pay an additional RMB117,475 land grant fee.

10. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Yang Zi (2004) Di 042637 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 15 December 2004, the title to the land with a site area of 33,476 sq m is vested in the Joint Venture for a term commencing from 29 March 2004 and expiring on 28 March 2054 for composite use.

11. Pursuant to the Construction Land Use Planning Permit Certificate No. Hu Gui De (2004) 0070 issued by the Shanghai Urban Planning Administration Bureau dated 9 April 2004, the property with a site area of 33,476 sq m is permitted to be developed.

12. Pursuant to the Construction Engineering Planning Permit Certificate No. Hu Gui Jian (2005) 00050523F00761 issued by the Shanghai Urban Planning Administration Bureau dated 20 May 2005, the property with a total GFA of 76,736 sq m (including 38,449 sq m basement area) is permitted to be constructed.

13. Pursuant to the Construction Works Commencement Permit No. 0401YP0022D04 issued by the Shanghai Construction Management Office dated 16 June 2005, the construction works of the property was permitted to be commenced.

14. Pursuant to the Commodity Housing Pre-sale Permit No. Yang Pu Fang Di Zi 0000236 issued by the Shanghai Yang Pu District Real Estate and Land Resources Administration Bureau dated 27 March 2006, pre-sale of the property was permitted.

15. Pursuant to the Construction Works Recording Certificate for Completion issued by the Shanghai Yang Pu District Construction and Transport Committee on 3 July 2006, the construction works of Blocks A1, A2 and C1 of the property were completed.

16. As advised by the Group, the Construction Cost Paid and the outstanding construction cost of the property as at 31 March 2006 were approximately RMB441,000,000 and RMB167,000,000 respectively. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the market value of the proposed development assuming it were completed as at 31 March 2006 was estimated approximately as RMB1,147,000,000.

    As advised by the Group, the Construction Cost Paid and the outstanding construction cost of the property as at 30 June 2006 were approximately RMB482,000,000 and RMB151,000,000 respectively. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the market value of the proposed development assuming it were completed as at 30 June 2006 was estimated approximately as RMB1,153,000,000.

17. As advised by the Group, the relocation cost and land grant fee of the property of approximately RMB313,000,000 and RMB4,600,000 respectively have been fully paid as at the dates of our valuation.

18. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

    The Contract for Grant of State-owned Land Use Right of the property is legal and valid. Land grant fee as stipulated in the land use right grant contract has been fully settled.

    All necessary permits, approvals for the construction work of the property has been obtained by the Joint Venture and the construction work is legal and valid. The Joint Venture has legally obtained the land use right certificate of the property (site area of 33,476 sq m). The Joint Venture is the sole owner of the land use rights of the property and the construction works erected thereon.

    Upon fully settled the relevant taxes with duly processed necessary procedures, the Joint Venture will be able to obtain the land use right certificate of the relevant portion of the property (site area of 863 sq m) without any legal obstacles. After obtaining the land use right certificate, the aforesaid portion of the land use rights of the property can be transferred, let, mortgaged or handled in other ways according to relevant laws and regulations

    The Joint Venture has obtained the recording certificate for completion and inspection of construction in relation to three buildings erected thereon. The Joint Venture will be able to obtain the property ownership certificate in respect of the said buildings without any legal obstacles.

    All necessary permits, approvals for the pre-sale of the buildings have been obtained by the Joint Venture. The Joint Venture has the rights to pre-sell the buildings as stipulated in the Pre-sale Permit.

    The property is subject to a mortgage and all relevant consents, approvals for the mortgage have been obtained. The mortgage is legal, valid and enforceable. The property can be legally transferred, let, occupied, managed and handled subject to approval from the mortgagor.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
11	Phase 1A of Chongqing Tiandi Project Hualongqiao Development Area Yu Zhong District Chongqing The PRC	Chongqing Tiandi Project ("the Development") is situated in Yu Zhong District covering a site with area of approximately 1,250,000 sq m (13,455,000 sq ft) (according to the agreement dated 19 August 2003). The Development is bounded by No. 24 on the east Hua Cun and No. 132 Hua Long Qiao Cun, No. 82-2 Hong Yan Cun on the west and No. 377 Jiao Nong Cun, a railway route under the ridges on the south and the southern coast of Jia Ling Jiang on the north.	The property is currently a construction site and the construction works is scheduled to be completed in third quarter of 2007.	RMB90,000,000 (99% interest attributable to the Group: RMB89,100,000) *(please see notes 12 and 13)*	RMB182,000,000 (99% interest attributable to the Group: RMB180,180,000) *(please see notes 12 and 13)*

Demolition and relocation works are proposed to be completed within 4 years from 31 December 2003 and the whole project is proposed to be finished in 12 years.

The Development will provide a board range of facilities that include: merchandise mart, luxury hotels, intelligent office buildings as well as residential clusters, dining, shopping and entertainment amenities.

The property comprises Phase 1A of the Development with a site area of 45,136.20 sq m (485,846 sq ft). The area details are listed as follows:

Use	GFA	
	sq m	*sq ft*
Retail	1,128	12,142
Residential	107,859	1,160,994
Club house	3,129	33,681
Public facility	799	8,600
Utility	192	2,067
Total	113,107	1,217,484

It also comprises 619 car parking spaces.

The property is held under land use right terms expiring on 1 December 2043, 1 December 2073 and 1 December 2053 for commercial/ servicing, residential and composite uses respectively.

Notes:

1. Pursuant to the Joint Venture Contract entered into between 重慶渝中國有資產經營管理有限公司 (Chongqing Yu Zhong State-owned Assets Management Company Limited) ("Party A") and Grand Hope Limited ("Party B") on 18 November 2003 and the approval letter No. Yu Wai Jing Mao Fa (2005) 356, both parties agreed to incorporate a joint-venture company. The salient conditions as stipulated in the said contract and the approval letter are as follows:

    (i) Name of joint venture company: Chongqing Shui On Tiandi Property Development Company Limited (the "Joint Venture")

    (ii) Period of operation: 70 years from the date of issue of the business licence

    (iii) Total investment amount: US$205,000,000

    (iv) Registered capital: US$71,750,000 (Party A: 1%, Party B: 99%)

    (v) Operation: property development, construction, operation and management

    (vi) Profit sharing arrangement: the profit after tax and funds is shared according to the investment ratio of the parties

    (vii) The demolition and relocation works should be commenced before 31 December 2003

    (viii) After the land use rights is obtained by the Joint Venture, the land should be solely for self development and the transfer (other than sale of commodity housing), lease, mortgage to third party or dispose of such right is not permitted prior to a written confirmation by Party A. The Joint Venture/Party B should not transfer the land use rights for speculation purpose

    (ix) The total investment amount of the project is estimated to be approximately RMB10,000,000,000

2. Pursuant to the Certificate of Approval for establishment of enterprises with investment for Taiwan, Hong Kong, Macau and overseas Chinese in the People's Republic of China, the Joint Venture with a registered capital of US$71,750,000 and a total investment amount of US$205,000,000 is allowed to operate for a period of 70 years.

3. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.

4. Pursuant to the Business Licence dated 23 January 2006 issued by the Chongqing Commercial Administration Bureau, the Joint Venture was established with a registered capital of US$71,750,000 for a period commencing from 21 November 2003 and expiring on 20 November 2073. The scope of business includes property development, operation and management.

5. Pursuant to an authorization document endorsed by the Mayor of the People's Government of Chongqing dated 19 August 2003, the District Representative of the People's Government of Yu Zhong District is authorized to sign a cooperation agreement with Hong Kong Shui On Group.

6. Pursuant to the cooperation agreement entered into between the People's Government of Chongqing Yu Zhong District ("Party C") and Party B on 19 August 2003, both parties agreed to jointly develop a site with an area of approximately 1,250,000 sq m. The salient conditions of the agreement are, inter alia, listed below:

   (i) The agreed cost for the development is composed of land premium and relocation cost

   (ii) Both parties agreed to form a joint venture company in charge of the development of which the investment ratio of Party C and Party B should be 1% and 99% respectively

   (iii) Party B can invite other investor to participate in the project as long as it complies with the requirements of relevant planning departments

   (iv) The project should be constructed in phases and the demolition and relocation works should be completed within 4 years and the whole development should be completed within 12 years

   (v) The 4 years condition stated above expired on 31 December 2007

   (vi) The standard of demolition and relocation costs is RMB1,200,000/mu which are valid for 4 years commencing from 31 December 2003

   (vii) After the above-mentioned period, relocation cost is adjusted according to the People's Bank of China announced interest rate on one year term

   (viii) The joint venture company/Party B should apply for a rent application for several parcels of lands before the end of 2010

   (ix) The joint venture company and/or Party B shall not obtain real estate development loans in settling relocation and resettlement costs without obtaining a written approval from either Party C or the China Party of the joint venture

   (x) After the land use right is obtained by the joint venture company, the land should be solely for self development and the transfer (other than sale of commodity housing), lease, mortgage to a third party or disposal of such right is not permitted prior to the written confirmation by Party C or the China partner of the joint venture company. The joint venture company/Party B should not transfer the land use right for speculation purpose

   (xi) Either party to the agreement should neither transfer the whole or any part of the agreement without prior written consent by other party

   (xii) Demolition and relocation works should be commenced before 31 December 2003 covering an area of approximately 500 mu

   (xiii) Party C is responsible for obtaining the relevant land use right certificate, and the land use right term should be 40 years for commercial, 70 years for residential and 50 years for composite use

7. Pursuant to the authorization agreement endorsed by the Mayor of the People's Government of Yu Zhong District dated 19 November 2003, the directing department in charge of the development of Hua Long Pian Qu of Yu Zhong District is authorized to represent the People's Government of Yu Zhong District to handle the development of the site including demolition, relocation, joint venture, development, construction and other administration, economic and legal affairs.

8. Pursuant to the agreement of capital arrangement for demolition and relocation in Phase 1 Red-line District of Hua Long Qiao Pian Qu of Yu Zhong District entered into between the Joint Venture and the directing department for the development and construction of Hua Long Qiao Pian Qu ("Party D") on 2 December 2003, the salient conditions for the demolition and relocation arrangement of Phase 1 Red-line District are as follows:

   (i) The scope of relocation cover an area of approximately 508 mu, 4,762 units to be demolished, approximately 527,614.17 sq m of GFA to be demolished

   (ii) The relocation cost to be paid by the Joint Venture is approximately RMB609,600,000

   (iii) Party D promises to complete all demolition and relocation works not more than 4 years after receiving of the relocation cost paid by the Joint Venture

   (iv) Party D should transfer an area of approximately 112 mu within 6 months (before September of 2004) after receiving of the first installment of the relocation cost; transfer an area of approximately 108 mu within 2 years (before March of 2006) after receiving the first installment of the relocation cost; transfer an area of approximately 288 mu within 3 years (before March of 2007) after receiving the first installment of the relocation costs; transfer Chongqing Education School with a site area of approximately 80 mu not later than 31 December 2007

9. Pursuant to the agreement entered into between the People's Government of Chongqing and Shui On Construction and Materials Limited on 19 October 2002, both parties agreed to develop a site with an area of approximately 960,500 sq m.

10. Pursuant to the Contract for Grant of Stated-owned Land Use Right No. Yu Di (2003) He Zi (Zhong Qu) Di 272 entered into between the Chongqing Real Estate and Land Resources Administration Bureau ("Party E") and the Joint Venture in 2003, Party E agreed to grant the Joint Venture the land use right of the land (Phase 1) with an area of approximately 338,663 sq m at a consideration of RMB803,701,410 (RMB194,101,410 for land grant fee and RMB609,600,000 for relocation cost) for land use right terms of 40 years for commercial use, 70 years for residential use and 50 years for composite use. The aforesaid land grant fee will be refunded to the Joint Venture within 30 days after the full payment of the land grant fee.

11. Pursuant to the Real Estate Ownership Certificate No. 100 Fang Di Zheng 2006 Zi Di 90 issued by the Chongqing Real Estate and Land Resources Administration Bureau dated 8 February 2006, the title to the land portion of the property with a site area of 45,136.20 sq m is vested in the Joint Venture for terms expiring on 1 December, 2043, 1 December 2073 and 1 December 2053 for commercial/servicing, residential and composite uses respectively.

12. As advised by the Group, the Construction Cost Paid and the outstanding construction cost of the property as at 31 March 2006 were approximately RMB51,000,000 and RMB431,000,000 respectively. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the market value of the proposed development assuming it was completed as at 31 March 2006 was estimated approximately as RMB757,000,000.

    As advised by the Group, the Construction Cost Paid and the outstanding construction cost of the property as at 30 June 2006 were approximately RMB62,000,000 and RMB419,000,000 respectively. Accordingly, we have taken into account the said costs in our valuation. In our opinion, the market value of the proposed development assuming it was completed as at 30 June 2006 was estimated approximately as RMB824,000,000.

13. We have obtained the total contractual land grant fee and relocation cost of Phase 1 of the Development. We have allocated the aforesaid land grant fee and relocation cost to the property with reference to the GFA. The land grant fee and relocation cost incurred of the property was allocated approximately as RMB66,000,000 which have been fully paid as at the dates of our valuation. (The land grant fee for Phase 1 of the Development will be refunded to the Joint Venture within 30 days after the full payment).

    As advised by the Group, the interest of the Joint Venture attributable to the Group is changed from 99% to 79.4% pursuant to two Agreements of shares sale and purchase entered into between Shui On Development (Holdings) Limited and Winnington Capital Limited on 1 September 2006 and Ocean Equity Holdings Limited on 9 September 2006.

14. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

    The Contract for Grant of State-owned Land Use Right of Phase 1 of the Development is legal, valid and enforceable.

    The Joint Venture has legally obtained the Real Estate Ownership Certificate of the property and is the sole owner of the land use rights of the property and the construction works erected thereon.

    Within the land use right term of the property, the land use rights of the property can not be transferred (except housing sale), let or mortgaged without the consent of the Chongqing Real Estate and Land Resources Administration Bureau.

Group V — Property interests held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
12	Shanghai Rui Hong Xin Cheng (Lot 1, 2, 3, 4, 6, 7, 8, 9 and 10) Hong Kou District Shanghai The PRC	Shanghai Rui Hong Xin Cheng ("RHXC") is situated on Linping Road in Hong Kou District, Shanghai, with a total site area of approximately 350,000 sq m (3,767,400 sq ft). The whole development will be constructed in phases and will comprise various high-rise residential blocks with a total GFA of approximately 1,100,000 sq m (11,840,400 sq ft).	Site clearance work for Lot 4, 6 and 8 has commenced. The remaining sites are currently occupied by dilapidated or run-down buildings which are due to be demolished.	RMB6,270,000,000 (99% interest attributable to the Group: RMB6,207,300,000)	RMB6,420,000,000 (99% interest attributable to the Group: RMB6,355,800,000)

The property comprises Lot 1, 2, 3, 4, 6, 7, 8, 9 and 10 of RHXC. The aforesaid sites, comprise a plot of irregular-shaped land abutting Xingang Road to the north, Dongshahonggang Road to the west, Linping Road to the south and Hongchenglao Road to the east. The total site area of the property is approximately 234,837 sq m (2,527,785 sq ft).

According to the information provided, the property will comprise a massive composite development for residential, commercial, and retail uses, and will provide the following approximate GFAs:

Lot 1

Use	GFA	
	sq m	*sq ft*
Residential	65,657	706,732
Office	84,250	906,867
Club house	500	5,382
Public facility	4,500	48,438
Total	154,907	1,667,419

It also comprises 498 car parking spaces.

Lot 2

Use	GFA	
	sq m	*sq ft*
Residential	81,724	879,677
Retail	14,000	150,696
Club house	4,000	43,056
Total	99,724	1,073,429

It also comprises 292 car parking spaces.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006

Lot 3

Use	**GFA**	
	sq m	*sq ft*
Residential	81,724	879,677
Retail	20,600	221,739
Club house	800	8,611
Public facility	800	8,611
Total	103,924	1,118,638

It also comprises 285 car parking spaces.

Lot 4

Use	**GFA**	
	sq m	*sq ft*
Residential	62,342	671,049
Retail	18,110	194,936
Club house	2,000	21,528
Total	82,452	887,513

It also comprises 478 car parking spaces.

Lot 6

Use	**GFA**	
	sq m	*sq ft*
Residential	125,643	1,352,421
Club house	2,700	29,063
Public facility	4,800	51,667
Total	133,143	1,433,151

It also comprises 495 car parking spaces.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006

Lot 7

Use	GFA sq m	GFA sq ft
Residential	171,736	1,848,566
Retail	10,400	111,946
Club house	1,600	17,222
Public facility	1,000	10,746
Total	184,736	1,988,498

It also comprises 588 car parking spaces.

Lot 8

Use	GFA sq m	GFA sq ft
Residential	32,936	354,523
Retail	1,600	17,222
Club house	500	5,382
Public facility	40,200	432,713
Total	75,236	809,840

It also comprises 334 car parking spaces.

Lot 9 & 10

Use	GFA sq m	GFA sq ft
Residential	237,824	2,559,938
Retail	21,500	231,426
Club house	10,000	107,640
Public facility	6,500	69,966
Total	275,824	2,968,970

It also comprises 813 car parking spaces.

The land use right term for the property is held under a term of 70 years commencing from 13 June 2002 and expiring on 12 June 2072 for residential use.

Notes:

1. Pursuant to the co-operative Joint Venture Contract entered into between Shanghai Zhong Hong (Group) Company Limited ("Party A") and Hollyfield Holdings Limited ("Party B") dated 27 April 2001 and the approval letter No. Hu Wai Zi Wei Xie (2006) 214 dated 20 January 2006, both parties agreed to establish a co-operative joint venture company. The salient conditions as stipulated in the Joint Venture Contract and the approval letter are as follows:

   (i) Name of joint venture company: Shanghai Rui Hong Xin Cheng Co., Ltd. (the "Joint Venture")

   (ii) Period of operation: 70 years from the date of issuance of business licence

   (iii) Total investment amount: RMB1,700,000,000

   (iv) Registered capital: RMB567,000,000 (Party A: 1%, Party B: 99%)

2. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.

3. Pursuant to the Business Licence No. Qi Zuo Hu Zong Zi Di 028894 dated 7 February 2006, the Joint Venture was incorporated with a registered capital of RMB567,000,000 for a valid period from 2 July 2001 to 1 July 2071. The scope of business for the Joint Venture includes construction, development and operation of real estate within the old districts of Hong Zheng and Xin Gang; leasing and sales of real estate; provision of amenities, commercial and entertainment facilities in association with real estate development; and property management.

4. Pursuant to the Contract for Grant of State-owned Land Use Right No. Hu Fang Di (1996) Chu Rang He Tong Wai Zi Di 7 entered into between the Shanghai Real Estate and Land Resources Administration Bureau and Selfers Limited and Shanghai Zhong Hong (Group) Company Limited (together referred to as "Party C") on 8 April 1996, Party C was granted with a land use right of a land with a site area of 340,418 sq m. The Contract for Grant of State-owned Land Use Right contains, inter alia, the following salient conditions:

   (i) Use: Residential

   (ii) Land use term: 70 years

   (iii) Permitted total gross floor area: 1,200,000 sq m

   (iv) Green area: 30%

   (v) Land grant fee: RMB21,236,662

5. Pursuant to the supplementary contract Hu Fang Di (1999) Chu Rang He Tong Bu Zi No. 15 entered into between the Shanghai Real Estate and Land Resources Administration Bureau and Shanghai Ruichen Properties Co., Limited (a joint venture formed between Selfers Limited and Shanghai Zhong Hong (Group) Company Limited), dated 12 March 1999, the land grant fee as stated in the Contract for Grant of State-owned Land Use Right No. Hu Fang Di (1999) Chu Rang He Tong Wai Zi Di 7 was changed from RMB21,236,662 to RMB1,998,254.

6. Pursuant to the supplementary contract Hu Fang Di (2002) Chu Rang He Tong (Hong) Bu Zi No. 7 entered into between the Shanghai Hong Kou District Real Estate and Land Resources Administration Bureau and the Joint Venture dated 13 June 2002, the purchaser in the contract stated in the Contract for Grant of State-owned Land Use Right No. Hu Fang Di (1996) Chu Rang He Tong Wai Zi Di 7 was changed to the Joint Venture, and the site area was changed from 340,418 sq m to 271,924 sq m.

7. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2002) Di 011967 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 June 2002, the title to the land (north portion of Lot 1) with a site area of approximately 3,656 sq m is vested in the Joint Venture for a term commencing from 13 June 2002 and expiring on 12 June 2072 for residential use.

8. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2002) Di 011968 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 June 2002, the title to the land (south portion of Lot 1) with a site area of approximately 11,549 sq m is vested in the Joint Venture for a term commencing from 13 June 2002 and expiring on 12 June 2072 for residential use.

9. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2002) Di 011966 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 June 2002, the title to the land (Lot 2) with a site area of approximately 30,458 sq m is vested in the Joint Venture for a term commencing from 13 June 2002 and expiring on 12 June 2072 for residential use.

10. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2002) Di 011965 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 June 2002, the title to the land (Lot 3) with a site area of approximately 26,144 sq m is vested in the Joint Venture for a term commencing from 13 June 2002 and expiring on 12 June 2072 for residential use.

11. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2002) Di 011964 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 June 2002, the title to the land (Lot 4) with a site area of approximately 18,617 sq m is vested in the Joint Venture for a term commencing from 13 June 2002 and expiring on 12 June 2072 for residential use.

12. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2002) Di 011963 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 June 2002, the title to the land (Lot 6) with a site area of approximately 42,658 sq m is vested in the Joint Venture for a term commencing from 13 June 2002 and expiring on 12 June 2072 for residential use.

13. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2002) Di 011962 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 June 2002, the title to the land (Lot 7) with a site area of approximately 34,369 sq m is vested in the Joint Venture for a term commencing from 13 June 2002 and expiring on 12 June 2072 for residential use.

14. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2003) Di 005998 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 2 April 2003, the title to the land (Lot 8) with a site area of approximately 5,800 sq m is vested in the Joint Venture for a term commencing from 13 June 2002 and expiring on 12 June 2072 for residential use.

15. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2002) Di 011960 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 June 2002, the title to the land (East portion of Lot 9) with a site area of approximately 13,442 sq m is vested in the Joint Venture for a term commencing from 13 June 2002 and expiring on 12 June 2072 for residential use.

16. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2002) Di 011959 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 June 2002, the title to the land (West portion of Lot 9) with a site area of approximately 8,819 sq m is vested in the Joint Venture for a term commencing from 13 June 2002 and expiring on 12 June 2072 for residential use.

17. Pursuant to the Shanghai Real Estate Ownership Certificate No. Hu Fang Di Hong Zi (2002) Di 011958 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 June 2002, the title to the land (Lot 10) with a site area of approximately 39,325 sq m is vested in the Joint Venture for a term commencing from 13 June 2002 and expiring on 12 June 2072 for residential use.

18. In our opinion, the market values of the proposed development, assuming it were completed as at the valuation date, were estimated approximately as RMB16,095,000,000 and RMB16,555,000,000 as at 31 March 2006 and 30 June 2006 respectively. We have estimated the total construction costs of the proposed development as at 31 March 2006 and 30 June 2006 based on assumption that the completed development will be of medium to high standard of construction quality. The breakdowns are as follows:

Lot No.	**Estimated total construction cost as at 31 March 2006**	**Estimated total construction cost as at 30 June 2006**
Lot 1	RMB894,000,000	RMB784,000,000
Lot 2	RMB557,000,000	RMB506,000,000
Lot 3	RMB581,000,000	RMB527,000,000
Lot 4	RMB509,000,000	RMB447,000,000
Lot 6	RMB700,000,000	RMB644,000,000
Lot 7	RMB1,011,000,000	RMB906,000,000
Lot 8	RMB266,000,000	RMB242,000,000
Lot 9&10	RMB1,529,000,000	RMB1,366,000,000
Total:	RMB6,047,000,000	RMB5,422,000,000

We have estimated the total relocation costs of Lot 4, 6 and 8 of the property as at 31 March 2006 and 30 June 2006 both as RMB1,600,000,000 based on the historical relocation cost of the subject development and/or relocation contracts. As advised by the Group, the relocation cost incurred of the property was approximately RMB998,000,000 and RMB1,164,000,000 as at 31 March 2006 and 30 June 2006 respectively.

19. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

The Contract for Grant of State-owned Land Use Right of the property is legal, valid and executable. All land premium as stipulated in the land use right grant contract has been settled.

The Joint Venture legally obtained all the land use right certificates of all lots of the property.

Lot 1, 2, 3, 7, 9 and 10 of the property do not subject to mortgage. Within the land use right term, the land use rights of the property can be transferred, let, mortgaged or handled in other ways according to the Contract for Grant of State-owned Land Use Right and relevant laws and regulations.

Lot 4, 6 and 8 of the property are subject to mortgage and all relevant consents, approvals for the mortgage have been obtained. The mortgage is legal, valid and enforceable. The property can be legally transferred, let, occupied, managed and handled subject to approval from the mortgagor.

The relocation works of Lot 4, 6 and 8 of the property are legal. The Joint Venture has paid the relocation costs according to the progress as stipulated in the relocation contracts.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
13	Hangzhou Xihu Tiandi Phase 2 Xihu Main Road Sheng Cheng District Hangzhou Zhejiang Province The PRC	Hangzhou Xihu Tiandi ("XHTD") is situated on Xi Hu Main Road in Shang Cheng District of Hangzhou, with a total site area of approximately 51,072 sq m (549,739 sq ft). The whole development is being developed in two phases and will comprise various retail outlets with a total GFA of approximately 50,000 sq m (538,200 sq ft). First Phase (Phase 1) of XHTD comprises 10 retail blocks and amenities completed in May 2003. Second Phase (Phase 2) of the development is scheduled to be commenced in mid 2005 and anticipated to be completed in 2 years. The total site area of Phase 2 will be approximately of 25,782 sq m (277,517 sq ft) comprising a portion of 20,582 sq m (221,545 sq ft) held under the Contract (see note 1 for contract) and a leased portion of 5,200 sq m (55,973 sq ft) (see note 3 of the lease agreement). Upon completion, Phase 2 will provide a total GFA of approximately 73,332.76 sq m (789,354 sq ft) with 68,961.74 sq m (742,304 sq ft) of buildings on the portion of land held under the Contract and 4,371.02 sq m (47,050 sq ft) of buildings on the portion of land under lease. However, this valuation does not include the GFA of 4,371.02 sq m of leased land. The property comprises Phase 2 of XHTD and the details of GFAs are listed below:	The property is currently occupied by some low-rise dilapidated buildings due to be demolished.	No commercial value *(please see note 9)*	No commercial value *(please see note 9)*

South Tower	**GFA**	
	sq m	*sq ft*
1/F	4,156.30	44,738
2/F	3,708.13	39,914
3/F	3,590.13	38,644
4/F	2,759.91	29,708
5/F	2,025.77	21,805
Sub-total	16,240.24	174,810

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006

North Tower	**GFA**	
	sq m	*sq ft*
1/F	4,790.96	51,570
2/F	4,387.39	47,226
3/F	3,760.71	40,480
4/F	2,682.66	28,876
5/F	1,138.33	12,253
Sub-total	16,760.05	180,405

Historical Buildings	**GFA**	
	sq m	*sq ft*
1/F	3,847.90	41,419
2/F & 3/F	3,219.56	34,655
Sub-total	7,067.46	76,074
Foodcourt (Basement)	1,751.27	18,463
Carparks (Basement) (428 nos.)	19,247.48	207,180
Other	7,931.24	85,372
Total	68,961.74	742,304
Area outline redline zone	4,371.02	47,050

Notes:

Land portion held under the contract

1. Pursuant to the Contract for Grant of State-owned Land Use Right No. Hang Tu He Zi (2004) 19 dated 3 February 2004 entered into between the Zhejiang Province Hangzhou Land Administration Bureau ("Party A") and Bright Winner Limited, Billion Glory Limited and Grand Rich Limited (collectively referred to as "Party B"), Party A agreed to grant a land with a site area of approximately 20,582 sq m to Party B at a consideration of RMB140,500,000 for a land use right term of 50 years for composite use (commercial, office, tourism and hotel).

2. Pursuant to the Supplementary Contract for Grant of State-owned Land Use Right No. Hang Tu He Zi (2004) 19 dated 8 December 2004, the grantee of the land use right under the Contract of State-owned Land Use Right was amended from Party B to Hangzhou Xihu Tiandi Property Company Limited.

Land and buildings portion held under the lease agreement

3. Pursuant to the lease agreement No. Hang Tu Shi Zu Zi (2004) 1 entered into between Party A and Party B dated 10 March 2004, Party A agreed to lease a land with a site area of 5,200 sq m together with buildings with a total GFA of approximately 4,600 sq m to Party B at an annual rental of RMB427,800 for a term of 5 years commencing from the issuance date of the State-owned Land Use Right Certificate for composite use (commercial, office and tourism). In this valuation, we have excluded the leased land and the buildings.

4. Pursuant to the Articles of Association dated 14 November 2003 entered into between Bright Winner Limited, Billion Glory Limited and Grand Rich Limited, a co-operative company Hangzhou Xihu Tiandi Property Company Limited ("Hangzhou Xihu") was formed with a total investment of US$103,600,000 and a registered capital of US$34,540,000 and with the following profit sharing ratio:

Bright Winner Limited	—	32.13%
Billion Glory Limited	—	33.79%
Grand Rich Limited	—	34.08%

5. According to the information provided, the profit sharing ratio for Hangzhou Xihu is 32.13%, 33.79% and 34.08% for Bright Winner Limited, Billion Glory Limited and Grand Rich Limited respectively.

6. Pursuant to the Business Licence dated 17 June 2004 issued by the Hangzhou Commercial Administration Bureau, Hangzhou Xihu was established with a registered capital of US$34,540,000 for a period commencing from 12 June 2003 and expiring on 11 June 2053 to operate property and ancillary facilities, property management, food and beverage, entertainment, commercial, tourism, etc.

7. Pursuant to the Certificate of Approval for establishment of enterprises with investment for Taiwan, Hong Kong, Macau and overseas Chinese in the People's Republic of China dated 19 June 2004, Hangzhou Xihu with a registered capital of US$34,540,000 and a total investment amount of US$103,600,000 is allowed to operate for a period of 50 years.

8. Pursuant to the Construction Land Use Planning Certificate No. (2004) Nian Zhe Gui Yong Zheng 0100169 dated 19 March 2004 issued by the Zhejiang Planning Bureau, the property with a site area of 19,400 sq m was permitted to be developed.

9. Based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market values of the property were estimated as RMB458,000,000 and RMB430,000,000 as at 31 March 2006 and 30 June 2006 respectively. In our opinion, the market values of the proposed development, assuming it were completed as at the valuation date, were both estimated approximately as RMB1,199,000,000 as at 31 March 2006 and 30 June 2006.

   We have estimated the total construction costs of the proposed development as RMB410,000,000 and RMB 420,000,000 as at 31 March 2006 and 30 June 2006 respectively based on assumption that the completed development will be of medium to high standard of construction quality. As advised by the Group, the relocation costs incurred and outstanding relocation costs of the property were both approximately as RMB100,000,000 and RMB40,000,000 respectively as at 31 March 2006 and 30 June 2006. Also, the land grant fee incurred and outstanding land grant fee of the property were both approximately as RMB86,000,000 and RMB54,500,000 respectively as at 31 March 2006 and 30 June 2006.

10. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

    The Contract for Grant of State-owned Land Use Right of the property is legal, valid and executable.

    The relocation works of the property are legal. Hangzhou Xihu has paid the relocation costs according to the progress as stipulated in the relocation agreement and the remained unpaid portion should be paid.

    Upon fully settled all land premium, resettlement charges and fully paid the relevant taxes with duly processed necessary procedures, Hangzhou Xihu will be able to obtain the land use right certificate of the relevant portion of the property without any legal obstacles. After obtaining the land use right certificates, the aforesaid portion of the land use rights of the property can be transferred, let, mortgaged or handled in other ways according to relevant laws and regulations with or without mortgagor approval depending on the process of the mortgage situation of the property.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
14	A development site Hub Area 2 Shanghai Knowledge and Innovation Community Yang Pu District Shanghai The PRC	The property is an irregular-shaped site to be developed into a composite development comprising retail and office buildings. The site area is approximately 27,196.00 sq m (292,738 sq ft). The detail GFA of the proposed development are listed as follows:	The property is currently a vacant site.	No commercial value *(please see note 7)*	No commercial value *(please see note 7)*

Use	GFA	
	sq m	*sq ft*
Office	47,403	510,246
Retail	1,760	18,945
Sub-total	49,163	529,191
Retail (Basement)	3,817	41,086
Total	52,980	570,277

It also comprises 403 car parking spaces.

Notes:

1. Pursuant to the Joint Venture Contract entered into between Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. (formerly known as Shanghai Yang Pu University Town Investment and Development Co., Ltd.) ("Party A") and Bright Continental Limited ("Party B") on 13 June 2003, both parties agreed to incorporate a joint-venture company. The salient conditions as stipulated in the said contract are as follows:

   (i) Name of joint venture company: Shanghai Yang Pu University Town Centre Development Co., Ltd

   (ii) Period of operation: 70 years from the date of issue of the business licence

   (iii) Total investment amount: US$90,000,000

   (iv) Registered capital: US$30,000,000 (Party A: 3%, Party B: 97%)

2. Pursuant to the Supplementary Joint Venture Contract entered into between Party A and Party B on 29 March 2004, amendments to the Joint Venture Contract were made. The salient conditions as stipulated in the contract are as follows:

   (i) The original name of the joint venture company, Shanghai Yang Pu University Town Centre Development Co., Ltd., has been changed to Shanghai Yang Pu Centre Development Co., Ltd. ("the "Joint Venture")

   (ii) The total investment amount was raised to US$180,000,000

   (iii) The registered capital was raised to US$60,500,000 (Party A: 30%, Party B: 70%)

3. According to the information provided, the profit sharing ratio for the Joint Venture is 30% and 70% for Party A and Party B respectively.

4. Pursuant to the Business Licence dated 8 October 2004 issued by the Shanghai Commercial Administration Bureau, the Joint Venture was established with a registered capital of US$60,500,000 for a period commencing from 26 August 2003 and expiring on 25 August 2073. The scope of business includes property development, management, operation, consultancy, agency, construction and operation of ancillary commercial buildings, technology, training and exhibition.

5. Pursuant to the Certificate of Approval for establishment of enterprises with investment for Taiwan, Hong Kong, Macau and overseas Chinese in the People's Republic of China dated 21 May 2004, the Joint Venture with a registered capital of US$60,500,000 and a total investment amount of US$180,000,000 is allowed to operate for a period of 70 years.

6. Pursuant to the Contract for Grant of State-owned Land Use Right Hu Fang Di Yang (2006) Chu Rang He Tong No. 028 entered into between the Shanghai Yang Pu District Real Estate and Land Resources Administration Bureau and the Joint Venture on 19 July 2006, the Joint Venture was granted the land use right of the property with site area of 27,196 sq m at a consideration of RMB4,313,944 and the relocation cost for a land use term of 50 years for commercial, education, cultural and entertainment uses.

7. Based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market values of the property were estimated as RMB281,000,000 and RMB292,000,000 as at 31 March 2006 and 30 June 2006 respectively. In our opinion, the market values of the proposed development, assuming it were completed as at the valuation date, were estimated approximately as RMB836,000,000 and RMB930,000,000 as at 31 March 2006 and 30 June 2006 respectively.

   We have estimated the total construction costs of the proposed development as at 31 March 2006 and 30 June 2006 as RMB345,000,000 and RMB405,000,000 respectively based on assumption that the completed development will be of medium to high standard of construction quality. As advised by the Group, the relocation costs of the property of approximately RMB174,000,000 have been fully paid as at the dates of our valuation.

8. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   The Contract for Grant of State-owned Land Use Right of the property is legal, valid and enforceable. Upon full settlement of relevant taxes with duly processed necessary procedures, the Joint Venture will be able to obtain the land use right certificate without legal obstacles. After obtaining the land use right certificate and within the land use right term, the land use rights of the property can be transferred, let, mortgaged or handled in other ways according to the Contract for Grant of State-owned Land Use Right and relevant laws and regulations.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
15	A development site (R2) west of Song Hu Road, north of Zheng Min Road and east of Guo Ding Road Shanghai Knowledge and Innovation Community Yang Pu District Shanghai The PRC	The property comprises a site with an area of 32,690 sq m (351,875 sq ft) and is planned to be developed into a composite development and the area details are listed as follows:	The property is currently a vacant site.	RMB488,000,000 (70% interest attributable to the Group: RMB341,600,000)	RMB549,000,000 (70% interest attributable to the Group: RMB384,300,000)

Use	**GFA**	
	sq m	*sq ft*
Residential	38,992	419,710
Retail	4,568	49,170
Office	35,718	384,469
Club house	2,899	31,205
Other	1,965	21,151
Total	84,142	905,704

It also comprises 409 car parking spaces.

The property is held under a land use right term commencing from 20 December 2005 and expiring on 20 December 2055 for commercial, office and residential uses.

Notes:

1. Pursuant to the Joint Venture Contract entered into between Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. (formerly known as Shanghai Yang Pu University Town Investment and Development Co., Ltd.) ("Party A") and Bright Continental Limited ("Party B") on 13 June 2003, both parties agreed to incorporate a joint-venture company. The salient conditions as stipulated in the said contract are as follows:

   (i) Name of joint venture company: Shanghai Yang Pu University Town Centre Development Co., Ltd

   (ii) Period of operation: 70 years from the date of issue of the business licence

   (iii) Total investment amount: US$90,000,000

   (iv) Registered capital: US$30,000,000 (Party A: 3%, Party B: 97%)

2. Pursuant to the Supplementary Joint Venture Contract entered into between Party A and Party B on 29 March 2004, amendments to the Joint Venture Contract were made. The salient conditions as stipulated in the contract are as follows:

   (i) The original name of the joint venture company, Shanghai Yang Pu University Town Centre Development Co., Ltd., has been changed to Shanghai Yang Pu Centre Development Co., Ltd. (the "Joint Venture")

   (ii) The total investment amount was raised to US$180,000,000

   (iii) The registered capital was raised to US$60,500,000 (Party A: 30%, Party B: 70%)

3. According to the information provided, the profit sharing ratio for the Joint Venture is 30% and 70% for Party A and Party B respectively.

4. Pursuant to the Business Licence dated 8 October 2004 issued by the Shanghai Commercial Administration Bureau, the Joint Venture was established with a registered capital of US$60,500,000 for a period commencing from 26 August 2003 and expiring on 25 August 2073. The scope of business includes property development, management, operation, consultancy, agency, construction and operation of ancillary commercial buildings, technology, training and exhibition.

5. Pursuant to the Certificate of Approval for establishment of enterprises with investment for Taiwan, Hong Kong, Macau and overseas Chinese in the People's Republic of China dated 21 May 2004, the Joint Venture with a registered capital of US$60,500,000 and a total investment amount of US$180,000,000 is allowed to operate for a period of 70 years.

6. Pursuant to the Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Yang Zi (2006) Di 005904 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 March 2006, the title to the land (portion of the property) with a site area of 26,108 sq m is vested in the Joint Venture for a term commencing from 20 December 2005 and expiring on 20 December 2055 for commercial, office and residential uses.

7. Pursuant to the Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Yang Zi (2006) Di 005933 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 March 2006, the title to the land (portion of the property) with a site area of 6,582 sq m is vested in the Joint Venture for a term commencing from 20 December 2005 and expiring on 20 December 2055 for commercial, office and residential uses.

8. Pursuant to the Contract for Grant of State-owned Land Use Right Hu Fang Di Yang (2005) Chu Rang He Tong No. 083 entered into between the Shanghai Yang Pu District Real Estate and Land Resources Administration Bureau and the Joint Venture on 20 December 2005, the Joint Venture was granted the land use rights of a site with a site area of 36,989 sq m (whole of R2 and portion of C1) at a consideration of RMB436,322,244 for a land use term of 50 years for composite use.

9. Pursuant to the Supplementary Contract Hu Fang Di Yang (2005) Chu Rang He Tong Bu Zi Di 034 entered into between Party A and the Joint Venture on 20 December 2005, the Joint Venture agreed to pay an additional land grant fee of RMB6,544,834 and the first payment of RMB436,322,244 had been paid on 18 August 2005.

10. In our opinion, the market values of the proposed development, assuming it were completed as at the valuation date, were estimated approximately as RMB1,396,000,000 and RMB1,356,000,000 as at 31 March 2006 and 30 June 2006 respectively.

    We have estimated the total construction costs of the proposed development as RMB539,000,000 and RMB486,000,000 as at 31 March 2006 and 30 June 2006 respectively based on assumption that the completed development will be of medium to high standard of construction quality. As advised by the Group, the relocation cost and land grant fee of the property of approximately RMB386,000,000 and RMB5,800,000 respectively have been fully paid as at the dates of our valuation.

11. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains to following:

    The Contract for Grant of State-owned Land Use Right of the property is legal, valid and enforceable. The land grant fees of the property has been fully settled. The Joint Venture has legally obtained the land use right certificates of the property. The property is subject to a mortgage and all relevant consents, approvals for the mortgage have been obtained. The mortgage is legal, valid and enforceable. The property can be legally transferred, let, occupied, managed and handled subject to approval from the mortgagor.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
16	A development site (R3, R4, C1, C2 and C3) Shanghai Knowledge and Innovation Community Yang Pu District Shanghai The PRC	The property comprises a site with an area of 94,030 sq m (1,012,139 sq ft) and is planned to be developed into a composite development and the area details are listed as follows:	The property is currently a vacant site.	RMB82,000,000 (70% interest attributable to the Group: RMB57,400,000) *(please see notes 9 and 10)*	RMB77,000,000 (70% interest attributable to the Group: RMB53,900,000) *(please see notes 9 and 10)*

R3

Use	**GFA**	
	sq m	*sq ft*
Residential	37,800	406,879
Retail	3,024	32,550
Office	34,776	374,329
Total	75,600	813,758

It also comprises 685 car parking spaces.

R4

Use	**GFA**	
	sq m	*sq ft*
Residential	22,460	241,759
Retail	1,797	19,343
Office	20,663	222,417
Total	44,920	483,519

It also comprises 406 car parking spaces.

C1

Use	**GFA**	
	sq m	*sq ft*
Retail	9,633	103,690
Office	39,547	425,684
Total	49,180	529,374

It also comprises 320 car parking spaces.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006

C2

Use	**GFA**	
	sq m	*sq ft*
Retail	5,000	53,820
Office	44,120	474,908
Total	49,120	528,728

It also comprises 220 car parking spaces.

C3

Use	**GFA**	
	sq m	*sq ft*
Retail	5,000	53,820
Office	38,400	413,338
Total	43,400	467,158

It also comprises 229 car parking spaces.

Notes:

1. Pursuant to the Joint Venture Contract entered into between Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. (formerly known as Shanghai Yang Pu University Town Investment and Development Co., Ltd.) ("Party A") and Bright Continental Limited ("Party B") on 13 June 2003, both parties agreed to incorporate a joint-venture company. The salient conditions as stipulated in the said contract are as follows:

    (i) Name of joint venture company: Shanghai Yang Pu University Town Centre Development Co., Ltd

    (ii) Period of operation: 70 years from the date of issue of the business licence

    (iii) Total investment amount: US$90,000,000

    (iv) Registered capital: US$30,000,000 (Party A: 3%, Party B: 97%)

2. Pursuant to the Supplementary Joint Venture Contract entered into between Party A and Party B on 29 March 2004, amendments to the Joint Venture Contract were made. The salient conditions as stipulated in the contract are as follows:

    (i) The original name of the joint venture company, Shanghai Yang Pu University Town Centre Development Co., Ltd., has been changed to Shanghai Yang Pu Centre Development Co., Ltd. (the "Joint Venture")

    (ii) The total investment amount was raised to US$180,000,000

    (iii) The registered capital was raised to US$60,500,000 (Party A: 30%, Party B: 70%)

3. According to the information provided, the profit sharing ratio for the Joint Venture is 30% and 70% for Party A and Party B respectively.

4. Pursuant to the Business Licence dated 8 October 2004 issued by the Shanghai Commercial Administration Bureau, the Joint Venture was established with a registered capital of US$60,500,000 for a period commencing from 26 August 2003 and expiring on 25 August 2073. The scope of business includes property development, management, operation, consultancy, agency, construction and operation of ancillary commercial buildings, technology, training and exhibition.

5. Pursuant to the Certificate of Approval for establishment of enterprises with investment for Taiwan, Hong Kong, Macau and overseas Chinese in the People's Republic of China dated 21 May 2004, the Joint Venture with a registered capital of US$60,500,000 and a total investment amount of US$180,000,000 is allowed to operate for a period of 70 years.

6. Pursuant to the Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Yang Zi (2006) Di 005934 issued by the Shanghai Real Estate and Land Resources Administration Bureau dated 28 March 2006, the title to the land (portion of C1) with a site area of 4,299 sq m is vested in the Joint Venture for a term commencing from 20 December 2005 and expiring on 20 December 2055 for commercial and office uses.

7. Pursuant to the Contract for Grant of State-owned Land Use Right Hu Fang Di Yang (2005) Chu Rang He Tong No. 083 entered into between the Shanghai Yang Pu District Real Estate and Land Resources Administration Bureau and the Joint Venture on 20 December 2005, the Joint Venture was granted the land use right of a site with a site area of 36,989 sq m (whole of R2 and portion of C1) at a consideration of RMB436,322,244 for a land use right term of 50 years for composite use.

8. Pursuant to the Supplementary Contract Hu Fang Di Yang (2005) Chu Rang He Tong Bu Zi Di 034 entered into between party A and the Joint Venture, the Joint Venture agreed to pay an additional land grant fee of RMB6,544,834 and the first payment of 436,322,244 had been paid on 18 August 2005.

9. RMB82,000,000 and RMB77,000,000 is market value of portion of C1 site only as at 31 March 2006 and 30 June 2006 respectively, with a site area of 4,299 sq m as mentioned in note 6 above. It is derived from the apportionment of the market value of the whole C1 site with reference to the proposed development of the whole C1 site.

10. Based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market values of the property (including the market value of whole C1 site) were estimated as RMB1,531,000,000 and RMB1,619,000,000 as at 31 March 2006 and 30 June 2006 respectively. In our opinion, the market values of the proposed development, assuming it were completed as at the valuation date, were estimated approximately as RMB4,408,000,000 and RMB4,528,000,000 as at 31 March 2006 and 30 June 2006 respectively. We have also estimated the total construction costs of the proposed development based on assumption that the completed development will be of medium to high standard of construction quality as at 31 March 2006 and 30 June 2006. The breakdowns are as follows:

Lot No.	**Estimated total construction cost as at 31 March 2006**	**Estimated total construction cost as at 30 June 2006**
R3	RMB508,000,000	RMB475,000,000
R4	RMB302,000,000	RMB282,000,000
C1	RMB336,000,000	RMB336,000,000
C2	RMB315,000,000	RMB319,000,000
C3	RMB284,000,000	RMB283,000,000
Total:	RMB1,745,000,000	RMB1,695,000,000

11. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains to following:

    The Joint Venture has legally obtained the land use right certificate of portion of C1 of the property and the land use right can be transferred, let, mortgaged or handled in other ways according to the Contract for Grant of State-owned Land Use Right and relevant laws and regulations.

    The Joint Venture has the right to enter into land use right grant contracts of the property according to the Master Agreement. The Joint Venture has the rights to develop the property according to the agreement and acquire the land use rights of the property through agreement.

    Upon full settlement of all land premium and relevant taxes according to the land use right grant contracts and with duly proceeded necessary procedures, the Joint Venture will be able to obtain the land use right certificates of the property. After obtaining the land use right certificates, the land use rights of the property can be transferred, let, mortgaged or handled in other ways according to the land use right grant contracts and relevant laws and regulations.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
17	Phases 1B, 1C, 1D, 2A, 2B, 2C, 2D and 2E of Chongqing Tiandi Project Hualongqiao Development Area Yu Zhong District Chongqing The PRC	Chongqing Tiandi Project ("the Development") is situated in Yu Zhong District covering a site with area of approximately 1,250,000 sq m (13,455,000 sq ft) (according to the agreement dated 19 August 2003). The Development is bounded by No. 24 on the east Hua Cun and No. 132 Hua Long Qiao Cun, No. 82-2 Hong Yan Cun on the west and No. 377 Jiao Nong Cun, a railway route under the ridges on the south and the southern coast of Jia Ling Jiang on the north. Demolition and relocation works are proposed to be completed within 4 years from 31 December 2003 and the whole project is proposed to be finished in 12 years. The Development will provide a board range of facilities that include: merchandise mart, luxury hotels, intelligent office buildings as well as residential clusters, dining, shopping and entertainment amenities. The property comprises Phases 1B, 1C, 1D, 2A, 2B, 2C, 2D and 2E of the Development with a total site area of approximately 667,700 sq m (7,187,123 sq ft). The area details are listed as follows:	The property is being occupied by a number of low to medium rise buildings due to be demolished.	No commercial value *(please see notes 13 and 14)*	No commercial value *(please see notes 13 and 14)*

Phase 1B

Use	GFA	
	sq m	*sq ft*
Retail	6,801	73,206
Residential	194,129	2,089,605
Public facility	2,390	25,726
Utility	192	2,067
Total	203,512	2,190,603

It also comprises 1,278 car parking spaces.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006

Phase 1C

Use	GFA	
	sq m	*sq ft*
Retail	9,701	104,422
Residential	205,884	2,216,135
School	19,769	212,794
Public facility	2,390	25,726
Utility	176	1,894
Total	237,920	2,560,971

It also comprises 1,368 car parking spaces.

Phase 1D

Use	GFA	
	sq m	*sq ft*
Retail	5,348	57,566
Residential	144,760	1,558,197
Public facility	1,890	20,344
Utility	192	2,067
Total	152,190	1,638,173

It also comprises 888 car parking spaces.

Phase 2A

Use	GFA	
	sq m	*sq ft*
Retail	50,302	541,451
Residential	14,040	151,127
Hotel	9,628	103,636
Public facility	7,280	78,362
Utility	192	2,067
Total	81,442	876,642

It also comprises 716 car parking spaces.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006

Phase 2B

Use	GFA	
	sq m	*sq ft*
Retail	9,192	98,943
Residential	214,372	2,307,500
School	11,177	120,309
Public facility	1,890	20,344
Utility	174	1,873
Total	236,805	2,548,969

It also comprises 1,315 car parking spaces.

Phase 2C

Use	GFA	
	sq m	*sq ft*
Retail	8,151	87,737
Residential	208,011	2,239,030
Public facility	3,150	33,907
Utility	292	3,143
Total	219,604	2,363,817

It also comprises 1,279 car parking spaces.

Phase 2D

Use	GFA	
	sq m	*sq ft*
Retail	41,384	445,457
Residential	307,215	3,306,862
Office	14,596	157,111
Public facility	2,390	25,726
Utility	192	2,067
Total	365,777	3,937,224

It also comprises 2,148 car parking spaces.

Phase 2E

Use	GFA	
	sq m	*sq ft*
Residential	45,800	492,991
Retail	169,473	1,824,207
Office	687,595	7,401,273
Hotel	74,064	797,225
Public facility	2,260	24,327
Utility	8,292	89,255
Total	987,484	10,629,278

It also comprises 5,189 car parking spaces.

Notes:

1. Pursuant to the Joint Venture Contract entered into between 重慶渝中國有資產經營管理有限公司 (Chongqing Yu Zhong State-owned Assets Management Company Limited) ("Party A") and Grand Hope Limited ("Party B") on 18 November 2003 and the approval letter No. Yu Wai Jing Mao Fa (2005) 356, both parties agreed to incorporate a joint-venture company. The salient conditions as stipulated in the said contract and the approval letter are as follows:

   (i) Name of joint venture company: Chongqing Shui On Tiandi Property Development Company Limited (the "Joint Venture")

   (ii) Period of operation: 70 years from the date of issue of the business licence

   (iii) Total investment amount: US$205,000,000

   (iv) Registered capital: US$71,750,000 (Party A: 1%, Party B: 99%)

   (v) Operation: property development, construction, operation and management

   (vi) Profit sharing arrangement: the profit after tax and funds is shared according to the investment ratio of the parties

   (vii) The demolition and relocation works should be commenced before 31 December 2003

   (viii) After the land use rights is obtained by the Joint Venture, the land should be solely for self development and the transfer (other than sale of commodity housing), lease, mortgage to third party or dispose of such right is not permitted prior to a written confirmation by Party A. The Joint Venture/Party B should not transfer the land use rights for speculation purpose

   (ix) The total investment amount of the project is estimated to be approximately RMB10,000,000,000

2. Pursuant to the Certificate of Approval for establishment of enterprises with investment for Taiwan, Hong Kong, Macau and overseas Chinese in the People's Republic of China, the Joint Venture with a registered capital of US$71,750,000 and a total investment amount of US$205,000,000 is allowed to operate for a period of 70 years.

3. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.

4. Pursuant to the Business Licence dated 23 January 2006 issued by the Chongqing Commercial Administration Bureau, the Joint Venture was established with a registered capital of US$71,750,000 for a period commencing from 21 November 2003 and expiring on 20 November 2073. The scope of business includes property development, operation and management.

5. Pursuant to an authorization document endorsed by the Mayor of the People's Government of Chongqing dated 19 August 2003, the District Representative of the People's Government of Yu Zhong District is authorized to sign a cooperation agreement with Hong Kong Shui On Group.

6. Pursuant to the cooperation agreement entered into between the People's Government of Chongqing Yu Zhong District ("Party C") and Party B on 19 August 2003, both parties agreed to jointly develop a site with an area of approximately 1,250,000 sq m. The salient conditions of the agreement are, inter alia, listed below:

   (i) The agreed cost for the development is composed of land premium and relocation cost

   (ii) Both parties agreed to form a joint venture company in charge of the development of which the investment ratio of Party C and Party B should be 1% and 99% respectively

   (iii) Party B can invite other investor to participate in the project as long as it complies with the requirements of relevant planning departments

   (iv) The project should be constructed in phases and the demolition and relocation works should be completed within 4 years and the whole development should be completed within 12 years

   (v) The 4 years condition stated above expired on 31 December 2007

   (vi) The standard of demolition and relocation costs is RMB1,200,000/mu which are valid for 4 years commencing from 31 December 2003

   (vii) After the above-mentioned period, relocation cost is adjusted according to the People's Bank of China announced interest rate on one year term

   (viii) The joint venture company/Party B should apply for a rent application for several parcels of lands before the end of 2010

   (ix) The joint venture company and/or Party B shall not obtain real estate development loans in settling relocation and resettlement costs without obtaining a written approval from either Party C or the China Party of the joint venture

   (x) After the land use right is obtained by the joint venture company, the land should be solely for self development and the transfer (other than sale of commodity housing), lease, mortgage to a third party or disposal of such right is not permitted prior to the written confirmation by Party C or the China partner of the joint venture company. The joint venture company/Party B should not transfer the land use right for speculation purpose

   (xi) Either party to the agreement should neither transfer the whole or any part of the agreement without prior written consent by other party

   (xii) Demolition and relocation works should be commenced before 31 December 2003 covering an area of approximately 500 mu

   (xiii) Party C is responsible for obtaining the relevant land use right certificate, and the land use right term should be 40 years for commercial, 70 years for residential and 50 years for composite use

7. Pursuant to the authorization agreement endorsed by the Mayor of the People's Government of Yu Zhong District dated 19 November 2003, the directing department in charge of the development of Hua Long Pian Qu of Yu Zhong District is authorized to represent the People's Government of Yu Zhong District to handle the development of the site including demolition, relocation, joint venture, development, construction and other administration, economic and legal affairs.

8. Pursuant to the agreement of capital arrangement for demolition and relocation in Phase 1 Red-line District of Hua Long Qiao Pian Qu of Yu Zhong District entered into between the Joint Venture and the directing department for the development and construction of Hua Long Qiao Pian Qu ("Party D") on 2 December 2003, the salient conditions for the demolition and relocation arrangement of Phase 1 Red-line District are as follows:

   (i) The scope of relocation cover an area of approximately 508 mu, 4,762 units to be demolished, approximately 527,614.17 sq m of GFA to be demolished

   (ii) The relocation cost to be paid by the Joint Venture is approximately RMB609,600,000

   (iii) Party D promises to complete all demolition and relocation works not more than 4 years after receiving of the relocation cost paid by the Joint Venture

   (iv) Party D should transfer an area of approximately 112 mu within 6 months (before September of 2004) after receiving of the first installment of the relocation cost; transfer an area of approximately 108 mu within 2 years (before March of 2006) after receiving the first installment of the relocation cost; transfer an area of approximately 288 mu within 3 years (before March of 2007) after receiving the first installment of the relocation costs; transfer Chongqing Education School with a site area of approximately 80 mu not later than 31 December 2007

9. Pursuant to the agreement entered into between the People's Government of Chongqing and Shui On Construction and Materials Limited on 19 October 2002, both parties agreed to develop a site with an area of approximately 960,500 sq m.

10. Pursuant to the Contract for Grant of State-owned Land Use Right No. Yu Di (2003) He Zi (Zhong Qu) Di 272 entered into between the Chongqing Real Estate and Land Resources Administration Bureau ("Party E") and the Joint Venture in 2003, Party E agreed to grant the Joint Venture the land use right of the land (Phase 1) with an area of approximately 338,663 sq m at a consideration of RMB803,701,410 (RMB194,101,410 for land grant fee and RMB609,600,000 for relocation cost) for land use right terms of 40 years for commercial use, 70 years for residential use and 50 years for composite use. The aforesaid land grant fee will be refunded to the Joint Venture within 30 days after the full payment of the land grant fee.

11. Pursuant to the Contract for Grant of State-owned Land Use Right No. Yu Di (2005) He Zi (Zhong Qu) Di 92 entered into between Party E and the Joint Venture on 3 March 2005, Party E agreed to grant the Joint Venture the land use right of the land (Phase 2) with a site area of approximately 506,350 sq m at a consideration of RMB1,582,878,100 (RMB671,448,600 for land grant fee and RMB911,429,500 for relocation cost) for a land use right term of 40 years for commercial use, 70 years for residential use and 50 years for composite use. The aforesaid land grant fee will be refunded to the Joint Venture within 30 days after the full payment of the land grant fee.

12. Pursuant to the Resettlement and Relocation Agreement entered into between the Joint Venture and Party D on 3 March 2005, the relocation cost for Phase 2 with a site area of approximately 761mu was agreed as RMB913,200,000.

13. Based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market values of the property were estimated as RMB4,605,000,000 and RMB5,417,000,000 as at 31 March 2006 and 30 June 2006 respectively. In our opinion, the market values of the proposed development, assuming it were completed as at the valuation date, were estimated approximately as RMB21,181,000,000 and RMB22,219,000,000 as at 31 March 2006 and 30 June 2006 respectively.

    As advised by the Group, the total Construction Cost Paid and total outstanding construction cost for Phase 1B of the proposed developments were both approximately RMB22,000,000 and RMB774,000,000 respectively as at 31 March 2006 and 30 June 2006.

As advised by the Group, the total Construction Cost Paid and total outstanding construction cost for Phase 2A of the proposed developments were approximately RMB9,000,000 and RMB327,000,000 respectively as at 31 March 2006 and RMB10,000,000 and RMB326,000,000 respectively as at 30 June 2006.

We have estimated the total construction costs for Phases 1C, 1D, 2B, 2C, 2D and 2E of the proposed developments as RMB7,859,000,000 and RMB7,866,000,000 as at 31 March 2006 and 30 June 2006 respectively based on assumption that the completed development will be of medium to high standard of construction quality.

As advised by the Group, the total relocation cost of the whole Phase 1 & 2 of the Development was approximately RMB1,523,000,000 and the outstanding relocation cost of the property was approximately RMB163,000,000 both as at 31 March 2006 and 30 June 2006. Consequently, the total relocation cost incurred for the whole Phase 1 & 2 of the Development was approximately RMB1,360,000,000. From the above, we have allocated RMB1,303,000,000 as the relocation cost incurred of the property with reference to the GFAs both as at 31 March 2006 and 30 June 2006. Also, the total land grant fee of the whole Phase 1 & 2 of the Development was approximately RMB865,000,000 and the land grant fee have been fully paid as at the dates of our valuation. (The land grant fees for Phases 1 and 2 of the Development will be refunded to the Joint Venture within 30 days after full payment)

14. As advised by the Group, the interest of the Joint Venture attributable to the Group is changed from 99% to 79.4% pursuant to two Agreements of shares sale and purchase entered into between Shui On Development (Holdings) Limited and Winnington Capital Limited on 1 September 2006 and Ocean Equity Holdings Limited on 9 September 2006.

15. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

The Contracts for Grant of State-owned Land Use Right of Phases 1 and 2 of the Development are legal, valid and executable. Land grant fees for Phases 1 and 2 of the Development as stipulated in the Contracts for Grant of State-owned Land Use Right have been fully settled. The Joint Venture has legally obtained the land use right certificate for Phase 1A of the Development and, upon full settlement of resettlement costs and relevant taxes and with duly processed necessary procedures, the Joint Venture will be able to obtain the land use right certificates of the property. After obtaining the land use right certificates and within the land use right term, the land use rights of the property can not be transferred (except housing sale), let, mortgaged or handled in other ways according to the Contracts for Grant of State-owned Land Use Right and relevant laws and regulations without the consent of the Chongqing Real Estate and Land Resources Administration Bureau.

The delay of the payment of the land premium of Phase 2 of the Development would not adversely affect in obtaining the land use right certificate.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
18	Phase 3 of Chongqing Tiandi Project Hualongqiao Development Area Yu Zhong District Chongqing The PRC	Chongqing Tiandi Project ("the Development") is situated in Yu Zhong District covering a site with area of approximately 1,250,000 sq m (13,455,000 sq ft) (according to the agreement dated 19 August 2003). The Development is bounded by No. 24 on the east Hua Cun and No. 132 Hua Long Qiao Cun, No. 82-2 Hong Yan Cun on the west and No. 377 Jiao Nong Cun, a railway route under the ridges on the south and the southern coast of Jia Ling Jiang on the north. Demolition and relocation works are proposed to be completed within 4 years from 31 December 2003 and the whole project is proposed to be finished in 12 years. The Development will provide a board range of facilities that include: merchandise mart, luxury hotels, intelligent office buildings as well as residential clusters, dining, shopping and entertainment amenities. The property comprises Phase 3 of the Development with a total site area of 274,500 sq m (2,954,718 sq ft) and will be developed into a residential/retail development and the area details are listed as follows:	The property is being occupied by a number of low to medium rise buildings.	No commercial value *(please see notes 8 and 9)*	No commercial value *(please see notes 8 and 9)*

Use	GFA	
	sq m	*sq ft*
Retail	6,542	70,418
Residential	71,772	772,554
Total	78,314	842,972

It also comprises 740 car parking spaces.

Notes:

1. Pursuant to the Joint Venture Contract entered into between 重慶渝中國有資產經營管理有限公司 (Chongqing Yu Zhong State-owned Assets Management Company Limited) ("Party A") and Grand Hope Limited ("Party B") on 18 November 2003 and the approval letter No. Yu Wai Jing Mao Fa (2005) 536, both parties agreed to incorporate a joint-venture company. The salient conditions as stipulated in the said contract and the approval letter are as follows:

   (i) Name of joint venture company: Chongqing Shui On Tiandi Property Development Company Limited (the "Joint Venture")

   (ii) Period of operation: 70 years from the date of issue of the business licence

   (iii) Total investment amount: US$205,000,000

(iv) Registered capital: US$71,750,000 (Party A: 1%, Party B: 99%)

(v) Operation: property development, construction, operation and management

(vi) Profit sharing arrangement: the profit after tax and funds is shared according to the investment ratio of the parties

(vii) The demolition and relocation works should be commenced before 31 December 2003

(viii) After the land use rights is obtained by the Joint Venture, the land should be solely for self development and the transfer (other than sale of commodity housing), lease, mortgage to third party or dispose of such right is not permitted prior to a written confirmation by Party A. The Joint Venture/Party B should not transfer the land use rights for speculation purpose

(ix) The total investment amount of the project is estimated to be approximately RMB10,000,000,000

2. Pursuant to the Certificate of Approval for establishment of enterprises with investment for Taiwan, Hong Kong, Macau and overseas Chinese in the People's Republic of China, the Joint Venture with a registered capital of US$71,750,000 and a total investment amount of US$205,000,000 is allowed to operate for a period of 70 years.

3. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.

4. Pursuant to the Business Licence dated 23 January 2006 issued by the Chongqing Commercial Administration Bureau, the Joint Venture was established with a registered capital of US$71,750,000 for a period commencing from 21 November 2003 and expiring on 20 November 2073. The scope of business includes property development, operation and management.

5. Pursuant to an authorization document endorsed by the Mayor of the People's Government of Chongqing dated 19 August 2003, the District Representative of the People's Government of Yu Zhong District is authorized to sign a cooperation agreement with Hong Kong Shui On Group.

6. Pursuant to the cooperation agreement entered into between the People's Government of Chongqing Yu Zhong District ("Party C") and Party B on 19 August 2003, both parties agreed to jointly develop a site with an area of approximately 1,250,000 sq m. The salient conditions of the agreement are, inter alia, listed below:

(i) The agreed cost for the development is composed of land premium and relocation cost

(ii) Both parties agreed to form a joint venture company in charge of the development of which the investment ratio of Party C and Party B should be 1% and 99% respectively

(iii) Party B can invite other investor to participate in the project as long as it complies with the requirements of relevant planning departments

(iv) The project should be constructed in phases and the demolition and relocation works should be completed within 4 years and the whole development should be completed within 12 years

(v) The 4 years condition stated above expired on 31 December 2007

(vi) The standard of demolition and relocation costs is RMB1,200,000/mu which are valid for 4 years commencing from 31 December 2003

(vii) After the above-mentioned period, relocation cost is adjusted according to the People's Bank of China announced interest rate on one year term

(viii) The joint venture company / Party B should apply for a rent application for several parcels of lands before the end of 2010

(ix) The joint venture company and / or Party B shall not obtain real estate development loans in settling relocation and resettlement costs without obtaining a written approval from either Party C or the China Party of the joint venture

(x) After the land use right is obtained by the joint venture company, the land should be solely for self development and the transfer (other than sale of commodity housing), lease, mortgage to a third party or disposal of such right is not permitted prior to the written confirmation by Party C or the China partner of the joint venture company. The joint venture company / Party B should not transfer the land use right for speculation purpose

(xi) Either party to the agreement should neither transfer the whole or any part of the agreement without prior written consent by other party

(xii) Demolition and relocation works should be commenced before 31 December 2003 covering an area of approximately 500 mu

(xiii) Party C is responsible for obtaining the relevant land use right certificate, and the land use right term should be 40 years for commercial, 70 years for residential and 50 years for composite use

7. Pursuant to the authorization agreement endorsed by the Mayor of the People's Government of Yu Zhong District dated 19 November 2003, the directing department in charge of the development of Hua Long Pian Qu of Yu Zhong District is authorized to represent the People's Government of Yu Zhong District to handle the development of the site including demolition, relocation, joint venture, development, construction and other administration, economic and legal affairs.

8. Based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market values of the property were estimated as RMB109,000,000 and RMB134,000,000 as at 31 March 2006 and 30 June 2006 respectively. In our opinion, the market values of the proposed development, assuming it were completed as at the valuation date, was estimated approximately as RMB618,000,000 and RMB656,000,000 as at 31 March 2006 and 30 June 2006 respectively. We have also estimated the total construction costs of the proposed development based on assumption that the completed development will be of medium to high standard of construction quality which were both estimated approximately as RMB289,000,000 as at 31 March 2006 and 30 June 2006.

9. As advised by the Group, the interest of the Joint Venture attributable to the Group is changed from 99% to 79.4% pursuant to two Agreements of shares sale and purchase entered into between Shui On Development (Holdings) Limited and Winnington Capital Limited on 1 September 2006 and Ocean Equity Holdings Limited on 9 September 2006.

10. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

The Joint Venture has the right to enter into land use right grant contract of the property according to the Master Agreement. The Joint Venture has the rights to develop the property according to the agreement and acquire the land use rights of the property through agreement.

Upon full settlement of all land premium, resettlement costs and relevant taxes according to the land use right grant contract and resettlement contract and with duly proceeded necessary procedures, the Joint Venture will be able to obtain the land use right certificate of the property. After obtaining the land use right certificate, the land use rights of the property can be transferred, let, mortgaged or handled in other ways according to the land use right grant contract and relevant laws and regulations.

	Property	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 March 2006**	**Capital value in existing state as at 30 June 2006**
19	Lot 113 Taipingqiao Area Lu Wan District Shanghai The PRC	The property is part of the Shanghai Taipingqiao Project located at the centre of the development zone with a site area of approximately 24,000 sq m (258,336 sq ft). The property is bounded by Zi Zhong Road on the north, Huang Pi Nan Road on the east, Fu Xing Central Road on the south and Ma Dang Road on the west within the Taipingqiao Area. According to the information provided to us, the development scheme is planned to be high-rise and low-rise residential blocks and ancillary commercial facilities. Upon completion, they will provide the following approximate GFAs:	The property is currently occupied by dilapidated buildings.	No commercial value *(please see note 6)*	No commercial value *(please see note 6)*

	GFA	
	sq m	*sq ft*
Residential	81,600	878,342
Retail	13,900	149,620
Public facility	500	5,382
Total	96,000	1,033,344

It also comprises 490 car parking spaces.

Notes:

1. Pursuant to the Equity Joint Venture Contract entered into between Shanghai Fuxing Construction and Development Company Limited ("Party A") and Hong Kong East Trend Limited dated ("Party B") dated 8 September 2001 and the approval letter No. Hu Wai Zi Wei Xie (2005) 691 dated 7 April 2005 , both parties agreed to establish a joint venture company. The salient conditions as stipulated in the joint venture contract and the approval letter are as follows:

    (i) Name of joint venture company: Shanghai Fu Xiang Property Co., Ltd (the "Joint Venture")

    (ii) Period of operation: 70 years from the date of issuance of business licence

    (iii) Total investment amount: RMB1,035,000,000

    (iv) Registered capital: RMB345,000,000 (Party A: 1%, Party B: 99%)

2. According to the information provided, the profit sharing ratio for the Joint Venture is 1% and 99% for Party A and Party B respectively.

3. Pursuant to the Business Licence No. Qi He Hu Zong Zi Di 029956 dated 13 December 2005, the Joint Venture was incorporated with a registered capital of RMB345,000,000 for a valid period from 19 December 2001 to 18 December 2071. Its scope of business includes construction, development and operation of real estate; leasing and sales of real estate; provision of amenities, commercial and entertainment facilities in association with real estate development; and property management.

4. Pursuant to the Contract for Grant of State-owned Land Use Right No. Hu Fang Di Zi (2001) Chu Rang He Tong Wai Zi Di 1 entered into among the Shanghai Real Estate and Land Resources Administration Bureau, Party A and Party B on 28 February 2001, Party A and Party B were granted a land use right of a plot of land known as Lot 113 in Lu Wan District with a site area of 16,151 sq m. The Contract for Grant of State-owned Land Use Right to Lot 113 contains, inter alia, the following salient conditions:

   (i) Use: Residential

   (ii) Land use term: 70 years

   (iii) Plot ratio: ≦5.5

   (iv) Total GFA: ≦88,831 sq m

   (v) Permitted site coverage: ≦60% of the site area

   (vi) Permitted building height: <100 m

   (vii) Building covenant: The proposed development must be completed on or before 31 December 2006

   (viii) Land use right premium: RMB23,015,175

   (ix) Land use rent: RMB1 per sq m per annum

5. Pursuant to an approval letter issued by the Shanghai Urban Planning Administration Bureau dated 7 September 2005, the planning of Taipingqiao was approved and the site area of Lot 113 was 24,000 sq m.

6. Based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market values of the property were estimated as RMB2,601,000,000 and RMB2,748,000,000 as at 31 March 2006 and 30 June 2006 respectively. In our opinion, the market values of the proposed development, assuming it were completed as at the valuation date, were estimated approximately as RMB4,805,000,000 and RMB4,749,000,000 as at 31 March 2006 and 30 June 2006 respectively.

   According to your terms of instruction, we have estimated the total construction costs of the proposed development as RMB811,000,000 and RMB823,000,000 as at 31 March 2006 and 30 June 2006 respectively based on assumption that the completed development will be of high standard of construction quality.

   As advised by the Group, the relocation cost incurred of the property was approximately RMB706,000,000 and the land grant fee of the property of approximately RMB23,000,000 have been fully paid as at 31 March 2006. We have also estimated the outstanding relocation cost of the property as approximately RMB54,000,000 as at 31 March 2006 based on the historical relocation cost of the subject development.

   As advised by the Group, the relocation cost incurred of the property was approximately RMB783,000,000 and the land grant fee of the property of approximately RMB23,000,000 have been fully paid as at 30 June 2006. We have also estimated the outstanding relocation cost of the property as approximately RMB189,000,000 as at 30 June 2006 based on the historical relocation cost of the subject development.

7. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

   The Contract for Grant of State-owned Land Use Right of Lot 113 is legal, valid and executable. The resettlement cost as stipulated in the resettlement contract and its supplementary contracts has been fully settled. The land grant fee of Lot 113 has been fully settled. Upon full settlement of the relevant taxes with duly processed necessary procedures, the Joint Venture will be able to obtain the land use right certificate of Lot 113 without any legal obstacles. After obtaining the land use right certificate and within the land use right term, the land use rights of Lot 113 can be transferred, let, mortgaged or handled in other ways according to the Contract for Grant of State-owned Land Use Right and relevant laws and regulation.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
20	Lot 116, 118, 122, 126 and 127 Taipingqiao Area Lu Wan District Shanghai The PRC	The property with a site area of approximately 87,288 sq m (939,568 sq ft) constitutes portion of the Shanghai Taipingqiao Project. The property is currently planned to be developed into a commercial/cultural/recreational/residential development.	The property is being occupied by dilapidated buildings due to be demolished.	No commercial value *(please see note 7)*	No commercial value *(please see note 7)*

Lot 116

According to the information provided to us, Lot 116 with a site area of approximately 20,000 sq m (215,280 sq ft) will be developed into a residential development with a total GFA of approximately 90,000 sq m (968,760 sq ft) and 400 car parking spaces.

Lot 118

According to the information provided to us, Lot 118 with a site area of approximately 18,200 sq m (195,905 sq ft) is planned to be developed into a residential development comprising medium to high-rise residential blocks, with a total GFA of approximately 80,080 sq m (861,981 sq ft) and 300 car parking spaces.

Lot 122-1 and Lot 122-2

According to the information provided to us, Lot 122-1 and Lot 122-2 together with a total site area of 12,940 sq m (139,286 sq ft) are planned to be developed into a residential development comprising medium to high-rise residential blocks, and a retail complex and a hotel, the area details are as follows:

Use	**GFA**	
	sq m	*sq ft*
Residential	22,100	237,884
Retail	1,800	19,375
Hotel	40,600	437,018
Total	64,500	694,278

It also comprises 180 car parking spaces.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006

Lot 122-3

According to the information provided to us, Lot 122-3 with a site area of 11,127 sq m (119,771 sq ft) is planned to be developed into a retail complex with a total GFA of 24,420 sq m (262,857 sq ft) and 180 car parking spaces.

Lot 126

According to the information provided to us, Lot 126 with a site area of approximately 11,817 sq m (127,198 sq ft) is planned to be developed into an office development with a total GFA of 64,900 sq m (698,584 sq ft) and 300 car parking spaces.

Lot 127

According to the information provided to us, Lot 127 with a site area of approximately 13,204 sq m (142,128 sq ft) is planned to be developed into an office development, the area details are as follows:

Use	**GFA**	
	sq m	*sq ft*
Office	71,800	772,855
Public facility	800	8,611
Total	72,600	781,466

It also comprises 370 car parking spaces.

Notes:

Lot 116

1. Pursuant to the Contract for Grant of State-owned Land Use Rights No. Hu Fang Di (1997) Chu Rang He Tong Wai Zi 24 entered into among the Shanghai Real Estate and Land Resources Administration Bureau, Legend City Limited ("Party A"), and Shanghai Fuxing Construction and Development Company Limited ("Party B") on 19 July 1997, Party A and Party B were granted a land use right of a plot of land known as Lot 116 in Lu Wan District with a site area of 25,684 sq m. The Contract for Grant of State-owned Land Use Right to Lot 116 contains, inter-alia, the following salient conditions:

   (i) Use : residential

   (ii) Land use term : 70 years

(iii)	Plot ratio	:	≦5
(iv)	Total GFA	:	≦128,420 sq m
(v)	Permitted site coverage	:	≦45% of site area
(vi)	Building covenant	:	the proposed development must be completed on or before 31 December 2004
(vii)	Land use right premium	:	RMB23,419,656
(viii)	Land use rent	:	RMB1 per sq m per annum

Lot 118

2. Pursuant to the Contract for Grant of State-owned Land Use Right No. Lu Fang Di Yong (2002) Chu Rang He Tong Di 38 entered into among the Shanghai Luwan District Real Estate and Land Administration Bureau (the "Bureau"), Party A and Globaland Limited ("Party C") on 31 December 2002, Party A and Party C were granted the land use right of a plot of land known as Lot 118 in Lu Wan District with a site area of 19,843 sq m. The Contract for Grant of State-owned Land Use Right to Lot 118 contains, inter alia, the following salient conditions:

   (i) Use: residential

   (ii) Land use term: 70 years

   (iii) Plot ratio: ≦4.5

   (iv) Building covenant: the proposed development must be completed on or before 31 December 2007

   (v) Land use right premium: RMB32,641,735*

   * *According to a letter No. Hu Zheng Chen (2001) 68, the land use right premium is waived.*

Lot 122-1 and Lot 122-2

3. Pursuant to the Contract for Grant of Sate-owned Land Use Right No. Lu Fang Di Yong (2002) Chu Rang He Tong Di 37 entered into among the Bureau, Party A and Onfair Limited ("Party D") on 31 December 2002, Party A and D were granted the land use rights of a plot of land known as Lot 122-1 and Lot 122-2 in Lu Wan District with a site area of 12,940 sq m. The Contract for Grant of State-owned Land Use Rights to Lot 122-1 and Lot 122-2 contains, inter alia, the following salient conditions:

   (i) Use: residential

   (ii) Land use term: 70 years

   (iii) Plot ratio: ≦5

   (iv) Building covenant: the proposed development must be completed on or before 31 December 2007

   (v) Land use right premium: RMB23,550,800*

   * *According to a letter No. Hu Zheng Chen (2001) 68, the land use right premium is waived.*

Lot 122-3

4. Pursuant to the Contract for Grant of State-owned Land Use Right No. Hu Fang Di Zi (2003) Chu Rang He Tong Di 82 entered into among the Bureau, Party A and Lucky Gain Limited ("Party E") on 20 June 2003, Party A and Party E were granted the land use right of a plot of land known as Lot 122-3, in Lu Wan District with a site area of 11,127 sq m. The Contract for Grant of State-owned Land Use Right to Lot 122-3 contains, inter alia, the following salient conditions:

   (i) Use: composite (residential, commercial, office and cultural)

   (ii) Land use term: 50 years

   (iii) Plot ratio: ≦5.5

   (iv) Total GFA: ≦61,198 sq m

   (v) Permitted site coverage: ≦65% of site area

   (vi) Permitted building height: ≦70 m

   (vii) Building covenant: the proposed development must be completed on or before 30 June 2007

   (viii) Land use right premium: US$9,179,700

   (ix) Land use rent: RMB1 per sq m per annum

Lot 126

5. Pursuant to the Contract for Grant of State-owned Land Use Right No. Hu Fang Di Zi (2003) Chu Rang He Tong Di 83 entered into among the Bureau, Party A and Sinoco Limited ("Party F") on 20 June 2003, Party A and Party F were granted the land use right of a plot of land known as Lot 126 in Lu Wan District with a site area of 11,817 sq m. The Contract for Grant of State-owned Land Use Right to Lot 126 contains, inter alia, the following salient conditions:

   (i) Use: composite (office and commercial)

   (ii) Land use term: 50 years

   (iii) Plot ratio: ≦5.5

   (iv) Total GFA: ≦64,993 sq m

   (v) Permitted site coverage: ≦45% of site area

   (vi) Permitted building height: ≦80 m

   (vii) Building covenant: the proposed development must be completed on or before 30 June 2008

   (viii) Land use right premium: US$9,748,950

   (ix) Land use rent: RMB1 per sq m per annum

Lot 127

6. Pursuant to the Contract for Grant of State-owned Land Use Right No. Hu Fang Di Zi (2003) Chu Rang He Tong Di 84 entered into among the Bureau, Party A and Union Grow Limited ("Party G") on 20 June 2003, Party A and Party G were granted the land use right of a plot of land known as Lot 127, Lu Wan District with a site area of 13,204 sq m. The Contract for Grant of State-owned Land Use Right to Lot 127 contains, inter-alia, the following salient conditions:

   (i) Use: composite (office and commercial)

   (ii) Land use term: 50 years

   (iii) Plot ratio: ≦5.5

   (iv) Total GFA: ≦72,622 sq m

   (v) Permitted site coverage: ≦40% of site area

   (vi) Permitted building height: ≦80 m

   (vii) Building covenant: the proposed development must be completed on or before 30 June 2006

   (viii) Land use right premium: US$10,893,300

   (ix) Land use rent: RMB1 per sq m per annum

7. Based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market values of the property as at 31 March 2006 and 30 June 2006 were as follows:

Lot	Market value as at 31 March 2006	Market value as at 30 June 2006
116	RMB1,895,000,000	RMB1,936,000,000
118	RMB1,677,000,000	RMB1,712,000,000
122-1 and 122-2	RMB1,500,000,000	RMB1,484,000,000
122-3	RMB710,000,000	RMB720,000,000
126	RMB1,281,000,000	RMB1,340,000,000
127	RMB1,361,000,000	RMB1,488,000,000
Total:	RMB8,424,000,000	RMB8,680,000,000

In our opinion, the market values of the proposed development, assuming it were completed as at the valuation date, were estimated approximately as RMB17,288,000,000 and RMB17,318,000,000 as at 31 March 2006 and 30 June 2006 respectively. Further to your terms of instruction, we have also estimated the total construction costs of the proposed development based on assumption that the completed development will be of high standard of construction quality as at 31 March 2006 and 30 June 2006. The breakdowns are as follows:

Lot	Estimated total construction cost as at 31 March 2006	Estimated total construction cost as at 30 June 2006
116	RMB751,000,000	RMB762,000,000
118	RMB658,000,000	RMB679,000,000
122-1 and 122-2	RMB571,000,000	RMB605,000,000
122-3	RMB245,000,000	RMB240,000,000
126	RMB535,000,000	RMB535,000,000
127	RMB609,000,000	RMB593,000,000
Total:	RMB3,369,000,000	RMB3,414,000,000

As advised by the Group, the total relocation costs incurred of Lot 126 and 127 of the property were approximately as RMB338,000,000 and RMB384,000,000 as at 31 March 2006 and 30 June 2006 respectively. The total outstanding relocation costs of Lot 126 and 127 of the property were approximately as RMB266,000,000 and RMB220,000,000 as at 31 March 2006 and 30 June 2006 respectively.

8. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

Lot 116

The Contract for Grant of State-owned Land Use Right of Lot 116 is legal, valid and executable. The lot has not been developed according to the stipulated development period in the said contract. However, the delay of development is mainly due to the overwhelming pressure on the local Government in planning to resettle and such situation is out of the control of the Group. The Group has the rights to develop the lot according to the TPQ Master Agreement, the Contract for Grant of State-owned Land Use Right and supplement agreement to the said contract that will be executed in future.

Upon entering into resettlement contract for the Lot 116 and fully settled all resettlement charges according to the said resettlement contract and fully paid the relevant taxes with duly processed necessary procedures, the Group will be able to obtain the land use right certificate without any legal obstacles. After obtaining the land use right certificate, the land use rights of Lot 116 can be transferred, let, mortgaged or handled in other ways according to the Contract for Grant of State-owned Land Use Right and relevant laws and regulations.

Lot 118, 122-1, 122-2 and 122-3

The Contracts for Grant of State-owned Land Use Right of Lot 118, 122-1 and 122-2 are legal, valid and executable. The lots have not been developed according to the stipulated development period in the said contracts. However, the delay of development is mainly due to the overwhelming pressure on the local Government in planning to resettle and such situation is out of the control of the Group.

Upon entering into resettlement contracts for the Lot 118, 122-1 and 122-2 and fully settled all resettlement charges according to the said resettlement contract and fully paid the relevant taxes with duly processed necessary procedures, the Group will be able to obtain the land use right certificates without any legal obstacles. After obtaining the land use right certificates, the land use rights of Lot 118, 122-1 and 122-2 can be transferred, let, mortgaged or handled in other ways according to the Contracts for Grant of State-owned Land Use Right and relevant laws and regulations.

The Contract for Grant of State-owned Land Use Right of Lot 122-3 is legal, valid and executable. Portion of the land premium as stipulated in the land use right grant contract has not yet been settled according to the timeframe as stipulated in the contract. The Group and the china investment partner paid penalty according to the contract. However, such payment of penalty due to late payment would not obstruct the Group to obtain the land use right certificate of the lot. Also, the Group has no other item to be responsible or penalized due to the delay in payment of the land premium and this will not lead to any risk in resuming the land by the Government.

Resettlement contract for the Lot 122-3 has not yet been entered into and this is mainly due to the overwhelming pressure on the local Government in planning to resettle and this is out of the control of the Group.

Upon entering into resettlement contract for the Lot 122-3 and fully settled all resettlement charges according to the said resettlement contract and fully paid the relevant taxes with duly processed necessary procedures, the Group will be able to obtain the land use right certificate without any legal obstacles. After obtaining the land use right certificate, the land use rights of Lot 122-3 can be transferred, let, mortgaged or handled in other ways according to the Contracts for Grant of State-owned Land Use Right and relevant laws and regulations.

The reason for the delay of the development of Lot 118, 122-1, 122-2 and 122-3 is mainly due to particular difficulties encountered by local authorities in relocating the original residents, however such factor is outside the Group's control.

The Group is negotiating for an extension for the development period with the government authorities. Once the agreement have reached, the timeline for commencing development will be determined.

Under the PRC laws and regulations, if any land has been left vacant without development for more than two years after the date stipulated in the land grant contract for development to begin (where the land grant contract does not set out such commence date, the two-year-period starts from the date upon which the land grant contract comes into effect), the land is subject to withdrawal by the PRC land authorities. If any land has been left vacant for more than one year but less than two years, then the PRC land authorities may serve a notice requiring commencement of such development within a prescribed period and may impose a vacant land charge up to 20% of the land premium. The Group's PRC legal adviser advise that there is no risk of the Group receiving any penalty from the related authorities due to delay in schedule in respect of Lot 118, 122-1, 122-2 and 122-3 based on the following reasons:

(i) delay in schedule in respect of Lot 118, 122-1, 122-2 and 122-3 is due to particular difficulties encountered by local authorities in relocating the original residents and that is outside the Group's control; and

(ii) the Group has advised that it is in frequent communications with the relevant authorities, and that the relevant local authorities have never sought to withdraw land in the past, or required the Group to vacate the land as a result of failure to complete construction within the stipulated development period

The resettlement cost varies with the change of the market condition such as average prices of housing in the area in question and general price indices published by the government. Since the related government has not arranged relocation on lot 118, 122-1, 122-2, and 122-3, the Group is unable to know what amount of the resettlement cost and whether the resettlement cost would increase in respect of these lots.

Lot 126 and 127

The Contracts for Grant of State-owned Land Use Right of Lot 126 and 127 are legal, valid and executable. Portion of the land premium as stipulated in the land use right grant contracts has not yet been settled according to the timeframe as stipulated in the contracts. The Group and the china investment partner paid penalty for late payment of land premium according to the contract. However, such payment of penalty would not obstruct the Group to obtain the land use right certificates. Also, the Group has no other item to be responsible or penalized due to the delay in payment of the land premium and this will not lead to any risk in resuming the land by the Government. Portion of the resettlement cost as stipulated in the resettlement contracts has been settled and the remained un-paid portion should be paid.

Upon fully settled all resettlement charges according to the resettlement contract and fully paid the relevant taxes with duly processed necessary procedures, the Group will be able to obtain the land use right certificates without any legal obstacles. After obtaining the land use right certificates, the land use rights of Lot 126 and 127 can be transferred, let, mortgaged or handled in other ways according to the Contracts for Grant of State-owned Land Use Right and relevant laws and regulations.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
21	Lot 115, 119, 120, 123, 124 and 132 Taipingqiao Area Lu Wan District Shanghai The PRC	The property with a site area of approximately 88,400 sq m (951,538 sq ft) constitutes portion of the Shanghai Taipingqiao Project. The property is currently planned to be developed into a commercial/cultural/recreational/residential development.	The property is being occupied by dilapidated buildings due to be demolished.	No commercial value *(please see note 4)*	No commercial value *(please see note 4)*

Lot 115

According to the approved master plan provided to us, Lot 115 with a site area of approximately 28,800 sq m (310,003 sq ft) is planned to be developed into a school with a total GFA of approximately 14,800 sq m (159,307 sq ft).

Lot 119

According to the approved master plan provided to us, Lot 119 with a site area of approximately 15,600 sq m (167,918 sq ft) will be planned to be developed into a residential development with a total GFA of approximately 45,250 sq m (487,071 sq ft) and 200 car parking spaces.

Lot 120

According to the approved master plan provided to us, Lot 120 with a site area of approximately 6,800 sq m (73,195 sq ft) will be planned to be developed into a residential and retail complex, the area details are as follows:

Use	GFA	
	sq m	*sq ft*
Residential	19,550	210,436
Retail	3,450	37,136
Total	23,000	247,572

It also comprises 100 car parking spaces.

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006

Lot 123

According to the approved master plan provided to us, Lot 123 with a site area of approximately 13,700 sq m (147,467 sq ft) is planned to be developed into a retail complex with a total GFA of 24,660 sq m (265,440 sq ft) and 300 car parking spaces.

Lot 124

According to the approved master plan provided to us, Lot 124 with a site area of approximately 18,400 sq m (198,058 sq ft) is planned to be developed into an office/commercial development, the area details are as follows:

Use	**GFA**	
	sq m	*sq ft*
Retail	17,960	193,321
Office	154,180	1,659,594
Public facility	4,000	43,056
Total	176,140	1,895,971

It also comprises 350 car parking spaces.

Lot 132

According to the approval master plan provided to us, Lot 132 with a site area of approximately 5,100 sq m (54,896 sq ft) is planned to be developed into an office/commercial development, the area details are as follows:

Use	**GFA**	
	sq m	*sq ft*
Office	18,360	197,627
Retail	2,040	21,959
Total	20,400	219,586

It also comprises 100 car parking spaces.

Notes:

Lot 124

1. Pursuant to the Agreement entered into between Shanghai Fuxing Construction and Development Company Limited and Shui On Properties Limited on 8 November 2002, both parties agreed to jointly develop Lot 124 in Lu Wan District with site area of 9,230 sq m.

2. We have not been provided with any documents in ascertaining the tenure of Lot 124. For the purpose of this valuation, we have assumed that Lot 124 has an un-expired land use right terms of 50 years for commercial use and 70 years for residential use.

Lot 115, 119, 120, 123 and 132

3. We have not been provided with any documents in ascertaining the tenure of Lot 115, 119, 120, 123 and 132. For the purpose of this valuation, we have assumed that Lot 115, 119, 120, 123 and 132 have an un-expired land use right terms of 50 years for commercial use and 70 years for residential use.

4. Based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market values of the property were estimated as RMB5,715,000,000 and RMB5,854,000,000 as at 31 March 2006 and 30 June 2006 respectively. In our opinion, the market values of the proposed development, assuming it were completed as at the valuation date, were estimated approximately as RMB12,392,000,000 and RMB12,536,000,000 as at 31 March 2006 and 30 June 2006 respectively. We have also estimated the total construction costs of the proposed development based on assumption that the completed development will be of high standard of construction quality as at 31 March 2006 and 30 June 2006. The breakdowns are as follows:

Lot	Estimated total construction cost as at 31 March 2006	Estimated total construction cost as at 30 June 2006
115	RMB168,000,000	RMB168,000,000
119	RMB376,000,000	RMB391,000,000
120	RMB196,000,000	RMB205,000,000
123	RMB266,000,000	RMB297,000,000
124	RMB1,417,000,000	RMB1,447,000,000
132	RMB174,000,000	RMB182,000,000
Total:	RMB2,597,000,000	RMB2,690,000,000

5. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

Lot 115

Lot 115 is planned for construction of school or public facilities. Upon entering into a lease contract of Lot 115 and fully settled all the rent and relevant taxes and the completing the lease registration, the Group can obtain the land use right of the leased land. After obtaining the land use right of the leased land, the Group can use the land according to the lease contract and relevant laws and regulations.

Lot 119, 120, 123, 124 and 132

The Group has the rights to enter into land use right grant contracts for the Lot 119, 120, 123, 124 and 132 according to the TPQ Master Agreement. The Group has the rights to develop the lots according to the agreement and obtain the land use rights of those lots through agreements.

Upon entering into land use right grant contracts and resettlement contracts with relevant authorities for Lot 119, 120, 123, 124 and 132 and fully settled all the land premium, resettlement charges and relevant taxes with duly completed application procedures, the Group can then legally obtain the land use right certificates of the lots. After obtaining the land use right certificates, the land use rights of Lot 119, 120, 123, 124 and 132 can be transferred, let, mortgaged or handled in other ways according to the land use right grant contracts and relevant laws and regulations.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
22	Sites A and B Wuhan Yongqing Project Yongqing Street Jiang'an District Wuhan Hubei Province The PRC	The property is situated in Jiang'an District comprising Site A and Site B with respective site areas of approximately 191,589.76 sq m (2,062,272 sq ft) and 288,433.43 sq m (3,104,697 sq ft) together add-up with a total site area of 480,023.19 sq m (5,166,970 sq ft). Site A is situated on the southern site of Huangpu Road whereas Site B is situated on the northern side of Huangpu Road. The property will be developed into a large-scale comprehensive development in various phases including residential clusters, office towers, luxury hotels, shopping arcades, carparks and public facilities. Site A comprises 16 lots and Site B comprises 21 lots and the proposed area details of each site are listed as follows:	Site A of the property is mostly a vacant site with a few dilapidated buildings erected thereon. Site B of the property is currently occupied by a number of medium-rise and industrial buildings.	No commercial value *(please see note 10)*	RMB2,088,000,000 (100% interest attributable to the Group: RMB2,088,000,000) *(please see notes 9 and 10)*

Site A

Use	GFA	
	sq m	*sq ft*
Residential	208,911	2,248,718
Office	297,022	3,197,145
Retail	144,196	1,552,126
Hotel	57,900	623,236
Serviced apartment	20,390	219,478
Total	728,419	7,840,702

It also comprises 3,555 car parking spaces.

Site B

Use	GFA	
	sq m	*sq ft*
Residential	549,762	5,917,638
Office	34,500	371,358
Retail	92,376	994,335
School	36,156	389,183
Public facility	8,034	86,478
Total	720,828	7,758,993

It also comprises 3,180 car parking spaces.

Notes:

1. Pursuant to the Business Licence dated 20 October 2005 issued by the Wuhan Commerce and Administration Bureau, Wuhan Shui On Tiandi Property Development Company Limited ("Wuhan Shui On") was incorporated with a registered capital of USD66,000,000 for a valid period from 2 August 2005 to 2 August 2075. The scope of business includes construction, development, operation, sales, leasing, consultancy and property management of real estate.

2. Pursuant to the State-owned Land Use Right Certificate No. Wu Guo Yong (2006) Di 696 issued by the People's Government of Wuhan dated 18 August 2006, the title to the land (portion of site A) with a site area of 44,380.38 sq m is vested in the Wuhan Shui On for a term expiring on 15 August 2046 for commercial and servicing uses (office, commercial and hotel).

3. Pursuant to the State-owned Land Use Right Certificate No. Wu Guo Yong (2006) Di 697 issued by the People's Government of Wuhan dated 18 August 2006, the title to the land (portion of site A) with a site area of 69,254.66 sq m is vested in the Wuhan Shui On for a term expiring on 15 August 2076 for residential use.

4. Pursuant to the State-owned Land Use Right Certificate No. Wu Guo Yong (2006) Di 698 issued by the People's Government of Wuhan dated 18 August 2006, the title to the land (portion of site A) with a site area of 9,568.29 sq m is vested in the Wuhan Shui On for a term expiring on 15 August 2046 for commercial and servicing uses (office, commercial and hotel).

5. Pursuant to the Contract for Grant of State-owned Land Use Right No. WCG-2006-030 entered into between the Wuhan State-owned Land Resources and Administration Bureau and Wuhan Shui On on 16 August 2006, Wuhan Shui On was granted the land use right of the property (portion of site A) with a site area of 9,568.29 sq m at a consideration of RMB13,795,600 for a land use right term of 40 years for public facilities use (office, commercial and hotel).

6. Pursuant to the Contract for Grant of State-owned Land Use Right No. WCG-2006-031 entered into between the Wuhan State-owned Land Resources and Administration Bureau and Wuhan Shui On on 16 August 2006, Wuhan Shui On was granted the land use right of the property (portion of site A) with a site area of 69,254.66 sq m at a consideration of RMB58,776,400 for a land use right term of 70 years for residential use.

7. Pursuant to the Contract for Grant of State-owned Land Use Right No. WCG-2006-032 entered into between the Wuhan State-owned Land Resources and Administration Bureau and Wuhan Shui On on 16 August 2006, Wuhan Shui On was granted the land use right of the property (portion of site A) with a site area of 44,380.28 sq m at a consideration of RMB184,772,900 for a land use right term of 40 years for public facilities use (office, commercial and hotel).

8. Pursuant to the agreement entered into between Wuhan Land Bank Centre ("Party A") and Super Field Limited ("Party B") on 10 May 2005, the land use rights of the property have been granted to Party B. The salient conditions are stated inter-alia as follows:

   (i) Site area: 480,023.19 sq m (Site A: 191,589.76 sq m, Site B: 288,433.43 sq m)

   (ii) Party B should construct a school in Site B and transfer to the Wuhan Education Department without consideration after completion

   (iii) Land use right premium: RMB3,390,000,000 (including the resettlement costs)

   (iv) Land acquisition date: Site A: before 30 June 2006
   Site B: before 31 December 2008

9. RMB2,088,000,000 is market value of portion of site A only, with a total site area of 123,203.33 sq m. It is derived from the apportionment of the market value of the whole site A with reference to the proposed development of the whole site A and based on the assumption that proper land title of that portion of site A has been obtained and can be freely transferred in the market. According to the information provided, three State-owned Land Use Right Certificates have been obtained in 8 August 2006 as mentioned in notes 2, 3 and 4 above.

10. Based on the assumption that the land use right certificate of the property has been obtained and the land premium and relocation cost have been fully paid, the market values of the property (including the market value of whole site A) were estimated as RMB4,107,000,000 and RMB4,730,000,000 as at 31 March 2006 and 30 June 2006 respectively. In our opinion, the market values of the proposed development, assuming it were completed as at the valuation date, were both estimated approximately as RMB13,057,000,000 and RMB14,078,000,000 as at 31 March 2006 and 30 June 2006 respectively.

    According to your terms of instruction, we have estimated the total construction costs of the proposed development as at 31 March 2006 and 30 June 2006 based on assumption that the completed development will be of medium to high standard of construction quality. The breakdowns are as follows:

Site A				Site B			
Lot	**GFA**	**Estimated total construction cost as at 31 March 2006**	**Estimated total construction cost as at 30 June 2006**	**Lot**	**GFA**	**Estimated total construction cost as at 31 March 2006**	**Estimated total construction cost as at 30 June 2006**
1	205,494	RMB1,008,000,000	RMB1,010,000,000	1	86,677	RMB358,000,000	RMB351,000,000
2	97,987	RMB360,000,000	RMB368,000,000	2	77,463	RMB241,000,000	RMB245,000,000
3	86,288	RMB325,000,000	RMB323,000,000	3	40,376	RMB5,300,000	RMB5,300,000
4	56,700	RMB251,000,000	RMB242,000,000	4	33,890	RMB158,000,000	RMB155,000,000
5	73,110	RMB250,000,000	RMB243,000,000	5	31,717	RMB106,000,000	RMB108,000,000
6	38,107	RMB107,000,000	RMB109,000,000	6	68,058	RMB94,000,000	RMB96,000,000
7	42,243	RMB122,000,000	RMB124,000,000	7	80,922	RMB73,000,000	RMB73,000,000
8	26,338	RMB89,000,000	RMB90,000,000	8	50,436	RMB1,800,000	RMB1,800,000
9	27,284	RMB90,000,000	RMB91,000,000	9	58,352	RMB225,000,000	RMB222,000,000
10	26,107	RMB82,000,000	RMB83,000,000	10	56,603	RMB253,000,000	RMB251,000,000
11	23,363	RMB78,000,000	RMB79,000,000	11	86,210	RMB168,000,000	RMB167,000,000
12	25,398	RMB78,000,000	RMB80,000,000	12	11,561	RMB182,000,000	RMB183,000,000
13	3,231	RMB700,000	RMB700,000	13	36,156	RMB175,000,000	RMB176,000,000
14	6,053	RMB1,300,000	RMB1,400,000	14	2,407	RMB262,000,000	RMB264,000,000
15	3,369	RMB700,000	RMB800,000	15	2,216	RMB500,000	RMB500,000
16	400	RMB100,000	RMB100,000	16	1,643	RMB400,000	RMB400,000
Sub-Total:		RMB2,842,800,000	RMB2,845,000,000	17	4,448	RMB1,000,000	RMB1,000,000
				18	3,175	RMB700,000	RMB700,000
				19	2,755	RMB600,000	RMB600,000
				20	11,263	RMB2,500,000	RMB2,600,000
				21	7,815	RMB1,700,000	RMB1,800,000
				Sub-Total:		RMB2,309,500,000	RMB2,305,700,000

As advised by the Group, the Construction Cost Paid of Site A of the property as at 30 June 2006 was approximately RMB43,000,000.

As advised by the Group, the land costs incurred and outstanding land costs of the Site A and Site B of the property as at 31 March 2006 and 30 June 2006 are as follows:

	Land cost incurred	**Outstanding land cost**
Site A	RMB1,005,000,000	RMB704,000,000
Site B	—	RMB1,681,000,000
Total:	RMB1,005,000,000	RMB2,385,000,000

11. We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

Wuhan Shui On has paid portion of the land cost as stipulated in the agreement and the remained un-paid portion should be paid.

The Contracts for Grant of State-owned Land Use Right are legal, valid and enforceable. Wuhan Shui On has paid the land grant fees according to the requirements as stipulated in the Contracts for Grant of State-owned Land Use Right. Wuhan Shui On has legally held the three State-owned Land Use Right Certificates and owned the land use rights of the said land.

Within the land use right terms, the land use rights of the property can be transferred, let, mortgaged or handled in other ways according to the Contracts for Grant of State-owned Land Use Right and relevant laws and Regulations.

Upon entering into land use right grant contracts for the remainder of the property and fully settling all the land premium, compensatory charges, relevant charges and relevant taxes with duly completed application procedures, Wuhan Shui On can then legally obtain the land use right certificates of the property without any legal obstacles. After obtaining the land use right certificates, the land use rights of the property can be transferred, let, mortgaged or handled in other ways according to the land use right grant contract and relevant laws and regulations.

Group VI — Property interest leased by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
23	Various units of Shui On Centre 6-8 Harbour Road Wanchai Hong Kong	Shui On Centre is a commercial development comprising a 35-storey commercial/office tower erected upon a three levels basement car parking podium completed in 1990. The property comprises the following lettable areas:	The property is occupied by the Group for office and commercial purposes.	No commercial value	No commercial value

Unit/Floor	Use	Approximate Lettable Area	
		sq m	*sq ft*
G01	commercial	59.46	640
Part of 101A	commercial	160.97	1,733
313-317	office	324.32	3,491
Part of 34/F	office	521.54	5,613
Total:		1,066.29	11,477

The property is leased to the Group for various terms as detailed in the notes below.

Notes:

1 Unit G01 of the property is leased from Shui On Centre Company Limited ("Party A") to Shui On Land Management Limited ("SOLM") from 1 June 2005 to 31 May 2007 at a monthly rental of HK$33,786.

2 Part of unit 101A of the property is leased from Shui On Investment Limited to SOLM from 1 June 2005 to 31 May 2007 at a monthly rental of HK$39,627.

3 Units 313-317 of the property is leased from Party A to Shui On Land Limited from 10 October 2005 to 9 October 2006 at a monthly rental of HK$66,726.

4 Part of 34th Floor of the property is leased from Shui On Investment Limited to SOLM from 1 June 2005 to 31 May 2007 at a monthly rental of HK$134,732.

Group VII — Property interests leased by the Group in the PRC

<table>
<tr><th></th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at 31 March 2006</th><th>Capital value in existing state as at 30 June 2006</th></tr>
<tr><td>24</td><td>Units 1201, 2502, 2503-2507, 2510A, 2511, 2512, 2601-2603 and 26G
Shui On Plaza
333 Huai Hai Zhong Road
Lu Wan District
Shanghai
The PRC</td><td>Shui On Plaza is a commercial development comprising a 23-storey commercial/office tower erected upon a two levels commercial basement completed in 1997.

The property comprises the following GFAs:

<table>
<tr><th>Unit</th><th>Use</th><th colspan="2">Approximate GFA</th></tr>
<tr><td></td><td></td><td><i>sq m</i></td><td><i>sq ft</i></td></tr>
<tr><td>1201</td><td>office</td><td>571.08</td><td>6,147</td></tr>
<tr><td>2502</td><td>office</td><td>199.82</td><td>2,151</td></tr>
<tr><td>2503-2507 and 2601-2603</td><td>office</td><td>3,647.11</td><td>39,257</td></tr>
<tr><td>2510A, 2511 and 2512</td><td>office</td><td>328.99</td><td>3,541</td></tr>
<tr><td>26G</td><td>office</td><td>100.00</td><td>1,076</td></tr>
<tr><td>Total:</td><td></td><td>4,847.00</td><td>52,173</td></tr>
</table>

The property is leased to the Group for various terms as detailed in the notes below.</td><td>The property is occupied by the Group for office purpose.</td><td>No commercial value</td><td>No commercial value</td></tr>
</table>

Notes:

1 Unit 1201 of the property is leased from Shanghai Jiu Hai Rimmer Properties Co., Ltd. (“Party A”) to Shui On Development Limited (formerly known as Shanghai Shui On Land Limited) (“Party B”) from 1 April 2005 to 28 October 2007 at a monthly rental of RMB134,347.

2 Unit 2502 of the property is leased from Party A to Party B from 1 October 2005 to 28 October 2007 at a monthly rental of RMB53,632.

3 Units 2503-2507 and 2601-2603 of the property is leased from Party A to Party B from 29 October 2004 to 28 October 2007 at a monthly rental of RMB859,730.

4 Units 2510A, 2511 and 2512 of the property is leased from Party A to Party B from 1 January 2006 to 28 October 2007 at a monthly rental of RMB88,300.

5 Unit 26G of the property is leased from Party A to 上海瑞珍餐飲有限公司 from 1 March 2005 to 31 March 2010 at a monthly rental of US$3,050.

6 We have been provided with the Group’s PRC legal adviser’s opinion, which inter-alia, contains the following:

The lease agreements are valid and enforceable under the PRC Laws.

The lessors of the lease agreements are the legal owner of property and the lessers of the lease agreements can legally use the property within the lease terms.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
25	Portion of Basement 1 of Shanghai Rui Hong Xin Cheng 333 Lin Ping Road Hong Kou District Shanghai The PRC	Rui Hong Xin Cheng is large-scale residential development with commercial facilities constructed in phases and the property was completed in 1999. The property comprises portion of Basement 1 of Rui Hong Xin Cheng with a lettable area of 770.00 sq m (8,288 sq ft). The property is leased to the Group for term as detailed in the notes below.	The property is occupied by the Group for ancillary office purpose.	No commercial value	No commercial value

Notes:

1 The property is leased from Shanghai Rui Cheng Properties Co., Ltd. to Shanghai Rui Hong Xin Cheng Co., Ltd. from 16 November 2004 to 15 November 2006 at a monthly rental of RMB23,485.

2 We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

The lease agreement is valid and enforceable under the PRC Laws.

The lessor of the lease agreement is the legal owner of property and the lesser of the lease agreement can legally use the property within the lease term.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
26	Level 9 and Unit 2801 of Office Tower Hilton Hotel Zhongshan San Road Chongqing The PRC	Hilton Hotel is a commercial development comprising two 24-storey office and hotel tower erected upon a 8-storey and five levels of basement commercial/car parking podium completed in 2002. The property comprises the following GFAs:	The property is occupied by the Group for office purpose.	No commercial value	No commercial value

Unit/Floor	Use	Approximate GFA	
		sq m	*sq ft*
Level 9	office	1,120.00	12,056
2801	office	193.02	2,078
Total:		1,313.02	14,134

The property is leased to the Group for various terms as detailed in the notes below.

Notes:

1 Level 9 of the property is leased from 重慶出版社 to 重慶渝港外商投資咨詢有限公司 from 1 November 2003 to 31 October 2008 at a monthly rental of RMB88,480.

2 Unit 2801 of the property is leased from 蔣建 to 重慶瑞安 from 7 September 2005 to 31 October 2008 at a monthly rental of RMB14,476.

3 We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

The lease agreements are valid and enforceable under the PRC Laws.

The lessors of the lease agreements are the legal owner of property and the lessers of the lease agreements can legally use the property within the lease terms.

<table>
<tr><th></th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Capital value in existing state as at 31 March 2006</th><th>Capital value in existing state as at 30 June 2006</th></tr>
<tr><td>27</td><td>Units 516-519, 520 and 514 of
Jujing Yuan
Chongjin Plaza
Xihu Main Road
Hangzhou
Zhejiang Province
The PRC</td><td>Jujing Yuan is a commercial development comprising a 6-storey office tower completed in 1999.

The property comprises the following GFAs:
<table>
<tr><th>Unit</th><th>Use</th><th colspan="2">Approximate GFA</th></tr>
<tr><td></td><td></td><td><i>sq m</i></td><td><i>sq ft</i></td></tr>
<tr><td>516-519</td><td>office</td><td>458.00</td><td>4,930</td></tr>
<tr><td>520</td><td>office</td><td>112.49</td><td>1,211</td></tr>
<tr><td>514</td><td>office</td><td>100.00</td><td>1,076</td></tr>
<tr><td>Total:</td><td></td><td>670.49</td><td>7,217</td></tr>
</table>
The property is leased to the Group for various terms as detailed in the notes below.</td><td>The property is occupied by the Group for office purpose.</td><td>No commercial value</td><td>No commercial value</td></tr>
</table>

Notes:

1 Units 516-519 of the property is leased from 盛懷山 to 西湖天地開發公司 from 1 July 2003 to 30 June 2007 at a monthly rental of RMB29,250.

2 Unit 520 of the property is leased from 吳寶興 to 西湖天地開發公司 from 16 October 2004 to 15 October 2007 at a monthly rental of RMB6,843.

3 Unit 514 of the property is leased from 黃正洪 to 西湖天地開發公司 from 28 September 2004 to 27 September 2007 at a monthly rental of RMB6,583.

4 We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

The lease agreements are valid and enforceable under the PRC Laws.

The lessors of the lease agreements are the legal owner of property and the lessers of the lease agreements can legally use the property within the lease terms.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
28	Units 3303, 3305-3308, 3309 and Unit C on Level 33, New World International Trade Centre 568 Hankou Jianshe Main Road Wuhan Hubei Province The PRC	New World International Trade Centre is a 49-storey office building surmounting a 6-level commercial podium plus a 2-level basement for commercial and car parking completed in 2005. The property comprises the following GFAs: (see table below) The property is leased to the Group for various terms as detailed in the notes below.	The property is occupied by the Group for office and storage purposes.	No commercial value	No commercial value

Unit	Use	Approximate GFA	
		sq m	*sq ft*
3303, 3305-3308	office	959.86	10,332
3309	office	133.79	1,440
Unit C on Level 33	storage	31.06	334
Total:		1,124.71	12,106

Notes:

1 Units 3303, 3305-3308 of the property is leased from 新世界發展(武漢)有限公司 ("Party A") to Wuhan Shui On Tiandi Property Development Company Limited ("Party B") from 13 September 2005 to 12 September 2009 at a monthly rental of RMB53,403.

2 Unit 3309 of the property is leased from Party A to Party B from 16 January 2006 to 12 September 2009 at a monthly rental of RMB6,957.

3 Unit C on Level 33 of the property is leased from Party A to Party B from 13 September 2005 to 12 September 2007 at a monthly rental of RMB932.

4 We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

The lease agreements are valid and enforceable under the PRC Laws.

The lessors of the lease agreements are the legal owner of property and the lessers of the lease agreements can legally use the property within the lease terms.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
29	Units 1 to 6 on Level 15 98 Song Hu Road Yang Pu District Shanghai The PRC	The property comprises six office units on Level 15 of a 25-storey office/ commercial building with a total GFA of 994.11 sq m (10,701 sq ft). The property is leased to the Group for term as detailed in the notes below.	The property is occupied by the Group for office use.	No commercial value	No commercial value

Notes:

1 The property is leased from 上海可蒙房地產有限公司 to Shanghai Yang Pu Centre Development Limited from 9 May 2006 to 8 May 2008 at a monthly rental of RMB50,799.

2 We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

The lease agreement is legal, valid and enforceable under the PRC laws.

The lessor of lease agreement is the legal owner of the property and the lesser of the lease agreement can legally use the property within the lease term.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2006	Capital value in existing state as at 30 June 2006
30	Units 2004 and 2007 on Level 20 of Block A 1555 Kong Jiang Road Yang Pu District Shanghai The PRC	The property comprises two office units on Level 20 of a 31-storey office building erected upon a level of basement completed in 2001. The property comprises the following GFAs: The property is leased to the Group for various terms as detailed in the notes below.	The property is occupied by the Group for office use.	No commercial value	No commercial value

Unit	Use	Approximate GFA	
		sq m	*sq ft*
2004	office	10	108
2007	office	100	1,076
Total:		110	1,184

Notes:

1 Unit 2004 of the property is leased from 上海楊浦科技投資發展有限公司 and 上海郵政房地產開發經營有限公司 (collectively referred to "Party A") to Shanghai Songhu Public Traffic Hinge Construction Development Co Ltd ("Party B") from 10 October 2004 to January 2008 at a yearly rental of RMB3,000.

2 Unit 2007 of the property is leased from Party A to Party B from 20 October 2004 to January 2008 at a yearly rental of RMB30,000.

3 We have been provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:

The lease agreement is legal, valid and enforceable under the PRC laws.

The lessor of lease agreements is the legal owner of the property and the lesser of the lease agreements can legally use the property within the lease terms.

Prepared for

Shui On Land Limited

(& its Joint Global Co-ordinators:
Deutsche Bank, HSBC & JPMorgan)

20 September 2006

Market Research and Analysis China
Concise Report (version 2)
China Overview, Shanghai, Chongqing, Wuhan & Hangzhou

1.0 INTRODUCTION

In accordance with instructions received from Shui On Land Limited, CB Richard Ellis Limited (CB Richard Ellis) has conducted a study of various sectors of the real estate markets in Shanghai, Chongqing, Wuhan and Hangzhou, in the People's Republic of China, for the purposes of inclusion in the Prospectus to be issued in connection with an initial public offering of the shares of Shui On Land Limited ("SOL") or "the Company" and the listing on the Main Board of the Stock Exchange of Hong Kong Limited. The real estate indicators associated with these various sectors in the four cities of Shanghai, Chongqing, Wuhan and Hangzhou have been reviewed in order to provide an overview of the economic characteristics, existing market conditions, emerging trends and future prospects within each city.

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Assumptions are a necessary part of this report. CB Richard Ellis adopts assumptions because some information is not available, or falls outside the scope of our expertise. Whilst assumptions have been adopted based upon the careful consideration of factors known as at the date of this document, the risk that any of the assumptions may be incorrect should not be ruled out. CB Richard Ellis does not warrant or represent that the assumptions on which this report is based are accurate or correct.

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To the extent that this document includes any statement as to a future matter, projections or forecasts, that statement is provided as an estimate and/or opinion based on the information known to CB Richard Ellis at the date of this document. Such projections or forecasts are to be regarded as indicative of possibilities rather than absolute certainties. They involve assumptions about many variables and any variation due to changing conditions will have an impact on the final outcome. CB Richard Ellis does not warrant that such projections or forecasts will be achieved.

2.0 REVIEW OF ECONOMIC ENVIRONMENT IN CHINA

2.1 ECONOMIC INDICATORS

CHINA	2000	2001	2002	2003	2004	2005	Q1 2006
Nominal GDP (RMB billion)	8,947	9,731	10,517	11,739	*15,988	18,232	4,339
Nominal GDP Growth	9.0%	8.8%	8.1%	11.5%	16.8%	—	—
Real GDP Growth Rate	8.4%	8.3%	9.1%	10.0%	10.1%	9.9%	10.3%
GDP — Primary Sector (RMB billion)	1,463	1,541	1,612	1,693	2,094	2,272	324
GDP — Secondary Sector (RMB billion)	4,494	4,875	5,298	6,127	8,793	8,621	2,161
GDP — Tertiary Sector (RMB billion)	2,991	3,315	3,608	3,919	5,100	7,340	1,853
GDP Per Capita (RMB)	7,086	7,651	8,214	9,111	12,299**	—	—
Total Investment in Fixed Assets (RMB billion)	3,292	3,721	4,350	5,557	7,048	8,860	1,391
Utilised Foreign Direct Investment (US$ billion)	40.7	46.9	52.7	53.5	60.6	60.3	14.2
Contracted Foreign Direct Investment (US$ billion)	62.4	69.2	82.8	115.1	153.5	—	—
Consumer Price Indices (Preceding Year = 100)	100.4	100.7	99.2	101.2	103.9	101.8 (Dec 2005)	101.2 (Mar 2006)
Retail Price Indices (Preceding Year = 100)	98.5	99.2	98.7	99.9	102.8	100.8 (Dec 2005)	100.5 (Mar 2006)
Property Price Index (Preceding Year = 100)	101.1	102.2	103.7	104.8	109.7	—	—
Total Population (million persons)	1,267.4	1,276.3	1,284.5	1,292.3	1,299.9	1,307.6	—
Urban Population (million persons)	459.1	480.6	502.1	523.8	542.8	562.1	—
Urbanisation Rate (%)	36.2	37.7	39.1	40.5	41.8	43.0	—
Unemployment Rate in Urban Areas (%)	3.1	3.6	4.0	4.3	4.2	4.2	—
Retail Sales of Consumer Goods (RMB billion)	3,415.3	3,759.5	4,202.7	4,584.2	5,395.0	6,717.7	1,844.0
Annual Disposable Income of Urban Households (RMB)	6,280	6,860	7,703	8,472	9,422	10,493	3,293
Annual per Capita Consumption Expenditure of City Residents (RMB)	4,998	5,309	6,030	6,511	7,182	—	—

* *Revised figure for GDP for 2004 — as announced on 20th December 2005. Revised figures for previous years have not been released yet.*

*** Calculated using revised figures for 2004*

Note: 2005 figures based on Communiques, official figures to be released in late 2006.

Source: National Bureau of Statistics

China's economy has been growing rapidly over the last two decades and in 2005, GDP growth in China reached 9.9% (price-adjusted), bringing total GDP to RMB 18.23 trillion (US$2.28 trillion). There have been concerns about a potential "over-heating" of the economy in recent years and the PRC Government has introduced measures to slow down the pace of growth. Chinese Premier Wen Jiabao, in his address to the annual session of parliament, set a conservative target of about 8% growth in the GDP in March 2005.

As part of several economic priming initiatives, a series of macro measures on curbing "bubble" growth of the real estate were introduced. However, it has been noted that since their implementation, the series of macro control policies had a greater impact on the transaction volume as compared to transacted prices of the residential sales market.

On 20th December 2005, China's National Statistics office announced that, due to a previous under-reporting in the tertiary sector, the GDP estimate for 2004 was revised upwards to RMB 15.99 trillion (US$2.00 trillion), an understatement of 16.8%. Revised figures for previous years have still not yet been released.

With China's accession to the WTO in 2001, there has been progressive removal of tariffs and other barriers to entry, which has led to increasing flows of foreign investment across all sectors of the economy. In 2005, some US$60.3 billion of utilised FDI was recorded. As China's economy continues to open up, more significant amounts of investment are expected in line with China's continued strong growth.

Today, China has become one of the world's main manufacturing centres — producing goods for the food processing, automobile, textiles and apparel, footwear, toys, consumer electronics and telecommunications sectors. Its construction sector is also booming and in 2005, investment in real estate development increased by over 19.8% from the previous year to RMB 1,575.9 billion (US$197.2 billion).

In 2005, the secondary sector contributed the largest portion of the GDP, accounting for 47.3% of the total GDP. The tertiary sector followed with 40.3% and the primary sector contributed the remaining 12.4% of the total GDP. While these figures indicate continuing maturity of China's economy as it moves away from a reliance on heavy industries, there is still substantial room for China's services sector for further growth.

The pace of urbanisation in Mainland China has grown consistently over the last eight years, with the annual increase in the proportion of the urban population averaging 1.4 percentage points per year to reach 43.0% in 2005. The annual average number of people moving to the cities between 2000 and 2005 was 20.6 million. The National Bureau of Statistics of China estimates that China's urbanisation rate will reach 50% in 2020 and 70% by 2050. Rapid urbanisation, should provide underlying demand for residential property to house the large numbers of people moving to the cities and should also augur well for the retail sector.

China is also noted for its massive domestic market, with annual disposable incomes rising steadily in most cities in recent years. With improved productivity and good fiscal policies, inflation was managed effectively. This is evident in the retail price index which held steady over the past several years — with the exception of a small spike in 2004 when the annual consumption per capita of city residents has increased due to an increase in food and petroleum prices. Buoyed by rapid economic growth, consumerism has been on the rise with retail sales of consumer goods increasing by an annual average growth rate of 19.3% from 2000 to 2005.

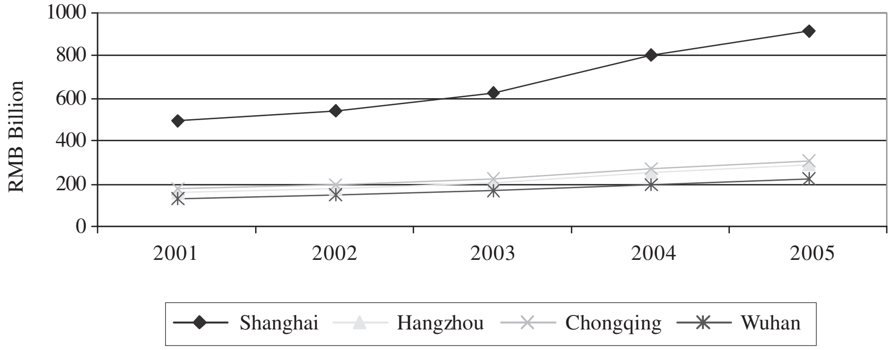
The continuing increase in the urbanisation rate and average disposable incomes should provide a strong basis for the development of the real estate market across all sectors.

This report focuses on Shanghai, Chongqing, Wuhan and Hangzhou as illustrated in the following map:

2005	Shanghai	Chongqing	[1]Yuzhong District (Chongqing)	Wuhan	Hangzhou
Registered Population (million)	13.6	28.0	0.6	8.6	6.6
Nominal GDP (RMB billion)	1914.4	306.9	**17.6	223.8	291.9
Nominal GDP — Average Annual Growth (2001 to 2005)	21.2%	18.8%	n/a	16.5%	21.5%
GDP per capita*	[2]67,235	10,969	**29,401	26,084	44,191
Total Investment in Fixed Assets (RMB billion)	354.3	200.6	8.9	105.5	138.7
Foreign Direct Investment Contracted (US$ billion)	13.8	0.51	***0.1	1.99	4.01
Retail Sales of Consumer Goods (RMB billion)	297.3	121.6	14.3	112.9	97.5
Annual Disposable Income per capita (RMB)	18,645	10,244	10,142	10,850	16,601
Annual Consumer Expenditure per capita (RMB)	13,773	8,623	9,519	[3]7,563	13,438
Retail Price Indices (Preceding Year =100)	n/a	n/a	n/a	102.7	n/a
Unemployment	4.4%	N/a	3.4%	4.2%	3.7%
Engel Index	n/a	36.4	36.3	38.8	n/a

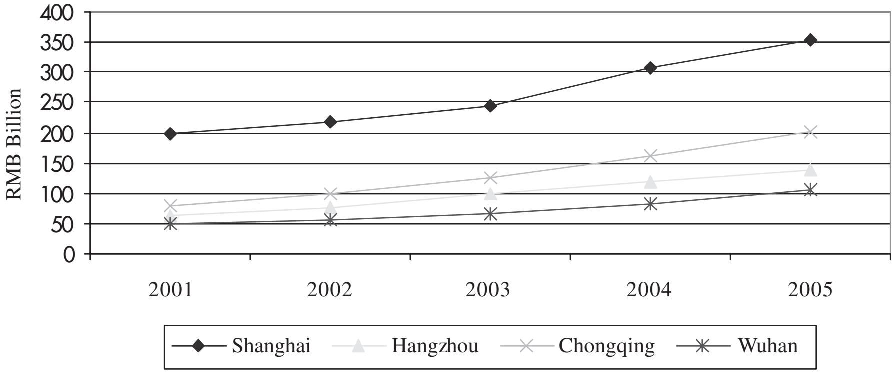
Source: Census and Statistics Bureau and Chongqing Yuzhong Statistics Communique and CB Richard Ellis (based on registered population ** Value Added GDP (per capita is a calculation); *** Utilised not contracted; 1: Datum of Yuzhong District are still based on 2004 the latest data as at June 2006; 2: CBRE calculation using revised GDP figure; 3 Annual Consumer Expenditure-Wuhan up to Nov 2005 the latest data as at June 2006)*

GDP from 2001 to 2005



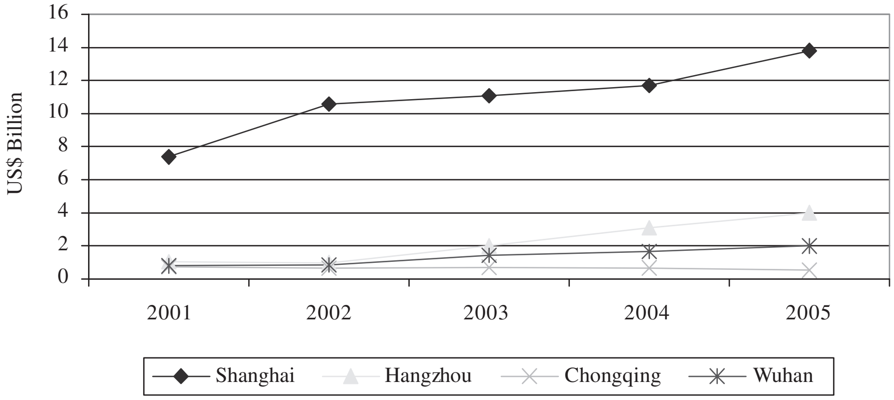
Source: Census and Statistics Bureau

Investment in Fixed Assets from 2001 to 2005



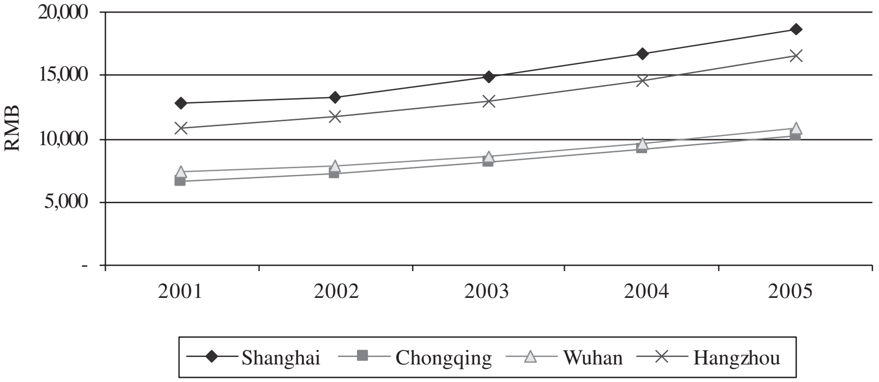
Source: Census and Statistics Bureau

Foreign Direct Investment (Contracted) from 2001 to 2005



Source: Census and Statistics Bureau

Annual Disposable Income per Capita 2001 to 2005



Source: Census and Statistics Bureau

2.2 INFRASTRUCTURE DEVELOPMENTS AND URBAN PLANNING

(i) Shanghai

Since 2003, the Shanghai Municipal government has focused substantially on infrastructure development in an effort to resolve congestion in the urban areas, improve linkages to suburban areas and other cities and stimulate economic growth. In 2005, total investment in infrastructure amounted to RMB 88.6 billion (US$11.1 billion) or some 25.0% of Shanghai's fixed asset investment.

Examples of these include:

- A middle ring road will be constructed to enhance the connection between the Inner and Outer ring road network.
- Eight new tram lines are to be constructed and several extensions to existing lines, to be completed in 2019, expanding the network by 389 km.
- The Shanghai-Shenzhen rail project is scheduled for completion in 2010.
- The construction of twelve bridges and tunnels crossing the Huangpu River.
- The second phase of Yangshan Port is scheduled for completion by year-end 2006.
- In April 2006, the National Development and Reform Commission (NDRC) approved Shanghai's plans to extend the city's Maglev line to Hangzhou. No details, however, have yet been released concerning the expected timing of completion.

Aiming to build itself into a cosmopolitan, vibrant and efficient city, the Shanghai Municipal government has mapped out the 2nd blueprint of the city's urban plan, which started in 1999 and extends to 2020. However, the Municipal government is also mindful of the need to provide sufficient infrastructure to support the rapid urbanisation and the demands of increasing population.

In line with this, the government has spelt out clear objectives to reduce the population in the downtown area through decentralisation.

- Downtown Shanghai, a 670 sq km area within the outer-ring road, now houses about 9.7 million people. The city hopes to decrease the population in the downtown area from 9.7 million to 9.0 million.

- Land supply will be tightly controlled especially for the construction of high-rise apartment buildings while enlarging green space and public areas. In the suburbs, Shanghai will build several complete satellite cities and towns of various sizes.

(ii) **Chongqing**

The Chongqing government is encouraging intensive development in urban areas. New cities will be located to the west of Zhongliang Mountain and to the east of Tonglou City. The government will assist and promote those projects boosting technology, information, logistic, retail, finance and culture.

In June 2006, the State Council approved Chongqing Municipal government's plan to build Metro Line No. 1, 3 (light rail) and 6 (light rail). Of the six metro lines that have been proposed in the Municipal government's 11th Five-Year Plan, the full line of Metro Line No. 2 became officially operational in July 2006; Metro Line No. 1, 3 and 6 were approved by the State Council, and should be completed by 2013; Metro Line No. 4 and 5 are still at the masterplanning stage and subject to the State Council's approval. The Chongqing government also plans to construct another eight bridges over the Jialing River and another ten bridges over the Yangtze River by 2020.

(iii) **Wuhan**

The Wuhan Municipality Authority has plans to accelerate infrastructure development in the city with total infrastructure expenditure expected to amount to RMB 53.8 billion (US$6.7 billion) during the five year period of the Eleventh Five Year Plan between 2006 and 2010 — a RMB 27.9 billion (US$3.5 billion) increase when compared to the total investment made during the period from 2000 to 2005.

The government also has on-going plans to link the existing light railway that runs through the downtown area on the western side of the river, across the river to the commercial district on the eastern side of the river by 2010. The new line will be about 30 km long and serve an additional 16 stations. Two other metro lines are scheduled to be completed by 2010, linking Hankou and Wuchang, and Wuchang and Hanyang, bringing the total urban track to 220 km. A fourth bridge across the Yangtze River and a new tunnel under the river are currently under construction and are expected to be completed between 2008 and 2011. The 904-km Guangzhou-Wuhan Railway Project is scheduled to be completed in 2008 and it will reduce the travel time for passenger trains between the two major Chinese cities from ten to four hours. These new infrastructural developments should improve accessibility and should further boost economic development in Wuhan.

Due to the up coming of the 6th Annual China National Sports Tournament to be held in Wuhan in October 2007, the municipal government has decided to fast track development of fundamental infrastructure in the city, with RMB 21.87 billion earmarked for infrastructure to be completed by July 2007. Key among the infrastructure initiatives is acceleration of construction works on Phase 2 of the No. 1 Light Rail, though the completion date has yet to be announced.

(iv) **Hangzhou**

The key road linking Hangzhou to Shanghai is the Shangtang-Zhonghe elevated road. Hangzhou has an extensive network which connects its the express ring road to Nanjing and Shanghai to the north, and all major roads to central Hangzhou, Binjiang and Xiaoshan to the south. A metro network is planned for the city with the key stages of Metro Line 1 and 2 to be completed by 2010 — a network of some 82.2 km. When fully completed in 2050, the entire network will have a track system of some 278 km. With improved accessibility, rapid growth of suburban areas is expected with the further establishment of satellite towns.

Over the past five years, the government has completed several infrastructure and transportation projects. These include improving the surrounding roads of the West Lake as well as infrastructure primarily within the main tertiary road system such as Fuchun Road, Qianjiang Road, and Jiefang East Road of Qianjiang New City. Additionally, in July 2006, the central government approved plans to extend the Maglev in Shanghai to Hangzhou. The project is still in early planning stages, and the expected timing of completion has yet to be announced.

2.3 CHINA PROPERTY MARKET OVERVIEW

	2000	2001	2002	2003	2004	2005	Q1 2006
Investment in real estate (RMB billion)	498.4	634.4	779.1	1,010.6	1,315.8	1,575.9	279.3 (Urban Only)
Total gross floor area sold (million sm)	186.4	224.1	268.1	337.2	382.3	557.7	—
Gross floor area of projects under construction (sm in million)	659.0	794.1	941.0	1,175.3	1,404.5	1,644.5	—
Gross floor area of new completions (sm in millions)	295.8	373.9	428.0	547.1	604.0	668.4	—
Average price of residential commodity properties (RMB psm)	1,948	2,017	2,092	2,197	2,549	—	—
Average price of commercial properties (RMB psm)	3,260	3,274	3,489	3,675	3,966	—	—
Average price of all properties, including residential, commercial, office and other properties (RMB psm)	2,112	2,170	2,250	2,359	2,714	—	—

Source: National Bureau of Statistics

It can be observed that both the floor area and the amount of money invested in real estate in China have demonstrated a rising trend in recent years. The increase in the demand for property, both from local and foreign investors, has resulted in a significant increase of real estate values since 2000.

Shanghai, being the financial and commercial centre of China, led the increase in residential prices and transactions. According to the Shanghai Municipal Statistics Bureau, the Annual Transaction Volume in 2000 saw some 14.5 million sm of GFA sold, with an average transacted price of RMB 3,326 psm (US$416 psm). This increased rapidly over the years and by 2005, the Annual Transaction Volume nearly doubled to 28.5 million sm of GFA sold with an average transacted price of RMB 6,842 psm (US$856 psm). These figures reflected a 96.6% rise in transaction volumes by GFA and a 105.7% increase in the average transacted price between 2000 and 2005.

A number of macro measures have been introduced since March 2005 to curb the influence of speculators in the real estate market and these are discussed in more detail in the Shanghai section below. New regulations regarding foreign ownership of real estate are being discussed, however as they have not been formally released, CB Richard Ellis is not in a position to comment on their impact.

(i) Affordability Analysis — Average/Median Prices and Incomes

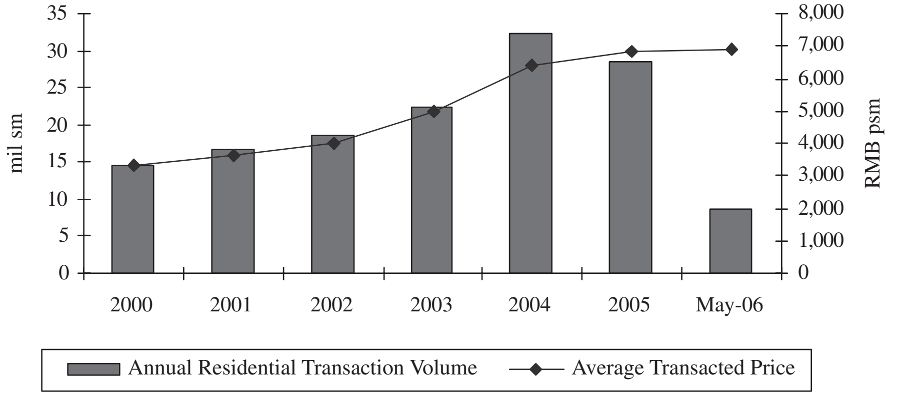
In order to provide some benchmarking of residential prices in Shanghai, CB Richard Ellis conducted an affordability analysis, comparing overall average/median housing prices against average/median salary levels in Shanghai, Hong Kong, and Singapore (based on available statistics) since 2001. From this analysis, it may be concluded that residential housing prices, on the whole, in Shanghai are still deemed reasonable given current income levels, despite affordability for mass housing falling steadily in recent years. Affordability has fallen from the equivalent of 10 years income in 2001 to 16 years income as at the end of 2005, in line with rapidly increasing prices, from an average of RMB 3,659 per sm in 2001 to RMB 6,832 per sm as of the end of 2005.

In Hong Kong, following an increase in affordability between 2001 and 2003 due to the sluggish housing market during the period, affordability fell rapidly in 2004 and 2005 by nearly 50% from the equivalent of 22.1 years income to 38.7 years income as of the end of 2005 as the market rebounded and there was a rapid increase in median residential sale prices.

Due to a moderate drop in the average income level in Singapore between 2001 and 2002, housing affordability in the city fell from the equivalent of 16.2 years income to 19.1 years income. As average income levels have risen gradually in combination with stable median housing prices since 2002, affordability has increased to the equivalent of 16.0 years income as at the end of 2005. From CB Richard Ellis' analysis, Shanghai and Singapore recorded better levels of affordability compared to Hong Kong.

(ii) **Shanghai Property Market**

Shanghai's Residential Annual Transaction Volume (million sm) & Average Transacted Price (RMB psm)



Source: Shanghai Municipal Statistics Bureau

Note: Average Transacted Price is a combination of pre-sales and sale prices

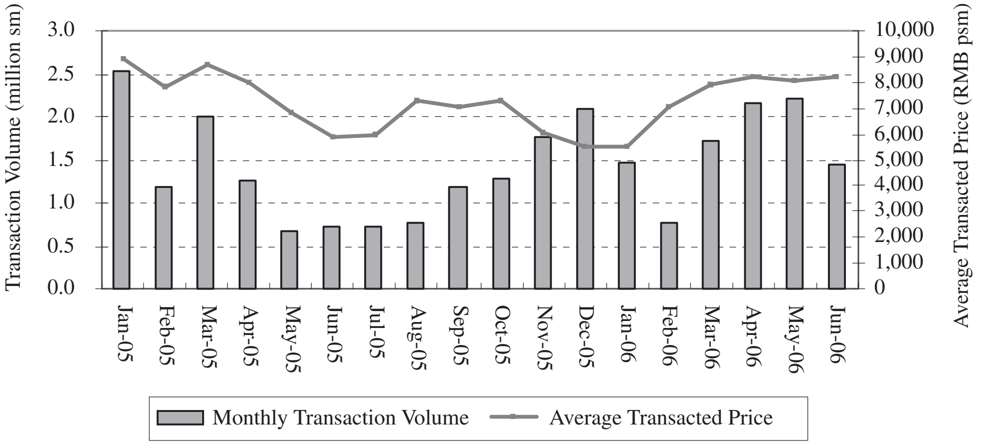
Concerned about a potential "bubble" in the property market, especially the residential market, the PRC Government introduced a series of macro control policies in late 2004. In April 2005, the PRC Government introduced its most prominent set of measures and controls. Amongst others, these included:

- Increase in the mortgage loan rate by 0.27%
- Introduction of business tax of 5.55% on the property value on a residential property transaction within two years from completion (implemented in June 2005)

The macro-measures had an immediate impact on the market, with the transaction volume in the second quarter of 2005 falling to 2.7 million sm — a drop of 53.7% in comparison with the previous quarter. In the same period, average transacted prices suffered a decline of 17.5% to an average of RMB 7,092 psm (US$888 psm). During the third quarter of 2005, both transaction volumes and average transacted prices remained fairly stable, with total GFA sold at 2.7 million sm and average transacted price at RMB 6,832 psm (US$855 psm). Towards the beginning of the fourth quarter, signs of a recovery could be seen as buyers began to return to the market. During that period, the average transaction volume amounted to a robust 5.1 million sm, representing an increase of 90.9% over the previous quarter, and approaching levels seen in early 2005. Prices however remained soft.

The first half of 2006 has been encouraging, as both transaction volumes have grown substantially to levels similar to those of early 2005 before the macro-measures were introduced. During the six month period, average transaction volumes have increased 16.8% to 7.5 million sm in comparison to the same period last year. Residential transaction prices trended upwards and averaged RMB 7,511 psm (US$940 psm) in the first half, marginally 6.0% below their average level in the same period last year.

Shanghai's Residential Monthly Transaction Volume (million sm) and Average Transacted Price (RMB psm)



Source: Shanghai Transaction Bureau

Note: "Residential" refers to residential apartments and excludes detached houses and townhouses

On the 24th of May 2006, the China's State Council issued a circular introducing additional measures aimed at further curtailing speculative activity in the country's residential market and ensuring that affordable housing is provided. Key among these provisions, which took effect on 1 June 2006, are the following:

- Mortgage lenders will be required to increase the down payment requirement from 20% to at least 30% of the property's value for units larger than 90 sm.

- The existing business tax of 5.55% on the total proceeds from a sale of residential property, currently levied on sales within the first two years of purchase, will be extended to sales within five years of purchase of all units.

- In approving housing development after 1 June 2006, the relevant local authority must require units smaller than 90 sm each to account for at least 70% of the floor space in any new residential development, except where the relevant local authority has based on the existence of special circumstances obtained approval from the Ministry of Construction to depart from this requirement.

On the 6th of July 2006, the Ministry of Construction clarified certain aspects of the 24th May 2006 macro-measures, particularly with regard to the requirement on smaller unit sizes in future developments. According to this recent circular, the requirement of 70% of units sized smaller than 90 sm, is to be applied on a city-wide basis, as opposed to each individual development. The refinement confirms that the government is taking a practical approach to the implementation of the latest macro-measures and allowing local governments' greater leeway to apply them according to their respective masterplans.

In contrast with the first round of macro-measures, which were very much targeted at the Shanghai residential market in particular, the latest round is aimed at ensuring that speculative activity is limited in other cities of China, such as Beijing and Shenzhen, which have continued to witness rapid price growth over the past year, as well as ensuring that adequate levels of affordable housing are provided.

In addition, it may be described that the measures announced in 2005 were targeted towards the demand side of the equation whereas those announced in 2006, were targeted towards future developments and supply side of the equation.

The People's Bank of China has increased interest rates twice in 2006: on 28 April and again on 19 August. In the first instance, the mortgage rate (term of over five years) was increased from 6.12% to 6.39%. On 19 August, it was further increased to 6.84%. It is noted that some major local banks currently do offer discounts of 15% off these rates for homebuyers according to the permission of China Banking Regulatory Commission.

Overall, industry observers have felt that the latest macro-measures are not expected to create a bigger impact than 2005's measures as the new announcements are deemed to be further refinement of the previously announced measures. This is particularly the case in Shanghai, which was the focus of many of the previous round of macro-measures. As a result, much of the speculative activity responsible for sharply increasing prices in prior years, had already been curtailed over the past year since early 2005 in Shanghai — before the latest round of macro-measures.

In the short-term, the impact of these latest macro-measures on Shanghai's residential market is expected to be similar to that of those implemented early last year, with a moderate drop in transaction volumes over the next few months as buyer's briefly pause to assess the market. Some evidence of this can be witnessed in the transaction volume in June, which dropped 35.2% to 1.4 million sm, in comparison to the previous month. Nevertheless, the transaction volume in June 2006 was nearly double that of June 2005. However, sale prices during this period are projected to remain fairly steady as developers hold firm, under little pressure to reduce prices due to their relatively low development costs. As well, some of the new macro-measures such as the increase in the down payment requirement, had already been implemented on a local level in Shanghai, while others, such as the business tax, mark an expansion of a previous measure, as opposed to a new one.

On 11th July 2006, the PRC Government announced a package of new regulations concerning foreign investment in real estate to further promote the sustainable development of the property market in China. Those measures applicable to foreign individuals include a requirement that buyers show that they have lived in China for a period of at least one year and that the property in question will be for self-occupation. Residents of Hong Kong, Macau and Taiwan and overseas Chinese are partially exempted from the one year minimum residency requirement. Foreign individuals will need to establish a Foreign-Invested Enterprise (FIE) to purchase investment property. Among key regulations applicable to foreign businesses is a minimum capital requirement of 50% on investments greater than US$10million and a requirement for government approvals prior to any real estate investment. No date for the implementation of these regulations has been announced.

Apart from the macro-measures cited above, there are key supporting fundamentals for the continued improvement in the Shanghai market in the mid-to long-term which include:

- Continued robust economic growth leading to good buying sentiments.
- Continued stewardship over the real estate market by the central government, which should ensure it's continued healthy development, both in terms of limiting speculative activity and moderating future supply of high-end residential so that housing development is more in line with local income levels.
- Longer term, positive demographic factors such as reducing average household sizes from 2.9; a continued bulge in the age distribution with 27% of the population aged 27 — 39 years old (the main home buying group); continued growth of the employed labour force.
- Reasonable affordability ratios.

At a macro level, the Chinese property market has also been influenced by the following factors:

- China's entry into the WTO — Demand for top-quality commercial and industrial real estate, as well as expatriate residential housing from foreign companies is expected to be on the rise, as they are often the primary occupants of top-quality commercial, industrial and residential projects.
- Many domestic buyers took advantage of a series of housing reforms China introduced in 1998 and 1999 which phased out subsidised housing previously provided to workers and allowed locals to purchase leasehold property and land. The measures were instrumental in developing China's property market and provided a strong boost to the country's economy. The housing reform has continued to be effective in increasing local real estate ownership, creating a very significant local market for property developers to target, particularly given increased purchasing power and levels of affordability.
- Rising disposable incomes of urban households and increasing annual per capita consumption of city residents, are positive signs as more people have been entering the property market, and this trend is expected to continue.
- The pace of urbanisation in China has been rapid and is expected to continue.
- The growth of the residential mortgage market has been rapid since the commencement of the housing reform policies.

The central government intends to promote continued economic growth and is expected to monitor and encourage sustainable growth rates in the real estate segment as it has been a strong engine of economic growth and has nation-wide impact.

The top twelve real estate markets by investment completed in 2005 (based on the most recently available statistics) were Beijing, Shanghai, Chongqing, Guangzhou, Shenzhen, Shenyang, Hangzhou, Tianjin, Wuhan, Nanjing, Chengdu and Dalian.

KEY REAL ESTATE MARKETS IN CHINA

Rank	City	Registered Population (m) 2005	Population Growth 2000-05	GDP per capita 2005*	GDP per capita growth 2000-05*	Real Estate Investment 2005 (RMB billion)	Real Estate Investment Growth in 2005	Real Estate Investment Growth 2002-05#
1	Beijing	11.8	1.4%	17,653	14.1%	153	3.5%	54.1%
2	Shanghai	13.6	0.6%	18,645	11.8%	125	6.1%	66.5%
3	Chongqing	31.7	0.5%	10,244	13.2%	52	31.8%	110.5%
4	Guangzhou	7.5	1.3%	18,287	6.2%	49	10.9%	14.6%
5	Shenzhen	1.8	16.6%	21,494	0.6%	42	-3.0%	17.8%
6	Shenyang	7.2	1.1%	10,098	14.5%	41	20.8%	256.2%
7	Hangzhou	6.6	1.3%	16,601	14.3%	41	24.2%	105.7%
8	Tianjin	9.4	0.7%	12,639	11.1%	33	24.3%	86.3%
9	Wuhan	8.0	1.3%	10,850	12.1%	30	27.7%	124.9%
10	Nanjing	6.0	2.2%	14,497	16.4%	20	1.1%	115.2%
11	Chengdu	10.8	1.3%	11,359	9.7%	45	0.9%	44.6%
12	Dalian	5.7	0.4%	11,994	15.0%	27	26.9%	111.9%
13	Ningbo	5.6	0.8%	17,408	11.9%	26	10.1%	104.7%
14	Changsha	6.2	1.8%	12,434	11.1%	26	45.9%	213.9%
15	Xi'an	7.4	1.4%	9,628	10.3%	23	37.7%	184.9%
16	Hefei	4.6	0.8%	9,684	10.3%	19	37.4%	373.7%
17	Zhengzhou	7.2	3.0%	10,640	13.0%	17	37.9%	181.7%
18	Harbin	9.7	0.8%	10,065	15.7%	14	16.7%	55.6%
19	Fuzhou	6.1	NA	12,661	10.5%	NA	NA	NA
20	Qingdao	7.4	1.0%	12,920	12.2%	NA	NA	NA

** Growth is calculated by CBRE on an average annual basis for 2000-2005*

 # Growth rate for 2002-2005 is calculated by CBRE

Source: National Bureau of Statistics

Note: 2005 figures are preliminary from Communiques — final official figures to be released in late 2006

3.0 SHANGHAI

Source: CB Richard Ellis

3.1 LUWAN DISTRICT OVERVIEW

The Luwan district is located within the main CBD of Shanghai and covers an area of around 8.5 sq km. It has a registered population of 316,600 or about 2.3% of Shanghai's registered population of 13,602,600 in 2005. The Luwan District is noted to be a leading business and commercial district of Shanghai and is well-served by good transportation links.

The old French Concession is located within this district and is characterised by many cultural sights and historical buildings, set in the midst of a bustling cosmopolitan city. Huaihai Zhong Road is the main thoroughfare within the Luwan District, and is regarded as a key commercial area, stretching for 2.2 km. The road is a major retail hub and includes numerous street shops, as well as shopping centres and department stores and it is a popular shopping destination for local middle class shoppers. Established local brands and international brands are well represented in this location.

Over the past two or three years there have been a number of new developments including office buildings in this district. However due to the concentration of historical buildings within the area, coupled with scarce land supply, redevelopment potential is limited.

Most of the urban renewal is likely to occur within the comprehensive Taipingqiao project being developed by Shui On Land and it is expected to transform the district over the next few years.

Residential dwellings and projects are loosely mixed with commercial properties throughout the district. Given its tradition, this area is characterised by low density, mostly walk-up apartments and older buildings (i.e. plot ratios of below 2.5 and properties over 15 years old). According to the Department of Shanghai Real Estate, the average price of transacted residential units in the Luwan District in 2005 was RMB 24,657 psm (US$3,086 psm) and in May 2006 was RMB 38,106 psm (US$4,769 psm). Transaction prices in May ranged from RMB 23,626 psm (US$2,957 psm) to RMB 49,703 psm (US$6,221 psm) depending on the quality and location of the property. Such prices rank Luwan district as the most expensively priced residential district in terms of average achieved prices in Shanghai. The Taipingqiao area has established itself as a high-end residential area and CB Richard Ellis estimates average prices exceeded RMB 43,000 psm (US$5,382 psm) as at May 2006.

3.2 HONGKOU DISTRICT OVERVIEW

The Hongkou District is located in the north-eastern part of Shanghai, covering an area of 23.4 sq km. It has a registered population of some 785,406 or around 5.8% of Shanghai's registered population in 2005.

The Hongkou District is also a major shipping centre of Shanghai. The Shanghai Municipal government has ambitious plans to transform the North Bund's area to establish the Hongkou District as an international shipping, commerce, residential and leisure hub. Emphasis will be placed on retaining the architectural features of the buildings and ensuring efficient integration with the area's urban renewal.

The North Bund, together with the Outer Strand and Lujiazui area of Pudong, forms part of a comprehensive development hub along the Huangpu River. Pudong's Lujiazui is specifically earmarked as a major hub for the financial and service industry.

Taking advantage of its close proximity to the upcoming financial hub of the Pudong District, Hongkou has fast emerged as a new mid market housing enclave. According to the Department of Shanghai Real Estate, the average price of transacted residential units in the Hongkou District in 2005 was RMB 11,501 psm (US$1,439 psm) and in May 2006 it was RMB 11,699 psm (US$1,464 psm). Transaction prices in May 2006 ranged from RMB 5,603 psm (US$701 psm) for relocation housing in the mid-outer ring area to RMB 21,942 psm (US$2,746 psm) within the inner ring area.

3.3 YANGPU DISTRICT OVERVIEW

The Yangpu District is the largest urban area of Shanghai with 1.24 million registered residents or about 9.1% of Shanghai population in 2004*. It is located in the north-eastern part of the central city area, covering an area of 60.7 sq km, and includes some 15.5 km of waterfront along the Huangpu River.

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* *Based on the latest available data on a district level*

The district possesses rich historical and cultural resources and there are 17 universities and colleges, 22 key state laboratories and 15 scientific research institutes located within the district, contributing to its reputation as an intellectual hub of Shanghai.

The dominant commercial area in the Yangpu District is Jiangwan Wujiachang, located to the north of Jiangwan airport. Integrated with New Jiangwan City and Chuangzhi Tiandi, Jiangwan Wujiachang is expected to develop into a new commercial centre in northern Shanghai like Xujiahui. Major retail operators such as Dalian Wanda and Parkson have already established a significant presence in Jiangwan Wujiachang.

At May 2006, average residential prices in the Yangpu district increased by 30% compared to year-end 2005 as a result of a continuing wave of new middle income buyers entering the market. These buyers were attracted to the Yangpu district as the average housing price was relatively low compared with other districts in Shanghai.

According to the Department of Shanghai Real Estate, the average price of transacted residential units in the Yangpu District in 2005 was RMB 9,157 psm (US$1,146 psm) and in May 2006 it was RMB 10,115 psm (US$1,266 psm). Average prices ranged from RMB 9,480 psm (US$1,186 psm) in the mid-outer ring area to RMB 11,589 psm (US$1,450 psm) within the inner ring area. Transaction prices ranged between RMB 5,039 psm (US$631 psm) and RMB 20,171 psm (US$2,525 psm) within the inner ring area. It is expected that the commercial and residential activities in Yangpu District will continue to grow once the subway Metro Lines 8 and 10, which run through the district, are fully operational. This is expected to occur with in the next three years.

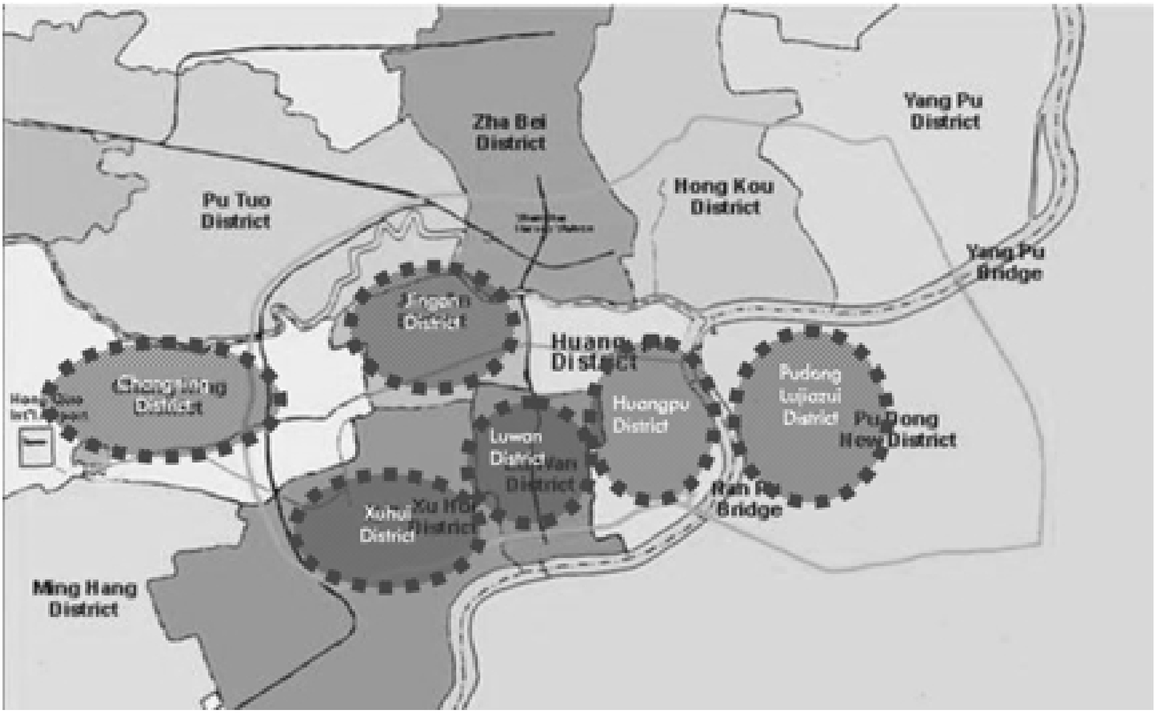
It is forecast that the development potential for residential property in downtown areas within the inner ring road and the eastern part of Changning District such as Luwan District, will be very limited or even maximised by 2010 due to restricted land supply and plot ratio restrictions.

4.0 SHANGHAI UPPER RESIDENTIAL MARKET

There are currently six established residential districts in central Shanghai: Changning, Xuhui, Jing’an, Luwan, Huangpu in Puxi, and Lujiazui in Pudong.

The total stock of upper level residential properties comprising those (i) sold (ii) for sale and (iii) for lease in the six main upper end residential districts stood at approximately 14,091 units as at the end of June 2006. Given that the average unit size of upper-end apartments is about 160 sm, the total stock of accommodation for this classification is estimated to be approximately 2,254,560 sm.

As there is no official definition, CB Richard Ellis has developed its own criteria for categorising "upper" end residential property in Shanghai. Among the key criteria is that the property be located in a central downtown area and be comprised of well designed apartment units with a transacted price in excess of RMB20,000 psm (US$2,503 psm).



Source: CB Richard Ellis

The districts of Jing'an and Luwan represent the more traditional residential areas of downtown Shanghai. In comparison, Huangpu, close to the Bund, is a popular tourist area, with pockets of high end residences. Xuhui, which also caters to the upper income group, is noted for its popular retail scene with the young and middle aged. The Changning residential district is close to the Hongqiao airport, whilst the Lujiazui area is part of the new financial hub created in Pudong.

4.1 SITE DESCRIPTION

The Company's project is an upper-end residential development in Shanghai. It is located at the intersection of Zizhong Road and Jinan Road in Luwan district, facing Taipingqiao and Xintiandi. The Company's project is to be developed in phases, with its first phase already completed in 2002. The second phase is due for completion in late 2006. Average resale prices for the first phase of the Company's Project have surpassed RMB 44,000 psm (US$5,507 psm). According to the Municipal Real Estate Bureau, 305 units of the more recent second phase have been sold and the average sales prices were transacted at RMB 49,409 psm (US$6,184 psm) as of June 2006.

4.2 KEY CHARACTERISTICS OF MAJOR UPPER RESIDENTIAL AREAS

	CHANGNING	**XUHUI**	**JING AN**
Existing Stock Jun 2006*	452,320 sm	316,960 sm	453,600 sm
Additional Supply Jul 06 - 2008	297,600 sm	420,800 sm	578,240 sm
Forecast Stock 2008*	749,920 sm	737,760 sm	1,031,840 sm
Average Asking Sales Price Jun 06*	RMB25,076 psm (US$3,138 psm)	RMB24,715 psm (US$3,093 psm)	RMB24,339 psm (US$3,046 psm)
Overall Positioning & Target Market	• Targeted at expatriates from Korea, Japan and Taiwan • High end market positioning	• Targeted at local high income group, overseas Chinese, the employees of the embassies and expatriates • High end market positioning	• Targeted at wealthy locals and western expatriates working in Jing An district • High end market positioning
Accessibility	• Proximity to Metro Line 3 • Main arterial roads — West Yanan Road and West Zhongshan Road	• Proximity to Metro Line 1 • Main arterial roads — Zhaojiabang Road, Caoxi Road and West Zhongshan Road	• Proximity to Metro Line No.2 • Main arterial roads — Chengdu Road, Nanjing Road and Yanan Road

	LUWAN	**HUANGPU**	**LUJIAZUI**
Existing Stock Jun 2006*	224,640 sm	269,200 sm	537,120 sm
Additional Supply Jul 2006-2008	162,560 sm**	104,000 sm	283,840 sm
Forecast Stock 2008*	387,200 sm	373,200 sm	820,960 sm
Average Asking Sales Price Jun 2006	RMB32,241 psm (US$4,035 psm)	RMB22,938 psm (US$2,871 psm)	RMB27,022 psm (US$3,382 psm)
Positioning & Target Market	• Targeting wealthy locals and expatriates • High end market positioning	• Targeting wealthy locals and expatriates • High end market positioning	• Targeting wealthy locals and expatriates • High end market positioning
Accessibility	• Proximity to Metro Line No.1 • Main arterial road — Yanan Road	• Proximity to Metro Line No.2 • Main arterial roads — East Zhongshan Road, Xizang Road	• Proximity to Metro Line No.2 • Main arterial roads — Century Artery, South Pudong Road

Source: CB Richard Ellis (as at June 2006) Note: Sale prices are on a gross basis

* *Estimates only.*

4.3 FUTURE SUPPLY (2006 — 2008)

The total future supply of upper end residential properties anticipated to be launched on the market between mid 2006 and 2008 is estimated at 11,544 new units which represents a significant increase in the upper end of the residential market. Overall, however, the impact is not expected to be significant as it represents an addition of about 1.5% of the total average annual residential supply for Shanghai.

The bulk of future supply of upper end units is expected to target a sale price range between RMB20,000 psm to RMB30,000 psm (US$2,503 to US$3,755 psm), with those in more superior locations targeting in excess of RMB35,000 psm (US$4,380 psm). Only a limited amount of new units are expected to target sale prices above RMB40,000 psm (US$5,006 psm).

The supply situation is limited overall, and key sub segments of the upper end of the residential market have been demonstrating good take-up rates and developers are holding their pricing, it is therefore expected that price levels of upper residential developments within central Shanghai will continue to see stable growth in the mid-to long-term — barring any major external shocks or major policy changes. In particular, due to limited future supply in Luwan District, prospects for the second phase of the Company's project remain strong.

Taking an average apartment size of 160 sm for the upper end of the residential market, the estimated GFA of future supply totals 1,847,040 sm, representing approximately 4,600 units per year between mid 2006 and 2008. New supply is expected to be well-supported by home buyers; in turn, this demand is fuelled by continued economic growth and growing disposable local incomes. In addition, foreign buyers continue to be attracted to China's potential and are likely to consider real estate investments. Such factors are also strongly enforced by positive demographics factors.

The bulk of future supply will come from three key residential districts: Jing An, Xuhui, and Changning. It is forecast that the development potential in the six major districts will be very limited through 2010 due to restricted land supply and plot ratios, limiting the potential increase in the supply of upper end residential units.

4.4 DEMAND TRENDS

Demand for rental properties in the upper end residential market has followed a steady upward trend since 2000. Such a trend has been largely driven by the increasing number of foreign expatriates moving to Shanghai, and it is reflected by the higher rental levels reached in this market.

In April 2005, the Shanghai municipal government introduced incentive measures to boost foreign investment in the economy. These measures are intended to attract multinational corporations to establish their headquarters in Shanghai. In turn, this should contribute to increasing numbers of foreign expatriates relocating to Shanghai, and hence demand for upper-end residential property, particularly in the leasing market. Furthermore, during the first half of 2006, the central government relaxed restrictions on foreign investment in several industries, including logistics and securities. In addition to direct demand from expatriates buying property in Shanghai, expatriates are expected to continue to contribute strongly to leasing demand of upper-end residential properties owned by locals for investment purposes.

Many of the emerging class of wealthy locals have turned to residential investments. The sales market for upper-end residential properties has grown in recent years, boosted by strong owner-occupier demand, as well as short and long-term investments, particularly seen in the period from 2002 to 2004. Sale volumes and prices have been driven upwards with sale prices experiencing an annual average growth rate of 10.6% between 2000 and the first half of 2006. Since the first round of macro-measures introduced in early 2005, buyers are increasingly comprised of locals seeking to upgrade their residential accommodations, as speculative activity has fallen over the past year.

During the first half of 2006, average sale prices for upper end residential properties have remained fairly stable, with only a slight downward moderate adjustment of 0.8% during the six-month period.

The central and municipal governments have sought to reign in the steep price increases of the past few years by targeting speculative activity. In Shanghai, such activities have been mostly ironed out as a result of the macro measures issued by the government in the first half of 2005. In May 2006, the government further refined its macro measures, determined to curb speculative activity. The latest round of measures also demonstrates that the government is taking a cautious, yet balanced approach towards fine tuning the growth of the real estate sector.

It is evident that the government recognises the real estate sector's important role in the economy and towards wealth creation. Observers have noted that the authorities are mindful that any major and sharp correction of the real estate sector will have adverse impact on the other sectors of the economy as well.

4.5 UPPER RESIDENTIAL MARKET OUTLOOK

The continued flow of foreign investment as foreign companies expand in the market is expected to contribute to a growing demand for upper-end residential property. Coupled with further growth and diversification of the city's economy, demand in the upper end of the residential property market is expected to continue to be generated from the increasing numbers of expatriates and rising income levels of local white collar workers and a widening home-buyer class.

The impact of the first round of macro control policies in early 2005 appears to have been successful in reining in asset inflation. Following the announcement of those policies, average transaction volumes declined briefly, then rebounded to previous levels in the latter half of the year. Sale price levels over the course of the year, however, remained fairly stable, with most developers under little pressure due to low initial land acquisition costs. CB Richard Ellis estimates that in most cases, projects where land was purchased prior to 2004, land costs may constitute less than 30% of developers' total development costs. As a result, developers are likely to have a stronger holding ability and will not easily resort to panic discounting.

In view of the latest round of macro-measures announced in May 2006, CB Richard Ellis considers that the impact will be similar, with a short-term drop in transaction volumes as buyers briefly step back from the market. Again, sale prices are expected to remain fairly stable in the short-term.

Barring any additional major shocks, the long-term fundamentals of the upper-end residential market are expected to remain firm, due to limited future supply in this market segment and continued strong demand, both from local home buyers seeking to upgrade their residential accommodation, and foreigners entering the market.

5.0 SHANGHAI UPPER-MID RESIDENTIAL MARKET

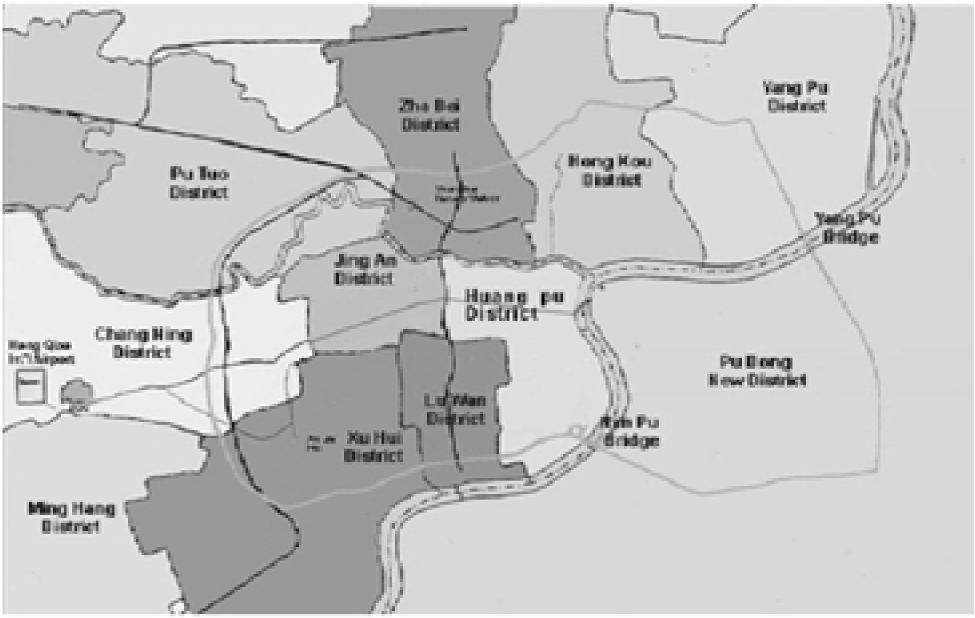
There are five major central city upper-mid market residential districts in Shanghai: Changning Upper, Xuhui Upper, Hongkou Upper, Huangpu Upper and Pudong Upper. The total upper-mid residential stock within these major districts at June 2006 was approximately 22.7 million sm, equivalent to 189,000 units based on an average unit size of 120 sm. CB Richard Ellis defines the upper-mid segment in Shanghai as properties fulfilling the following criteria:

(i) Current sales price between RMB 13,000 and RMB 20,000 psm (US$1,627 and US$2,503 psm)

(ii) Well-recognised quality projects

(iii) Experienced developers with a good track record

(iv) Located in the central city area of Shanghai



Source: CB Richard Ellis

5.1 SITE DESCRIPTION

The first of the Company's Projects is an upper-mid residential development within the Inner Ring Road of Shanghai. It is located at the intersection of North Linping Road and Ruihong Road in the Hongkou district, adjacent to the Linping Road Metro Station of Metro line 4 which started initial test runs in January 2006.

As a general trend, residential developments completed by the Company have tended to command a premium in the residential market given its success with its Xintiandi development. As at June 2006, the asking sale prices in the secondary market of the apartments of the first two phases of the Company's project averaged RMB 15,021 psm (US$1,880 psm). Under Phase 2 B of the Company's project, the primary market sales price is approximately 10% higher, ranging between RMB 15,021 psm (US$1,880 psm) and RMB 18,020 psm (US$2,255 psm). The units under Phase 2 B, however, come fitted with more finishes and appliances, rather than simply being bare shell apartments.

The Company's second project is a mixed-use development, which is located next to 17 well-known Shanghai universities and colleges in Yangpu District. This project includes a knowledge innovation centre as well as office, retail, leisure, entertainment and residential facilities and is currently under development.

5.2 KEY CHARACTERISTICS OF MAJOR UPPER MID RESIDENTIAL AREAS

	CHANGNING	**XUHUI**	**HONGKOU**
Existing Stock Jun 2006*	3,607,760 sm	5,692,000 sm	2,652,280 sm
Additional Supply Jul 06 - 2008	668,000 sm	1,338,800 sm	710,000 sm
Forecast Stock 2008*	4,275,760 sm	7,030,800 sm	3,362,280 sm
Average Sale Price Jun 2006	RMB 16,344 psm (US$2,046 psm)	RMB 15,454 psm (US$1,934 psm)	RMB 15,189 psm (US$1,901 psm)
Overall Positioning	• High end and upper-mid • Targeted at expatriates from Korean, Japan and Taiwan and wealthy locals	• Positioned at high-end and upper-mid of the market • Targeted at wealthy locals, overseas Chinese, embassy staff and expatriates from HK, Taiwan, Japan.	• Mid end residential district • Some developments of North Bund have good river views of the Huangpu River
Accessibility	• Main arterial roads — West Yanan Road and West Zhongshan Road • Metro Line No. 2	• Main arterial roads — Zhaojiabang Road, Caoxi Road and West Zhongshan Road • Metro Line No. 1	• Main arterial roads — Zhongshan Road (N.), Sichuan Road (N.), and Wenshui Road. • Metro Line No. 8 & 4 (under construction); Metro Line No. 3

Source: CB Richard Ellis (as at June 2006)

* *Estimates only*

	HUANGPU	PUDONG
Existing Stock Jun 2006*	1,642,240 sm	9,097,320 sm
Additional Supply Jul 2006 - 2008	650,000 sm	1,220,000 sm
Forecast Stock 2008*	2,292,240 sm	10,317,320 sm
Average Sale Price Jun 2006	RMB 15,639 psm (US$1,957 psm)	RMB 15,197 psm (US$1,902 psm)
Overall Positioning	• Mid end residential district • Some developments of North Bund have good river views of the Huangpu River • Targeted at wealthy locals and the expatriates from western countries	• Positioned at mid — upper end of the market • Targeted at wealthy locals and expatriates from western countries, Taiwan, HK, and Korea etc.
Accessibility	• Main artery roads pass through the district — Zhongshan Road (N.), Sichuan Road (N.), and Wenshui Road. • Metro Line No. 8 & No. 4 (under construction); close to Metro Line No. 3	• Main artery roads pass through the district — Loushan Road and Longdong Ave. • Metro Line No. 2, No. 4 (Under Development), No. 6 (Under Development)

Source: CB Richard Ellis (as at June 2006)

** Estimates only; Sale prices are on a gross basis*

5.3 FUTURE SUPPLY (2006 — 2008)

For the period from the second half of 2006 to 2008, the total future stock of the upper-mid end residential sector in Shanghai is expected to reach 27.3 million sm by the end of 2008.

Based on an average apartment size of 120 sm, the total number of apartments in the pipeline is about 227,333 units, equivalent to about 90,900 units per annum, more than double the annual average supply of 42,021 units between 2001 and 2005.On this basis, the upper-mid market will provide about one third of new residential units entering the overall market each year over the next two and a half years.

Of this, the largest potential new supply will be located in Xuhui, at 1.34 million sm (29.2% of total future supply), increasing the current stock by 23.5% from its current level of 5.69 million sm. The second and third largest areas of development will be Pudong district with an estimated 1.22 million sm of new supply (26.6%) and Hongkou district at 0.71 million sm (15.5%). In terms of estimated number of new units, Xuhui, Pudong and Changning districts will have 11,166; 8,333; and 5,917 units respectively. As a result, competition among developers in these areas is expected to increase moderately to 2008.

5.4 DEMAND TRENDS

The demand for upper-mid end residential properties is likely to remain strong in the short to medium term, due to Shanghai's growing and diversifying economy, increasing flows of foreign and domestic investment, growing numbers of expatriates and domestic migrants, in addition to rising incomes of local white collar workers. In general, the demand for upper-mid end apartments is more stable than the mass and mid priced residential segments as the upper income buyers tend to have better holding power. In addition, speculative activity was known to be more prevalent for lower priced units. This was evident as seen when the initial macro measures were announced in early 2005, observers noted that many speculators either exited on their investments or withheld their purchasing decisions leading to a temporary contraction of transactions and a slowdown of activities. However, a clear sign of recovery emerged by the third quarter of 2005, with regards to both transaction volumes and sale prices.

With the latest measures announced in May 2006, demand may be marginally affected but it is anticipated that the effect will not be as significant as it was observed that the latest round of measures are a further refinement of the earlier measures of 2005. The latest measures are directed mostly towards future developments whereas the rounds of measures announced from March 2005, appeared to target sellers/buyers. More importantly, the market continues to be supported by positive and strong economic fundamentals. Given this, demand is expected to continue demonstrating its resilience. The gap between asking prices and actual transacted prices could potentially narrow further as sellers and some developers readjust their expectations. CB Richard Ellis estimates that the asking prices of some upper-mid residential projects were lowered by 8% to 12% in the second half of the year, following the announcement of the government's initial macro control measures in March to May 2005. However, it was also observed that many developers of upper-mid and upper residential real estate did not adjust their selling prices, rather some resorted to indirect discounts such as the provision of additional fit-outs or appliances.

According to Shanghai government statistics, the market has shown signs of recovery since June 2005 as transaction volumes gradually increased, and in the first half of 2006, the average transaction price of mid-upper residential housing also increased by approximately 2.6% in the five major mid-upper residential districts.

With the changing demographics pointing to a widening band of prospective home buyers, it is expected that there will be a substantial number of first time home buyers entering the market within the next three to five years. Another strong source of future demand will come from those seeking to upgrade into newer and larger apartments.

With regards to evidence of demand trends in the upper-mid residential market, CB Richard Ellis estimates that as at June 2006, bare shell apartments account for 50% of the upper-mid residential market, followed by semi-finished apartments (30%) and fully finished apartments (20%). CB Richard Ellis estimates that on average the sale price of a semi finished upper-mid apartment is RMB 1,499 psm (US$188 psm) more than a bare shell upper-mid apartment, developers are likely to target a wider audience by providing more affordable units.

Based on CB Richard Ellis's latest research, fully-fitted upper-mid apartments are about RMB 1,002 to RMB 2,005 psm (US$125 to US$251 psm) more expensive than bare shell upper-mid apartments as of mid-2006.

5.5 UPPER MID RESIDENTIAL MARKET OUTLOOK

The Shanghai Municipal government remains determined to stabilise the residential market to allow sustainable rates of capital appreciation, while ensuring it meets its social objective of providing sufficient housing for its general population. These objectives were also evident in the latest round of macro measures announced in May 2006.

In the short-term, the impact of these latest macro-measures on the mid-upper residential segment is expected to be similar to that of those implemented in early 2005, with an initial moderate drop in transaction volumes as buyers briefly assessed the market. However, sale prices are projected to remain fairly steady as developers continue to hold firm, although falling land prices may eradicate recent capital gains based on a low land acquisition cost base for a number of these developers.

The outlook for mid-upper residential segment in the mid to long term is likely to remain positive with anticipated steady growth as a result of the following reasons:

a) the reduced speculative activities due to the government's measures

b) the continued growth in Shanghai's economy

c) the rising numbers of expatriates moving to Shanghai to work,

d) the continuing influx of foreign investment,

e) the increasing wealth of local residents, and

f) the decreasing land available for mid-upper development, limiting supply in the mid- to long-term as the government encourages more development of affordable housing.

The hosting of the World Expo by Shanghai in 2010 is also expected to have a significant influence on the performance of the upper-mid end residential property market.

6.0 SHANGHAI GRADE A/PREMIUM OFFICE MARKET

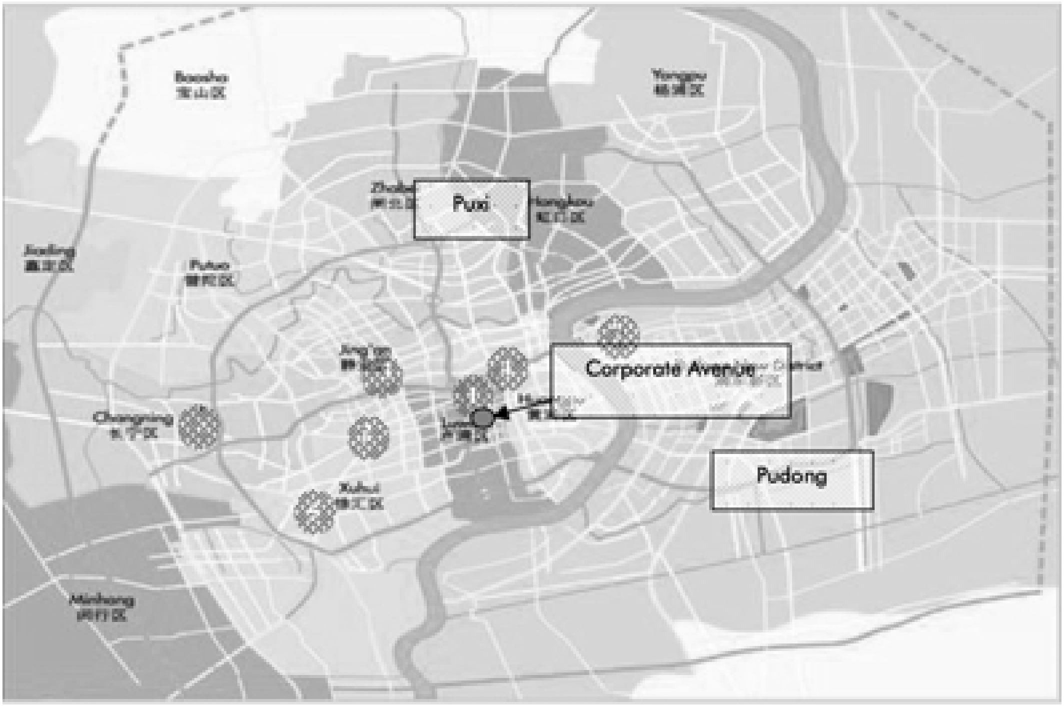
The major office districts in the Shanghai Grade A/Premium office market include Huaihai Zhong Road East and West, Nanjing West Road, Lujiazui, People's Square, as well as the Hongqiao and Xujiahui Districts. The first three areas are highly sought after by existing and prospective tenants because they are recognised as well-established Central Business Districts, whilst Lujiazui is emerging rapidly as the new fast-developing financial hub of Shanghai. The majority of existing stock is located in Lujiazui, followed by Hongqiao and Huaihai Zhong Road East as demonstrated in the following table.

CB Richard Ellis defines Grade A office property, in summary, as modern office facilities with exceptional accessibility and a definite market presence along with high-quality standard finishes; state-of-the-art systems, flexible layout and large floor plates; effective central air-conditioning; good management and the availability of parking facilities.

Major Grade A Office District	District	Total GFA (estim. sm)*	Proportion (%)
Huaihai Zhong Road East	Puxi	324,391	12.9%
Huaihai Zhong Road West	Puxi	227,912	9.1%
Nanjing West Road	Puxi	319,992	12.8%
People's Square	Puxi	298,133	11.9%
Xujiahui	Puxi	201,000	8.0%
Hongqiao	Puxi	394,664	15.7%
Lujiazui	Pudong	741,588	29.6%
Total	—	2,507,680	100.0%

* *As at June 2006*

Source: CB Richard Ellis



1. Huaihai Zhong Road East
2. Huaihai Zhong Road West
3. Nanjing West Road
4. People's Square
5. Xujiahui
6. Hongqiao
7. Lujiazui

Source: CB Richard Ellis

6.1 SITE DESCRIPTION

The Company's project adjoins the iconic Shanghai Xintiandi development, adjacent to the Huaihai Zhong Road business district, with views over Taipingqiao Lake. Its convenient location, established reputation of the developer, together with its good quality of finishes, specifications and professional property management services, have positioned the project into one of the top three best performing buildings in Shanghai, in terms of rental levels.

6.2 KEY CHARACTERISTICS OF MAJOR GRADE A OFFICE AREAS

	HUAIHAI ZHONG ROAD EAST	**HUAIHAI ZHONG ROAD WEST**	**NANJING WEST ROAD**	**PEOPLE'S SQUARE**
Existing Stock Jun 2006*	324,391 sm	227,912 sm	319,992 sm	298,133 sm
Additional Supply Jul 06-2008	NIL	NIL	172,962 sm	62,600 sm
Forecast Stock 2008*	324,391 sm	227,912 sm	492,954 sm	360,733 sm
Average Rental Jun 06 (psm per month)	RMB 397.79 US$49.79	RMB 349.67 US$43.76	RMB 399.39 US$49.99	RMB 324 US$40.55
Accessibility	• Served by Metro Line No.1 • Huaihai Zhong Road is a major road in downtown area	• Served by Metro Line No.1 • Huaihai Zhong Road is a major road in downtown area	• Served by Metro Line No.2 • Nanjing West Road is a major road in the downtown area	• Served by Metro Line Nos.1 and 2 • Nanjing West Road passes through the district and is a major road in the downtown area

	XUJIAHUI	**HONGQIAO**	**LUJIAZUI**
Existing Stock Jun 2006*	201,000 sm	394,664 sm	741,588 sm
Additional Supply Jul 06-2008	30,000 sm	NIL	700,726 sm
Forecast Stock 2008*	231,000 sm	394,664 sm	1,442,314 sm
Average Rental Jun 06 (psm per month)	RMB 293.13 US$36.69	RMB 264.66 US$33.12	RMB 328.82 US$41.15
Accessibility	• Served by key roads such as Huashan Road, Hengshan Road, and Zhaojiabang Road • Metro Line No.1	• Access to Yan'an West Road Elevated Highway and Zhongshan West Road Elevated Highway	• Served by Metro Line No. 2

Source: CB Richard Ellis (as at June 2006)

* *Estimates only (Note: Rentals are "asking" rentals exclusive of management fees)*

6.3 FUTURE SUPPLY (2006 — 2008)

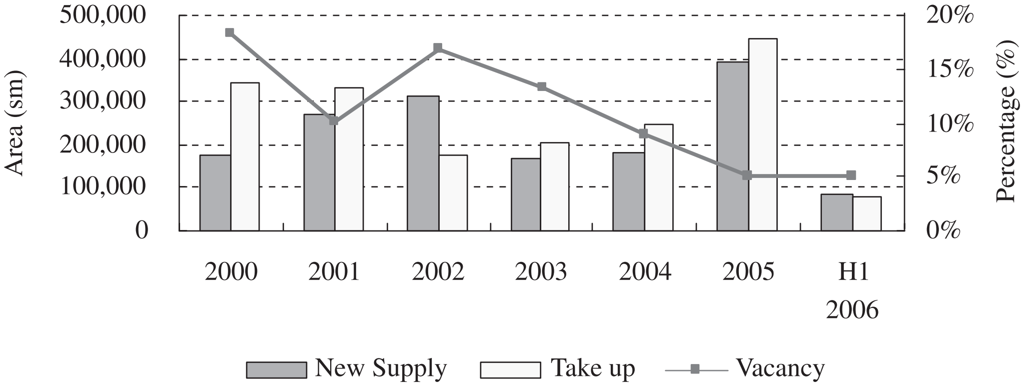
From mid 2006 until 2008, the anticipated new supply for Shanghai's Grade A office market stands at approximately 0.97 million sm, thereby bringing the total market supply to 3.5 million sm by 2008. The majority of new supply is expected to be located within the Lujiazui area in Pudong (72.5%). Supported by various municipal government incentives targeting the financial sector, this area continues to develop as Shanghai's financial hub. It is expected that by 2008, approximately half of all the office developments being planned at the present time will be completed. In Puxi, by 2008, the Nanjing West Road area is expected to have 17.9% of the new supply and People's Square will have around 6.5% of forecast new supply. Limited new supply is expected in the Luwan district.

6.4 DEMAND TRENDS

There are four major driving forces associated with the continued growth in demand for office accommodation: the swift expansion of the financial sector following China's WTO accession, the continued establishment of regional headquarters, and the hosting of the World Expo in 2010 and the Pudong Comprehensive Pilot Zone. On 21st June 2005, the State Council officially approved this zone in order to provide comprehensive support in promoting national reform. This new area is likely to keep its leading position in China's reform process with a renewed emphasis on further development. Average vacancy rates in the Grade A office market at June 2006 ranged from 3% to 13% across the seven different office districts, averaging 5% across the overall market. Traditional CBDs, such as Huaihai Zhong Road (East and West), Nanjing West Road, and People's Square continue to enjoy leading positions in the market. As a thriving new business district, Xujiahui has also benefited from scarce prime office supply. Newly completed office towers in Xujiahui recorded high rental levels in the second quarter of 2006, to the extent that they are finally approaching the levels of those for prime office buildings in traditional CBDs.

Although Pudong is expected to provide the bulk of new supply, the trend in tenant profile is heavily focused on banks and other financial service companies. In contrast, Puxi has in recent years enjoying a relatively broader tenant base, comprised of firms in the professional service sector as well as front sales offices for major manufacturing companies. While some companies may look to relocate to Pudong in coming years given the influx of new supply, prime office areas of Puxi are still expected to benefit from relatively stronger overall demand. With the increasing demand pushing rents upwards, some more price conscious companies may move away from the traditional office market to less high-profile business areas, such as Hongqiao or suburban locations.

Shanghai Grade A Office Market
New Supply, Take Up and Vacancy 2000-H1 2006



Source: CB Richard Ellis

6.5 OFFICE MARKET OUTLOOK

With Shanghai's rapid economic development, more international companies continue to either establish or expand their offices in this modern cosmopolitan city. Such expansions have created an increasingly tight office market, which have led to growing pent-up demand despite the steady introduction of new supply. Going forward, this trend will continue, particularly over the next couple of years in which new supply is set to remain limited. As a result, pre-leasing will remain a major trend as large-space occupiers seek to secure space ahead of buildings' completions in order to accommodate headcount growth. In addition, limited availability and the resulting growth in Grade A office rentals of up to 30% over the course of 2005, are forcing corporates to become more strategic with regards to their long-term occupational requirements as well as leading to a shift in tenancy profiles of prime office districts in Shanghai.

As rentals continue to climb, prime downtown office areas, such as Huaihai Zhong Road and Nanjing West Road, are increasingly becoming dominated by the professional service sector and companies most willing to pay a premium for high-profile downtown locations. At the same time, companies in such sectors as trade and logistics, who previously may have been located downtown, are relocating outwards to such areas as Hongqiao and Xujiahui. Additionally, as many companies increasingly look to relocate regional headquarters to Shanghai, and office space requirements expand substantially, some corporates are considering alternative options, including decoupling business operations, and relocating back-office operations to fringe areas. Such factors are expected to drive the further maturation of Shanghai's Grade A office market and continue to put moderate upward pressure on rentals, particularly over the next couple of years, as availability remains limited. Between the second quarter of 2006 and the end of 2007, CB Richard Ellis forecasts upward rental growth of approximately 10% per annum.

Beginning in 2008, an influx of new supply, much of which will be located in Pudong, is expected to bring some relief to the market, as pent-up demand is released. However, competition between landlords is expected to intensify, leading to a slight downward rental adjustment in that year.

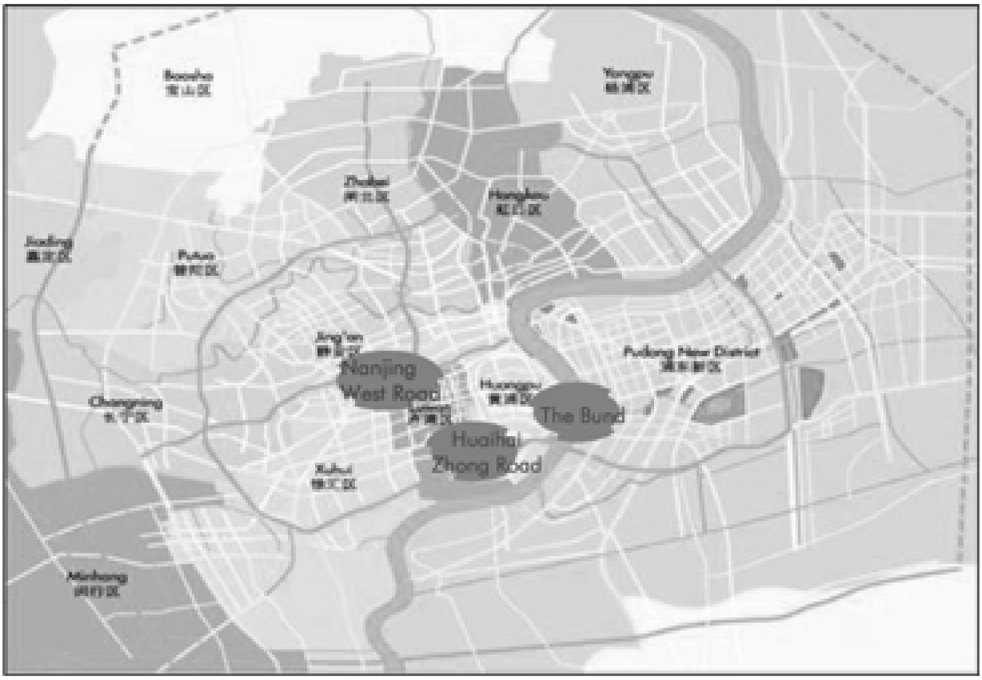
In terms of office areas, the Grade A office market in Puxi currently achieves the highest rental levels in Shanghai, due in large part to the generally higher quality of office properties and broader tenant base, and lower vacancy levels than Pudong. This is a trend that is expected to continue from the second half of 2006 to 2008, with demand in the area continuing to be driven by the professional services sector as well as companies in IT, manufacturing, and trade.

Pudong, which has also witnessed growing demand in recent years, will continue to be sought in coming years, by banks and other financial services companies as they expand aggressively in line with market opening commitments to come at the end of 2006 related to China's WTO accession. An influx of new supply in 2008 however, will be heavily concentrated in Pudong, likely leading to an increase in vacancy levels in that area before it can be absorbed.

7.0 SHANGHAI HIGH END RETAIL MARKET

In Shanghai, the leading prime retail precincts are regarded as Nanjing West Road and the Bund. These areas are regarded as well-established areas for high end retailers. Besides these, another major prime retail area is Huaihai Zhong Road, which consists of mid grade to high grade retail space. Shanghai Xintiandi, which has a substantial concentration of upper-end retailers and Food & Beverage outlets, is generally regarded as part of the Huaihai Road area of retail.

While there is no official definition of high end retail, this market segment is generally defined as being in the upper end of the rental range in the better locations of the city.



Source: *CB Richard Ellis*

Prime Retail District	**Est. GFA (sm)**	**Market Share**
Nanjing East Road (Pedestrian Street)	500,000	14.29%
Huaihai Zhong Road	450,000	12.86%
Xujiahui	420,000	12.00%
Nanjing West Road	380,000	10.86%
The Bund	30,000	0.86%
Other Areas*	1,700,000	48.57%
Total	3,500,000	100.0%

Source: CB Richard Ellis

* *Other areas refer to those retail spaces that are not located in any specific cluster, rather podium levels of buildings, or scattered street shops.*

As at June 2006, the total GFA of the mid to high end retail market in Shanghai was about 3.5 million sm, with the largest clusters of high end retail accommodation found in the retail districts of Nanjing West Road, The Bund and Huaihai Zhong Road. Together, they have a total stock of approximately 860,000 sm.

7.1 SITE DESCRIPTION

The Company's Shanghai Taipingqiao project site is located on Taicang Road in Luwan District and is in close proximity to Huaihai Zhong Road. The tenants at the Company's project include food and beverage, entertainment and retail facilities. Completed around mid-2002, it features a charming combination of both the west and east in architectural style, thereby leading to an interesting and successful retail/lifestyle concept. Its success has been far-reaching, such that it has become popular with both Shanghai residents as well as being a must-see tourist destination for many domestic and foreign visitors to Shanghai.

7.2 KEY CHARACTERISTICS OF MAJOR RETAIL AREAS

	NANJING WEST ROAD	THE BUND	HUAIHAI ZHONG ROAD
Existing Stock Jun 2006*	380,000 sm	30,000 sm	450,000 sm
Additional Supply Jul 2006 - 2008	272,000 sm	1,000 sm	80,000 sm
Forecast Stock 2008*	652,000 sm	31,000 sm	530,000 sm
Average Rental Level Jun 2006 (psm per day)	RMB 27.82 to RMB 46.72 (US$3.48 to US$5.85)	RMB 38.93 to RMB 51.73 (US$4.87 to US$6.47)	RMB 37.55 to RMB 51.73 (US$4.70 to US$6.47)
Overall Positioning	• Positioned at high end of the market • Target market is mostly mid- to high-income professionals and foreigners	• Positioned at high end of the market • Target market is high-income senior management level, entrepreneurs and expatriates	• Positioned at medium to high-end of the market • Target market is mostly white collar workers
Merchandise & Brand Type	• Department stores selling fashion items, shoes, food and beverage • Products are mainly high-end international brands	• Department stores selling fashion items, shoes, food and beverage • Products are all 1st tier high-end international brands	• Department store, telecommunications, fashion items, shoes, entertainment audio visual products, books, food and beverage • Products are mainly medium- to high-end international and local brands
Accessibility	• Main artery road passes through the district — Nanjing West Road • Metro Line 2 has two stops in Nanjing West Road area	• Main artery road passes through the district — Yan'an East No.1 Road • Metro line 2 has one stop in Henan South Road which is 5 - 7 minutes' walk away	• Main artery road passes through the district — Huaihai Road • Metro line 2 has 3 stops along Huaihai Road

Source: CB Richard Ellis (as at June 2006)

* *Estimates only*

7.3 FUTURE SUPPLY(2006 — 2008)

The total amount of additional future supply in the three major high end retail precincts of retail space between the third quarter of 2006 and 2008 is estimated to be 353,000 sm, bringing the total amount of stock to 1.2 million sm. Nanjing West Road will form the bulk of new supply with 77.1% of the total, followed by Huaihai Zhong Road with 22.7% of the total.

The Bund, located along the Huangpu River, is the smallest of the three as there is limited available land for the development of new retail centres. In recent years, supply in the area has come from the renovation of historic buildings, which have largely been converted for use as high-end boutiques and food and beverage outlets. According to the government's 11th Five Year Plan, the redevelopment of the Bund remains a key objective, and several historic properties have been identified to be redeveloped to include some retail space. Based on the government's plan, only one identified property remains to be redeveloped - Bund 27, which is to be completed by 2008. The total GFA of this property is 15,976 sm, but it is unknown at this time the amount of space within it that will be devoted to retail use. The forecast new supply between mid 2006 and 2008 may provide temporary relief to meet the strong demand from foreign retailers who wish to establish and/or expand their presence in Shanghai.

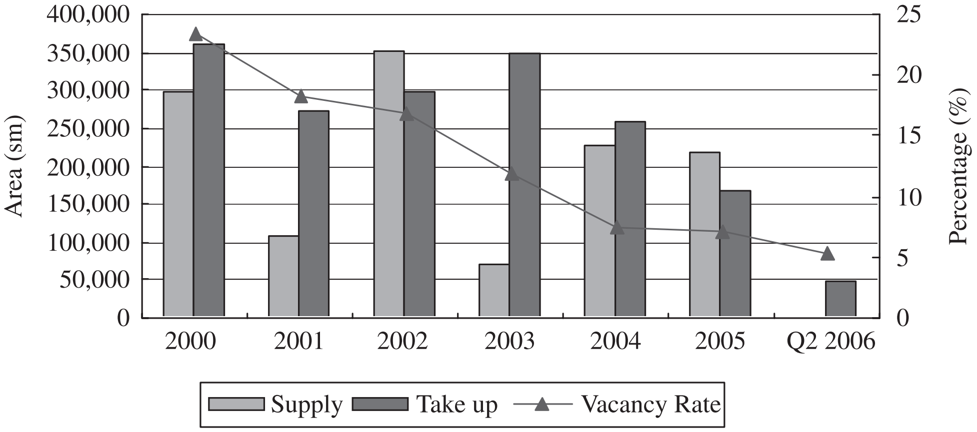
7.4 DEMAND TRENDS

Demand for retail space is likely to continue to grow as Shanghai's economy develops and diversifies further. The full opening of China's retail market at the end of 2004, as per its commitment to the WTO, marks a major milestone for retail in China. International retailers quickly seized the opportunity to capitalise on the liberalisation of the huge consumer China retail market. As such, competition has intensified between foreign and local brands seeking the best retail opportunities. Rental levels have subsequently moved upwards in line with this activity and appear to be continuing this trend.

The influence exerted by well-heeled locals and the expatriate population is expected to lead to a more vibrant retail scene with increasing demand for imported goods and services. According to the Shanghai Economic Committee, sales at department stores and shopping centres hit RMB671 million (US$84.0 million) during the spring festival period of 2006, representing an increase of 8.3% over the same period last year.

With such strong demand, new supply has been quickly snapped up. Some retailers, eager to protect their tenancies, focused on renewing their contracts instead of moving. Coupled with very limited new completion of retail space, it is not surprising that take-up in terms of GFA has shown a downtrend in recent years. It is more important to note that the vacancy rate has now dropped to the low single digit figure — signalling strong pressure on rent and capital values to increase. With an increase in the supply of high end retail space between mid 2006 and 2008, strong pent-up demand is expected to be released, bringing moderate relief to the market.

Shanghai Prime Retail Market Supply, Take Up and Vacancy



Source: CB Richard Ellis

7.5 RETAIL MARKET OUTLOOK

Despite moderate levels of new supply in coming years, vacancy levels of prime retail areas in Shanghai are forecast to remain at low levels, as such space is quickly absorbed. This is attributed to the rising pent-up demand, as retailers seek to enter and/or expand in the market to capitalise on the continued growth of the economy, higher levels of disposable income, and increased consumer demand.

During the second quarter of 2006, vacancy rates remained unchanged in all three prime retail areas of Shanghai, reflecting the strong pent up demand and tight market conditions with few available options in these prime areas. Such limited availability has increased pressure on prime retail rentals, which have steadily risen. On a retail district basis, Huaihai Zhong Road and the Bund demand the highest rental levels, and on a retail format basis, rental levels for street shops and shopping centres continue to outperform rental levels for department stores (on a ground floor net basis).

For the second quarter of 2006, average rental levels of shopping centres within the retail precincts of Huaihai Zhong Road and Nanjing West Road ranged between RMB 37.37 to RMB 51.73 psm per day (US$4.68 to US$6.47 psm per day). In contrast with shopping centres, the majority of department stores in Shanghai charge rent on the basis of a percentage of revenue. Currently this ranges between 20% to 30% of a department store's revenue.

Based on government statistics of 1.2 sm retail space per capita, Shanghai's total retail stock is 16.2 million sm. As at the second quarter of 2006, CB Richard Ellis estimates that the prime retail stock in Shanghai is around 3.5 million sm of which high-end retail stock is about 860,000 sm. On this basis, high-end retail only currently accounts for 24.6% of the prime retail space in Shanghai, which translates to 0.26 sm per capita. The forecasted future supply of high-end retail space to 2008 is a further 352,000 sm which will bring the total high end retail market to about 1.2 million sm, a figure still less than half of the total forecast prime retail space then indicating potential for growth.

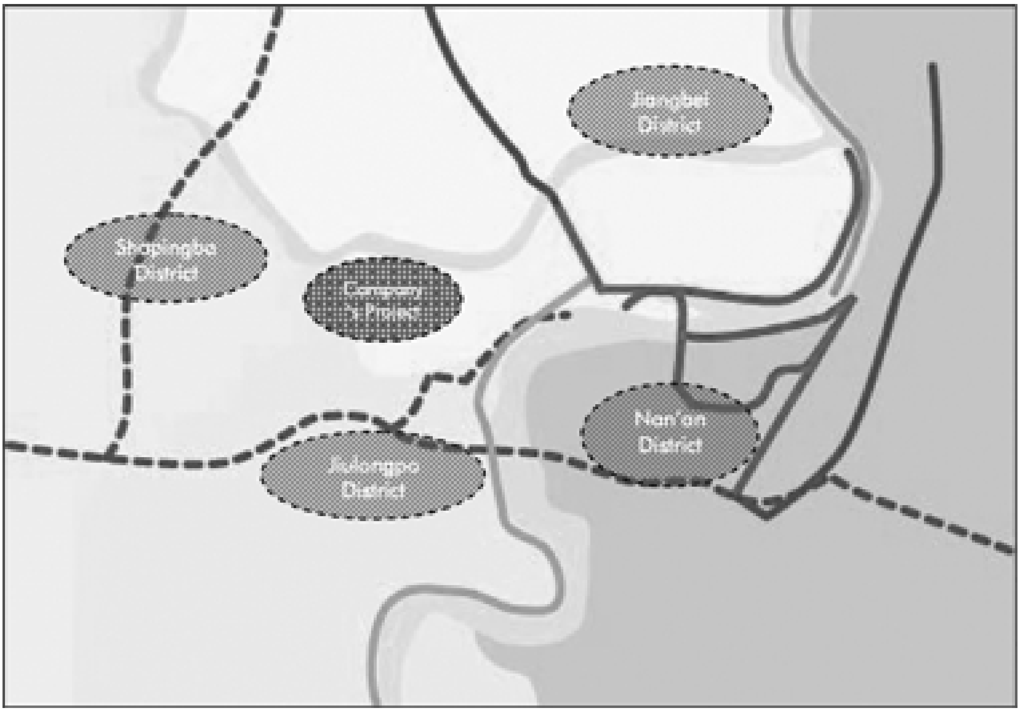
Barring any external shocks, the outlook for prime retail space will remain positive with rents facing upward pressure as more retailers look to enter the Chinese market. CB Richard Ellis expects rental levels to achieve moderate growth of between 6% to 8% per annum between mid 2006 and 2008. Additional evidence also points to leases being renewed with leasing terms in favour of the landlords. For example, shorter leases are now being offered by landlords in anticipation of a rising rental market.

8.0 CHONGQING

Chongqing, one of the four cities in China with a municipal ranking, has been earmarked by the Central authorities as the key driver for economic growth in the central part of western China. Its pace of urbanisation is expected to accelerate in the near future as the city continues to develop as a major commercial and industrial hub of south western China. Currently, Chongqing's urbanisation rate remains low when compared with first-tier cities like Shanghai, Guangzhou and Beijing which each averaged about 69% in 2004*. According to the revised Chongqing masterplan, based on the twenty-year masterplan 2000-2020 approved by the State Council in 1998, the rate of urbanisation is expected to increase from 45.2% in 2005 to 50% in 2010, which should generate more demand for properties of all types in the real estate sector.

8.1 YUZHONG DISTRICT OVERVIEW

Yuzhong District is located in the city centre of Chongqing and is bounded by the Jialing River and the Yangtze River. It is the political, trading, financial, information and water transportation hub in Chongqing. The Yuzhong district is served by Metro Line No. 2, which provides good connections to the key business areas of Chongqing. Covering an area of 22sq km, the district had a registered population of 600,000 or about 1.9% of overall Chongqing population in 2004*. Yuzhong District is the most densely populated district in Chongqing, with 26,559 people per sq km. There are limited large tracts of land to re-develop and this in turn has led the government to expand the business area in Jiangbei District across the Jialing River.



Source: CB Richard Ellis

* *Based on the most recent data available as of June 2006*

Despite its small area, the Yuzhong District had a value added GDP of RMB 17.6 billion (US$2.20 billion) in 2004* and accounted for 17.4% of Chongqing's total GDP. The Yuzhong District is characterised by strong concentration of the tertiary sector, which makes up 81% of its value added GDP.

Given that it has strong business and economic activities, the district has robust retail sales growth, recording a high of RMB 14.4 billion (US$1.8 billion) with an annual increase of 13.3% in 2004.

Foreign investment in Yuzhong District was strong, with contracted foreign investment reaching RMB 104.5 million (US$13.1 million) in 2004, accounting for 15% of the city's total foreign investment.

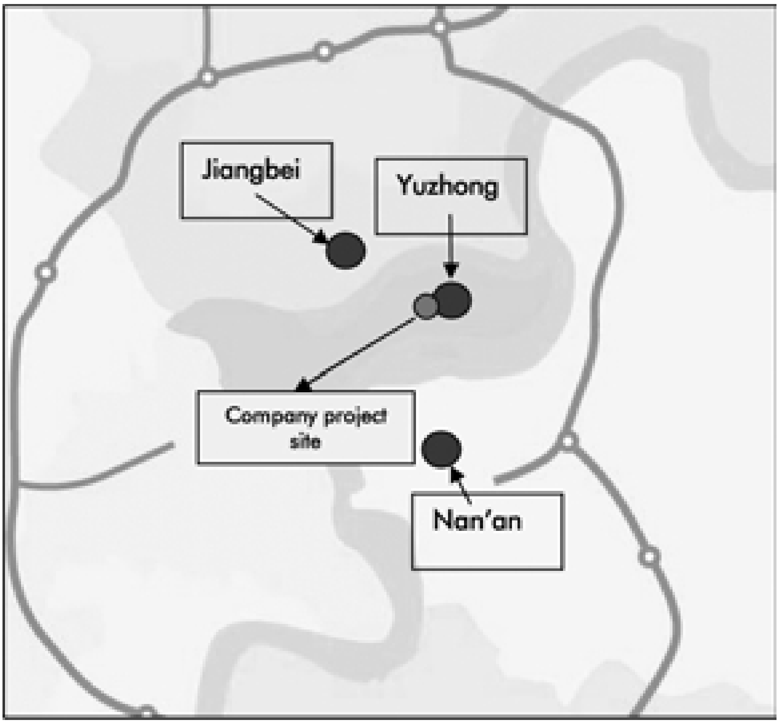
Being the major business area in Chongqing, foreign institutions often register their representative offices in Yuzhong District when starting a new business. The district has three hotels which cater to high-end tourists, foreign and domestic business travellers. In terms of the residential segment, development is spread throughout the district with mostly low density and older buildings. It is important to note that developable area remains limited due its hilly terrain and the existence of many older residential developments.

The Jiefangbei Area is located within the Yuzhong District and is billed as Chongqing's major CBD. Covering a land area of just over 0.9 sq km, the Jiefangbei Area consists of commercial, retail and entertainment facilities. The area is the older and more traditional part of town and the local government is undertaking a resettlement programme to relocate some of Jiefangbei residents to suburban areas to allow for further commercial development of such prime land. The Chongqing Municipal government currently restricts new land for mid-upper residential use. Adjacent to the Jiefangbei area is the Hualongqiao Area, which will act as an extended CBD zone when the bridge over the Jialing River is completed as scheduled by the end of 2007.

* *Based on the most recent data available as of June 2006*

9.0 CHONGQING UPPER-MID AND UPPER RESIDENTIAL MARKET

Chongqing covers an area of approximately 82,400 sq km. The Jialing and Yangtze Rivers separate the city centre into three major residential and business districts — Jiangbei, Yuzhong and Nan'an. These three key districts house 69% of the upper-mid residential units, and all the stock of upper residential units (those with sale prices above RMB 6,000 psm (US$750.9 psm). The remaining 31% of upper-mid residential units are located in other districts.



Source: CB Richard Ellis

Distribution of Upper-Mid and Upper Residential Market in Chongqing

Major Upper-Mid Residential Areas	Total GFA (est. sm)*	Proportion (%)
Yuzhong Residential Area	777,570	31.9%
Nan'an Residential Area	531,490	21.8%
Jiangbei Residential Area	375,251	15.4%
Others	755,452	31.0%
Total	2,439,763	100.0%

Major Upper Residential Areas	Total GFA (est. sm)*	Proportion (%)
Yuzhong Residential Area	478,247	75.2%
Nan'an Residential Area	81,000	12.7%
Jiangbei Residential Area	76,398	12.0%
Total	635,645	100.0%

Source: CB Richard Ellis, Chongqing Real Estate and Land Administration Bureau, Chongqing Statistics Bureau 2006

Recent rapid growth in total stock in both the upper and upper-mid residential market is attributed to developers' land banks, increasing affluence of the Chongqing residents and the influx of investors from other cities.

9.1 **SITE DESCRIPTION**

The Company's Chongqing Tiandi project site is located in the Hualongqiao Area of Yuzhong District, which is 6.6 km from the Jiefangbei CBD. Given its close proximity to the Jialing River, well designed units facing the river should enjoy almost 2 km of the scenic river frontage. The first phase of the development is the upper residential component. With the completion of the resettlement and comprehensive development of the surrounding area, the project is expected to provide a vibrant mixed-use development with pleasant river frontage. The Jiahua Bridge across the Jialing River linking the Yuzhong and Jiangbei districts will be completed by the end of 2007, further improving accessibility.

9.2 KEY CHARACTERISTICS OF MAJOR UPPER-MID AND UPPER RESIDENTIAL AREAS

	YUZHONG AREA	JIANGBEI AREA	NAN'AN AREA
Existing Stock Jun 2006*	Upper-Mid: 777,570 sm Upper: 478,247 sm	Upper-Mid: 375,251 sm Upper: 76,398 sm	Upper-Mid: 531,490 sm Upper: 81,000 sm
Additional Supply Jul 06 - 2008	Upper-Mid: 0 sm Upper: **327,000 sm	Upper-Mid: 0 sm Upper: 0 sm	Upper-Mid: 427,059 sm Upper: **180,000 sm
Forecast Stock 2008*	Upper-Mid: 777,570 sm Upper: **847,007 sm	Upper-Mid: 375,251 sm Upper: 76,398 sm	Upper-Mid: 958,549 sm Upper: **261,000 sm
Average Transaction Sale Price (Upper-Mid) Jun 2006*	RMB 4,570 to RMB 6,000 psm (US$572 to US$751 psm)	RMB 4,750 to RMB 5,300 psm (US$594 to US$663 psm)	RMB 4,720 to RMB 5,600 psm (US$591 to US$701 psm)
Average Transaction Sale Price (Upper) Jun 2006*	RMB 6,560 to RMB 7,200 psm (US$821 to US$901 psm)	RMB 7,000 to RMB 8,100 psm (US$876 to US$1,014 psm)	RMB 8,380 to RMB 12,300 psm (US$1,049 to US$1,539 psm)
Overall Positioning & Target Market	• Positioned at upper-mid/ upper end of the market • Targeted at investors and local residents who intend to be close to the CBD and/or enjoy the river view	• Positioned at upper-mid/ upper end of the market • Targeted mainly at locals for owner-occupation or investment	• Positioned at upper-mid/ upper end of the market • Targeted at locals who prefer to have a more quiet and comfortable living environment
Accessibility	• Main arterial roads — Jialing Riverside Road, Yangtze Riverside Road — pass through the district • Light Rail No. 2 station (only rail system now available) • Well linked to Jiangbei and Nan'an Districts via Yuao Jialing River, Huanghua Yuan, Yangtze River Bridge, & Jialing River Ropeway	• Main artery roads — Jiangbei Riverside Road, Retail Circle Way — pass through the district • Bridges connecting Jiangbei to Yuzhong and Shapingba districts: Yuao Bridge, Jialing River Bridge, Huanghua Yuan Bridge, Jialing River Ropeway, and Shimen Bridge	• Main artery road — Beibin Road — passes through the district • Bridges connecting to Yuzhong District: Yangtze Bridge, Ergongyan bridge, and Dafuoshi bridge

Source: CB Richard Ellis (Sale Prices are based on net basis)

* *estimated at June 2006 on a gross basis*

** *Includes GFA for mixed use development*

9.3 FUTURE SUPPLY (2006 — 2008)

Between mid 2006 and 2008, the total future supply of upper-mid residential developments is expected to be about 1.66 million sm or 18,744 units. However, only 427,059 sm of the new supply during this period will be located in the existing prime residential areas in Nan'an. The majority of the 1.23 million sm is planned for the Yubei district, which is an emerging development area and other fringe areas of the city, which are not considered competitive with the more central areas. Most of the new developments are scheduled to be completed in 2007. The key future upper residential developments to be completed in 2007 will include JW Marriott Financial International Centre, the first phase of Chongqing Tiandi, and Hutchison Whampoa's first phase of Shanhu Shuian.

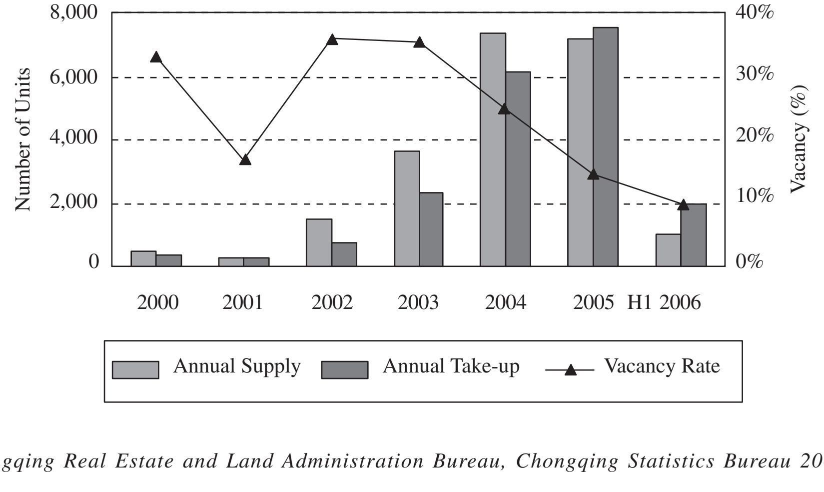
9.4 DEMAND TRENDS

In spite of the macro control policies imposed by the central and municipal government on the residential property market, buying sentiment has not been seriously affected in Chongqing, largely due to substantial demand from the local owner-occupiers.

The accumulated supply in the upper-mid end of the residential market in Chongqing has increased significantly since 2002 to record a five-fold increase with a GFA of 2.44 million sm at June 2006. The rapid growth rate is attributed to the developers' strong interest, increasing affluence of Chongqing residents and the influx of investors from other cities. It is important to note that there was no significant supply of upper-mid residential properties prior to 2002, as the Chongqing economy had just started to develop and grow, and living standards were only starting to increase for people who could afford this market sector.

From 2002 onwards, an increasing amount of supply coupled with rising local incomes has seen take-up increase strongly. The most substantial increase in take-up was achieved in 2004, when it more than doubled to approximately 6,129 units. Further confirming the positive market fundamentals, take up continued to grow in 2005 and exceeded new supply in that year for the first time. Take-up of upper-mid residential properties dropped slightly in the first half of 2006, which is attributed to limited new supply in recent months and limited availability, with the current average vacancy rate less than 10%.

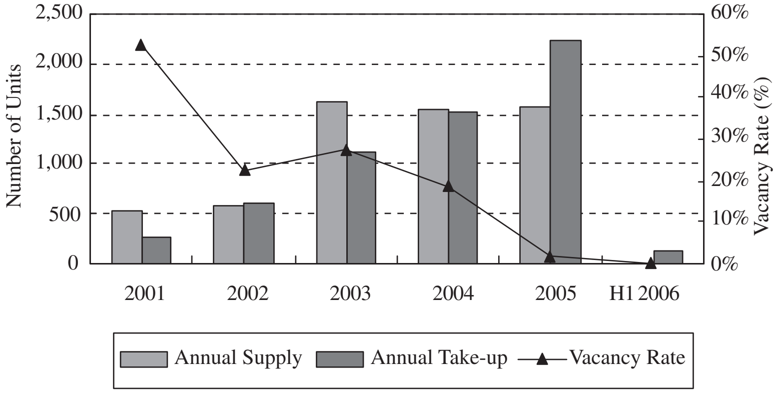
Chongqing Upper-Mid Residential Market Annual Supply, Take-up, Vacancy Rate



Source: Chongqing Real Estate and Land Administration Bureau, Chongqing Statistics Bureau 2006

As in the case of the upper-mid residential market, the upper residential market in Chongqing has only recently begun to develop in recent years. Similarly, take-up has grown substantially since 2002. Due to the strong take-up over the past year, which has outpaced new supply, the upper-end residential market in Chongqing is currently fully occupied, signifying strong potential for this market segment.

Chongqing Upper Residential Market
Annual Supply, Take-up, Vacancy Rate



Source: Chongqing Real Estate and Land Administration Bureau, Chongqing Statistics Bureau 2006

9.5 UPPER-MID AND UPPER RESIDENTIAL MARKET OUTLOOK

After the introduction of the government's macro-measures in 2005, Chongqing's real estate market was noted to have demonstrated resilience throughout the period to mid 2006. Prices held steady and transaction volumes did not suffer any major correction. The latest macro-measures introduced in May 2006 are deemed as further refinement and will reinforce the government's stance towards limiting excess price growth and ensuring a gradual and sustainable development of the residential market. With these latest macro-measures, the market may witness some decline in transaction volumes over the next few months as buyers assess the impact of the government's policies. Due to the relatively small market size of Chongqing's upper-mid and upper residential markets and continued increasing affluence of locals, the fundamentals of the market remain strong, and will support rising demand in the mid- to long-term.

The future prospects for Chongqing's upper-mid and upper residential market are further bolstered by several factors. Among these are the following:

- China's "Go West" policies promoting foreign investment Western regions of the country.
- Continued strong infrastructure investment on both a national level, improving linkages to China's Western regions, and city-level, through the development of the city's metro system.

Chongqing's upper mid and upper residential markets will be further supported by limited new supply, particularly after 2007. Along with increasingly restricted land supply in the downtown areas of the city, the government's latest macro-measures, which aim to shift development to affordable housing, will further constrain upper-mid and upper residential development in future years.

CB Richard Ellis estimates that future average sale prices in the city centre area will grow at a moderate rate in line with historical trends. Factors supporting this conclusion include the city's continued strong economic growth, leading to growing affluence, a strong demand for home ownership, and limitations on future development, which are likely to constrain supply in future years. While transaction volumes are expected to decline slightly in the next few months, developers are not expected to come under significant pressure to lower prices due to relatively low land costs in the city.

Based on current and historical data, sale prices for upper-mid residential developments are forecast to grow between 5% and 8% per annum. Similarly, prices for upper residential developments are forecast to grow between 7% and 10% per annum. At this point it is important to note that the upper end market has a higher growth rate because the future supply of upper residential apartments is expected to be rather tight with only 3,176 units expected to be launched into the market between mid 2006 and 2008.

10.0 CHONGQING GRADE A OFFICE MARKET

The key major office districts in Chongqing include the Yuzhong, Jiangbei and Nan'an Districts, which together account for 78.6% of the total office area with 1,570,722 sm. In terms of market share, the Yuzhong District has 46.4% of the total office market in Chongqing in terms of GFA with over 926,390 sm, followed by Jiangbei and Nan'an Districts, each representing 22.9% and 9.3% of the total office stock, respectively. The other six districts take up the remaining 21.4% of total office stock.

Chongqing's Grade A office market is considered to be relatively undeveloped. For example, Chongqing's Grade A office stock of 304,300 sm only amounts to 15.2% of its entire office stock. Shanghai's Grade A office stock, on the other hand, accounts for almost 40% of its total office stock of nearly 7 million sm. In terms of concentration, most of Chongqing's Grade A office stock is located within the Yuzhong District, with a substantial portion of office stock strata titled and sold. As for tenancy mix, it is mostly made up of international corporations, large-scale domestic companies and governmental offices.

10.1 SITE DESCRIPTION

The Company's project site is located in the Hualongqiao Area of the Yuzhong District and is centrally located, enjoying an attractive location along the Jialing River. The project is not currently located within one of the existing office districts, however it is expected to form part of an extended CBD area and should evolve into a vibrant commercial precinct in the medium to longer term. The Jiahua Bridge linking the Yuzhong and Jiangbei districts will be completed in 2007 further improving accessibility.

10.2 KEY CHARACTERISTICS OF MAJOR GRADE A OFFICE AREAS

The Yuzhong office area is the largest commercial hub in Chongqing, and the only major Grade A office area in the city. The existing Grade A office stock of 304,300 sm as of the end of June 2006 is forecast to increase to 364,300 sm by the end of 2008 as the market continues to gradually develop and become more sophisticated with increasing demand for true Grade A office space. The area benefits from good accessibility provided by the Light Rail No. 2 line, which passes through the district, as well as four major bridges and two expressways, which connect the Yuzhong District with the Jiangbei and Nan'an Districts.

CB Richard Ellis estimates that average asking rental levels for premium buildings in the Grade A office market to range between RMB 77 and RMB 112 psm per month (US$9.64 to US$14.02 psm per month) on a gross basis as at June 2006. During the first half of 2006, Grade A office rentals in the city witnessed a slight decline, attributed to a few recently completed buildings adjusting their rental levels which were considered unrealistic given the properties' building quality.

10.3 FUTURE SUPPLY (2006 — 2008)

Future supply of Grade A office space in Chongqing over the next two and half years is expected to remain limited. Between mid 2006 until the end of 2007, no Grade A office supply is scheduled for completion.

In early 2008, the JW Marriott Financial International Center is expected to be completed. Located along Minshen Road, in Yuzhong District, the project will add some 60,000 sm of new supply to the market and will be the only new major supply that year. While that represents an increase of 19.7% in Chongqing's Grade A office market, it is expected to be quickly absorbed, as it is probably the highest quality office product available in a market that will be subject to growing pent-up demand accumulated over the preceding years.

The JW Marriott Financial International Center will certainly enhance Yuzhong District as a leading CBD area. Many large international and local companies are expected to remain within the area as it provides better accessibility, corporate visibility and prestige. On this basis, demand for office space in this district is expected to remain strong.

Longer term, some Grade A office development is expected in Jiangbei District, across the Jialin River from Yuzhong District. In recent years, the area has been the focus of some mid-upper residential development. According to the government's masterplan, the Guanyingqiao area of the Jiangbei District is planned as another future CBD area of the city, which is expected to complement Chongqing's existing CBD in Yuzhong District, and contribute to the further maturation of Chongqing's office market.

10.4 DEMAND TRENDS

With almost no new supply between 2002 and 2003, the pent up demand accounted for strong take-up and pushed the vacancy rate to less than 5%. In 2004, there was a substantial increase in new supply of about 153,000 sm, which almost doubled the existing Grade A office stock in Chongqing. This consequently led to a significant increase in vacancy rates despite strong take-up. With the continued strong growth of the economy, take-up of Grade A office stock increased in 2005 to 62,000 sm, and vacancy rates declined slightly despite a further increase in stock. In the first half of 2006, the total take-up has confirmed this trend recording around 30,430 sm with the average vacancy falling to 34% from 39% as of the end of 2005.

As Chongqing's economy continues to grow, the banking and financial sectors are expected to contribute to a higher demand for quality office space in Chongqing. Furthermore, an increasing number of international firms looking to set up their western China headquarters in the manufacturing, trade, electronics, construction and real estate sectors will also represent a strong source of demand. With regards to the tenant mix for the Grade A office market, approximately 65% of Grade A office space is occupied by domestic companies, with foreign and joint venture companies occupying 30%, and government organisations occupying approximately 5%.

Demand is expected to continue growing between second half of 2006 and 2008 with annual take-up volume expected to be in the range of 50,000 to 60,000 sm.

As Chongqing's office market matures and more multinationals establish a presence in the city, tenants are generally becoming more demanding in their office requirements. Among key preferences in office accommodation are convenient amenities, good accessibility, restricted security access, larger sized floor plates, high lift speeds, and an adequate number of lifts/lift zones.

10.5 **OFFICE MARKET OUTLOOK**

Chongqing is the key driver for the growth of central western China, being a hub for manufacturing, trade, commercial and logistics activities. Often noted as China's largest city — with a population larger than Beijing and Shanghai combined — its economic growth is likely to attract more multinational and local corporations expanding their business and thus increase the demand for Grade A office space. Between 2001 and 2005, Chongqing's actual utilised FDI increased strongly at an average annual rate of 25.4% over the five year period. This reflects the extent to which Chongqing has become increasingly attractive for foreign investors. As a result, 35 Fortune 500 companies have established a presence in Chongqing as at the second quarter of 2006. The new supply of Grade A office will also help to upgrade the image and extend the CBD region of the Jiefangbei area which is in Yuzhong District.

As evident in most cities, there is a clear distinction between strata sold buildings and single-owned buildings. Larger tenants and international companies prefer single owned buildings since there is a perception of greater control of tenant mix, maintenance and provision of services in the building. Such existing single ownership properties in Chongqing are able to maintain relatively higher rentals and occupancy rates in comparison with similar quality office properties nearby.

Grade A office rental levels are projected to drop slightly in the short-term due to the current level of availability in the market. Given an absence of any new supply until 2008, however, the steady absorption of space by corporates expanding in the city is expected to create growing pent-up demand and place increasingly upward pressure on rental levels in the mid-to long-term.

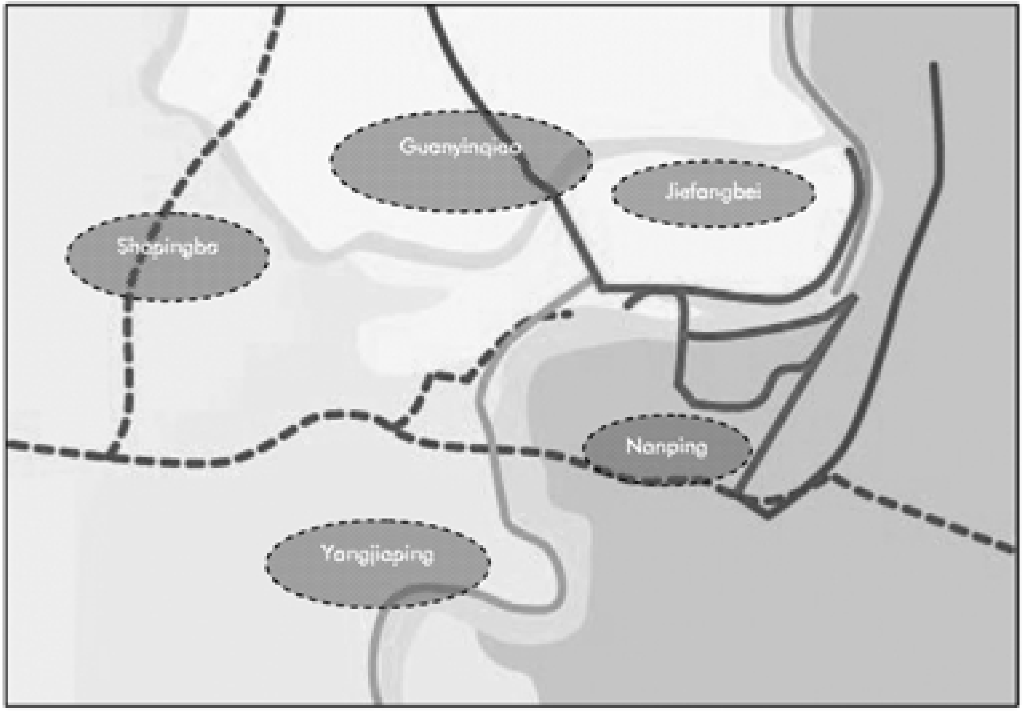
Sale prices are expected to remain fairly stable in the short to mid-term. Furthermore, with rental levels expected to ease temporarily in the short term following recent completions of new buildings, investment yields are expected to decline marginally before recovering as the supply is gradually absorbed by continued demand.

Similar to the development of Pudong district in Shanghai in the last decade, development of other districts in Chongqing, such as Jiangbei and Nan'an, are expected to pick up towards the end of the decade to complement the CBD in Yuzhong District. Chongqing's current airport and future railway station are located in the Jiangbei District and a number of housing and suburban developments are also expected to be developed in these areas in the future.

11.0 CHONGQING HIGH END RETAIL MARKET

The major prime retail districts have been identified as follows:

1.	Jiefangbei Area (Downtown)	Yuzhong District
2.	Guangyinqiao Area	Jiangbei District
3.	Nanping Area	Nan'an District
4.	Shapingba Area	Shapingba District
5.	Yangjiaping Area	Jiulongpo District



Source: CB Richard Ellis

Major Retail Areas	**District**	**Total GFA (est. sm)**	**Proportion (%)**
Jiefangbei Area	Yuzhong	416,000	25.8%
Guanyinqiao Area	Jiangbei	761,567	47.3%
Nanping Area	Nan'an	115,000	7.1%
Shapingba Area	Shapingba	145,500	9.0%
Yangjiaping Area	Jiulongpo	116,120	7.2%
Other Areas		55,141	3.4%
Total		1,609,328	100.0%

Source: CB Richard Ellis, June 2006

Within the major prime retail areas, the high end of the market is mainly focused in the Jiefangbei Area with the remainder targeting the mid to high end of the market.

11.1 **SITE DESCRIPTION**

The residential and commercial development around the Company's project site is still at an early stage, with potential for much further development. The purchasing power of the existing residents within the immediate vicinity is considered to be mid market, yet as the area further develops, this will certainly increase. The retail facilities in the development project are expected to be positioned at the mid to upper level. From available information, the proposed development is likely to attract shoppers from nearby emerging districts and become a significant shopping destination in the city. The Jiahua bridge linking the Yuzhong and Jiangbei districts will be completed in 2007, further improving accessibility. Demand is likely to be strong based on the following reasons:

a) Located in the Yuzhong District, which is Chongqing's primary commercial hub and CBD.

b) Given a lack of high-end retail developments in the pipeline to 2008, the development's retail element should be able to capture substantial pent up demand from retailers and consumers.

c) The trend in rising average disposable incomes of Chongqing's residents will serve the retail market well, with a trend to wards higher quality lifestyle related goods and services.

11.2 KEY CHARACTERISTICS OF MAJOR RETAIL AREAS

	JIEFANGBEI AREA	**GUANGYINQIAO AREA**	**NANPING AREA**
Existing Stock Jun 2006*	416,000 sm	761,567 sm	115,000 sm
Additional Supply Jul 2006 - 2008	110,000 sm	60,000 sm	108,000 sm
Forecast Stock 2008*	526,000 sm	821,567 sm	223,000 sm
Average Asking Rental Level* (psm per month) Jun 2006	RMB 350 to RMB 450 (US$43.8 to US$56.3)	RMB 250 to RMB 350 (US$31.3 to US$43.8)	RMB 100 to RMB 200 (US$12.5 to US$25.0)
Overall Positioning	• Positioned at high end of the market • Target market is mostly higher income residents and tourists from other cities	• Positioned at mid to high end of the market • Target market is mostly local residents of Jiangbei and Yubei Districts and office workers in this area	• Positioned at mid to high end of the market • Target market is mostly local residents from this district
Merchandise & Brand Type	• Products are mainly high end local and international brands	• Local brands are mainly medium to high end products • International brands are mainly second tier brands	• Local brands are mainly medium to high end products • International brands are mainly second tier brands
Accessibility	• Served by Light Rail No. 2 • Four major bridges and two expressways connect Yuzhong District with Jiangbei & Nan'an Districts	• Three bridges link up with Yuzhong District, and one bridge connects to Shapingba District • Easy access to the new industrial development zone — New North Zone	• Two bridges link Nan'an to Yuzhong District • Good accessibility within Nan'an district • No light rail system

Source: CB Richard Ellis

* *estimate at June 2006 on a gross basis*

	SHAPINGBA AREA	YANGJIAPING AREA
Existing Stock Jun 2006*	145,500 sm	116,120 sm
Additional Supply Jul 2006 - 2008	0 sm	30,000 sm
Forecast Stock 2008*	145,500 sm	146,120 sm
Average Rental Level Jun 06 (psm per month)	RMB 200 to RMB 300 (US$25.0 to US$37.5)	RMB 150 to RMB 250 (US$18.8 to US$31.3)
Overall Positioning	• Positioned at mid to upper end of the market • Target market is mostly local residents	• Positioned at mid to upper end of the market • Target market is mostly local residents
Merchandise & Brand Type	• Department store, telecommunications, fashion, shoes, entertainment AV products, food and beverage • Local brands with mainly medium to high end products like Yichun & Baili • International brands are limited to mainly second tier brands	• Department store, hypermarket, telecommunications, fashion, shoes, food and beverage • Products are mainly medium end domestic brands, some are non branded • International brands are limited
Accessibility	• Far away from other districts • Currently no light rail system	• Established public transportation system • Light rail station in the vicinity

Source: CB Richard Ellis

* *estimate at June 2006 on a gross basis*

11.3 **FUTURE SUPPLY (2006 — 2008)**

Between the second half 2006 and 2008, the total additional retail space pitched at the high end of the market will largely consist of two new department stores — ShinKong Mitsukoshi and Hong Kong New World — which are located within the Jiefangbei area and Guanyingqiao area. They will add an additional estimated GFA of 42,000 sm and 60,000 sm, respectively.

The Jiefangbei Area is expected to continue to be one of the key retail hubs, while the Guanyingqiao and Shapingba Areas have had improving performances in recent years by retailers pitched at the mid to high end of the market. Although new developments are targeted for the Yangjiaping and Nanping areas, the surrounding catchment areas are not considered suitable for high end retail.

11.4 DEMAND TRENDS

Between 2000 and 2005, retail sales and per capita disposable incomes in Chongqing grew at an average annual growth rate of 12.7% and 13.2%, respectively. Based on economic growth trends, CB Richard Ellis estimates that retail sales and per capita disposable incomes will continue to increase at a double-digit annual growth rate through to 2008. Against the backdrop of continued economic growth, robust expansion of the retail segment is expected to continue in the near future. This will provide a good basis for absorption of the new supply of retail space, with positive demand trends.

The consumption pattern is expected to change with the rapid growth of disposable incomes. Chongqing residents are expected to flex their purchasing power and spend more on leisure, lifestyle and entertainment as they become more sophisticated consumers.

More international and high-end retailers are also expected to enter the market in order to participate in Chongqing's thriving retail environment. The city's retail industry is rapidly evolving and becoming more mature as demonstrated by the latest round of retail developments, which include a greater degree of shopping centre type formats, with more leisure and entertainment facilities, in addition to increasing numbers of hypermarkets. Moving away from a pure department store format, the shopping centre format is expected to continue to be the emerging trend in retail development, with more retail developers holding their assets — instead of strata sales — and having a professional management team, such as Maison Mode, to control the desired tenant mix and positioning.

11.5 RETAIL MARKET OUTLOOK

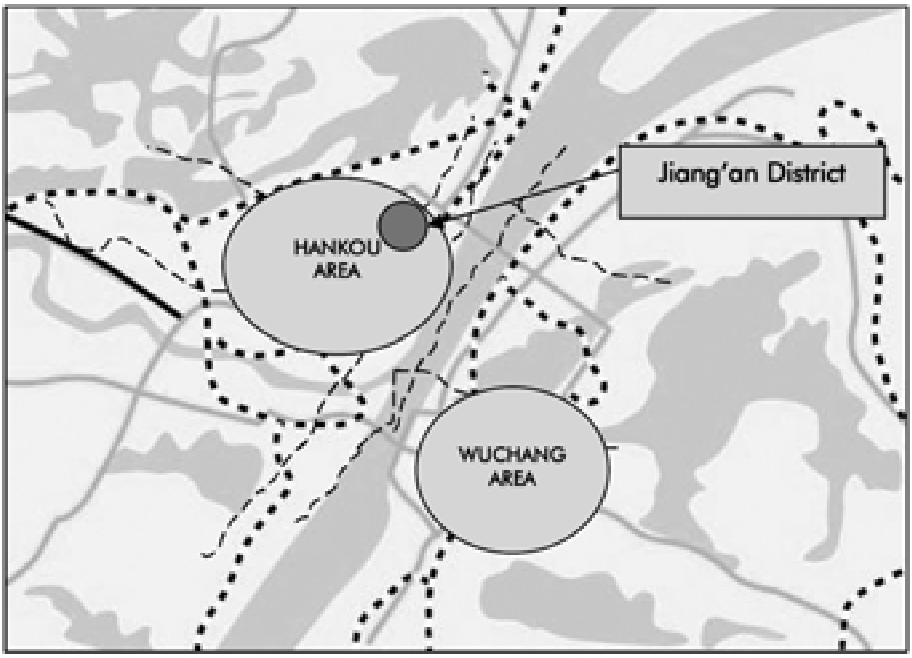
With the evolution of the retail market in Chongqing, there will be a growing trend for more differentiated formats and more lifestyle oriented shopping. Success will depend on accurate and clear market positioning to target consumers, and this can be achieved by having a contemporary design and effective layout, distinctive branding and market differentiation. For example, following Starbucks entry into the Chongqing market in January of this year, the city's third outlet is scheduled to be opening soon in the Jiefangbei area.

Due to relatively limited supply of prime retail in the next two and half years and strong fundamentals, vacancy levels are expected to remain low. As a result, competition for good retail sites is expected to intensify in future years.

Average rental levels and sale prices are forecast to increase strongly in the short to mid-term particularly for high end retail facilities, as a result of the continued strong economic fundamentals and strong demand from retailers and customers, together with limited new supply. The Jeifangbei and Guanyinqiao areas are forecast to experience more significant growth than other areas of the city.

12.0 WUHAN

Wuhan, the capital of Hubei province in central China, occupies an area of 8,494 sq km and is located at the junction of the Yangtze and the Han Rivers. Wuhan's economy has grown since 2004 when the PRC Government proposed its policy to develop the central part of China with Wuhan taking a central role in this strategy, particularly with its importance as a major transportation hub for China.



Source: CB Richard Ellis

12.1 **JIANG AN DISTRICT OVERVIEW**

The Jiang'an District is located in the city centre of Wuhan in the eastern part of Hankou District and the northern bank of the Yangtze River. It is the political, trading and economic centre of Wuhan. Covering an area of 64 sq km, it had a registered population of 636,000 or about 8.0% of overall Wuhan population in 2004*.

The development of Jiang'an Residential District started from 2000, which was the beginning of the latest round of real estate boom of Wuhan. To date, Jiang'an District has been one of the most established mid to high end residential districts. This is because it is accessible and close to the commercial centre at Zhongshan Avenue area. There are some high-end residential developments especially those close to Yangtze River, Xibei Lake and Jinyin Lake which mainly target the wealthy locals.

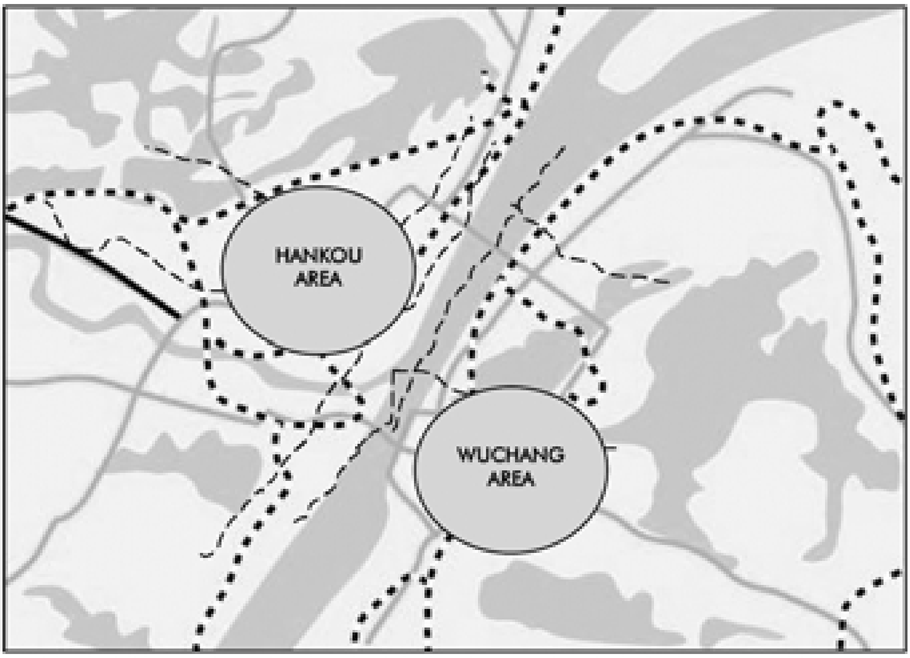
Jiang'an District plays an important economic role in Wuhan. The major commercial area is located along Jiefang Avenue. Most of the new Grade A office buildings are located here, due to the mature business environment and multitude of business facilities.

* Latest data available on a district level as at June 2006

Jiang'an District has a large component of the high end retail market in Wuhan, including Jianghan Pedestrian Street. Jianghan Pedestrian Street is approximately 1.2 km long, stretching from Jianghansi Road to Yangjiang Road. This is the most popular shopping area in Wuhan. It is highly accessible, due to its proximity to the light rail station which passes through the District from north Jiangan Chezhan Station to west Zongguan Station. There are a number of old buildings (pre-1949) with European-style architecture at the south end of the street and the area has benefited from the Wuhan government's rejuvenation programme, which took place on the Jianghan Pedestrian Street between February and October, 2000.

13.0 WUHAN UPPER-MID AND UPPER RESIDENTIAL MARKET

There are two major upper-mid and upper residential districts in Wuhan city, namely (i) Hankou District which includes the Jiang'an, Jianghan, and Qiaokou areas, where the city's CBD is located and (ii) Wuchang District, which is characterised by a significant concentration of educational institutions. The total stock of upper-mid and upper residential developments as at May 2006 measured approximately 6.2 million sm. Upper residential developments, with sales prices above RMB 10,000 psm (US$1,251.6 psm), contributed only a small proportion of this total.



Source: CB Richard Ellis

Major Upper-Mid and Upper Residential District	Area	Total GFA (est. sm)	Proportion (%)
Hankou Residential District	Jiang'an, Jianghan, Qiaokou	4,570,439 sm	74.0%
Wuchang Residential District	Wuchang	1,604,030 sm	26.0%
Total		6,174,469 sm	100.0%

Source: CB Richard Ellis, May 2006

Hankou District currently comprises the majority of upper-mid and upper residential property in Wuhan, accounting for some 74% of the total. For the first five months of 2006, the market has witnessed a surge in new supply.

13.1 SITE DESCRIPTION

The Company's property site is located in the Yongqing area of Hankou's city core in Wuhan. The site is situated at the Yangtze River front facing the scenic Jiangtan Park. As a mixed-use development, the project includes residential, retail, office, hotel, and entertainment facilities.

13.2 KEY CHARACTERISTICS OF MAJOR UPPER-MID AND UPPER RESIDENTIAL MARKET AREAS

	HANKOU	**WUCHANG**
Existing Stock May 2006*	4,570,439 sm	1,604,030 sm
Additional Supply June 2006 - 2008	679,963 sm	534,000 sm
Forecast Stock 2008*	5,250,402 sm	2,138,030 sm
Average Transaction Sales Price May 2006*	RMB 4,000 to RMB 7,000 psm (US$501 to US$876 psm)	RMB 4,250 to RMB 8,500 psm (US$532 to US$1,064 psm)
Overall Positioning & Target Market	• Positioned at medium to high end of the market • Residents living in the vicinity of the project, such as doctors, teachers and officials • Expatriates in Wuhan (particularly for the leasing market)	• Positioned at medium to high end of the market • Upper end properties are starting to be developed in this area • Residents living in the vicinity of the project, such as doctors, teachers and officials
Accessibility	• Main artery roads pass through the district — Jiefang Road, Jianshe Road, Fazhan Road • Light Rail No. 1 from Qiaokou District to Jiang'an District • Wuhan Yangtze River Bridge 2	• Main artery roads — Xudong & Zhongbei Roads — pass through the district • Wuhan Yangtze River Bridge 1 and 2

Source: CB Richard Ellis

* *estimated at May 2006 on a gross basis*

13.3 FUTURE SUPPLY (2006 — 2008)

It is anticipated that between June 2006 and 2008, there will be some 1.2 million sm of new supply, or approximately 8,689 upper-mid and upper residential units increasing the total supply by 19.7%. Between 2005 and mid 2006, more than 20 residential projects obtained their construction permits. Among these projects, 12 are planned to be upper-mid and upper end and they are expected to be completed over the next two years.

The forecasted new supply will be developed fairly evenly across both Hankou and Wuchang Districts. The Hankou District, which currently accounts for 74% of the total upper-mid and upper stock in the city, will continue to dominate as the preferred choice of location for these particular market segments. In comparison, the upper-mid and upper residential stock in Wuchang District should only increase slightly from its current 26% market share to about 29% of market share by 2008. Nevertheless, the slight decline in the proportion of residential stock in Hangkou district over the next few years is likely to mark the beginning of a growing trend, due to limited land available in that district.

13.4 **DEMAND TRENDS**

Demand will continue to be fuelled by the decentralisation of mid-high level income residents and the migrant inflow from outer cities and suburbs. Wuhan's registered population averaged 1.2% growth per annum between 1995 and 2005 and annual disposable incomes of urban residents have grown by an annual average growth rate of 12.1% for the six year period between 2000 and 2005.

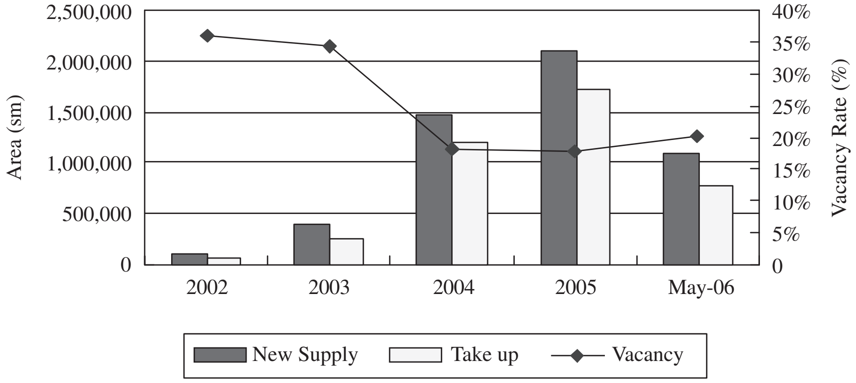
Growth in the overall residential market is likely to be led by the upper-mid price product range as this market segment enjoys the largest catchment and is well tied to economic growth.

With Wuhan's continued economic development, demand for upper-mid and upper residential property has grown strongly in recent years, increasing at a faster rate than new supply, with the average vacancy rate falling in both 2004 and 2005. With substantial new supply of upper-mid and upper residential property introduced in 2004, take-up totalled approximately 1.2 million sm, representing an increase of 4.7 times that of the previous year. Take-up was even higher in 2005, totalling about 1.7 million sm. While take-up has remained strong in the first five months of 2006, substantial new supply has resulted in a slight increase in vacancy levels, although it is expected to be rapidly absorbed during the remainder of the year.

Between December 2005 and the end of June 2006, the transacted prices of upper-mid and upper residential properties in the city have increased by an average of 10%. This commendable growth in transacted prices and take-up demonstrates a demand for upper-mid and upper residential properties in Wuhan.

Given that the government's most recent macro control measures were just announced in May 2006, their effects have not been clearly demonstrated yet. As at the end of May 2006, the growth trend of take-up and average sale prices of the upper-mid and upper residential projects remained buoyant.

Wuhan Upper-Mid and Upper Residential Market
New Supply, Take Up and Vacancy Rates



Source: CB Richard Ellis

13.5 UPPER-MID AND UPPER RESIDENTIAL MARKET OUTLOOK

Over the mid to long term, the demand for upper-mid and upper end residential properties is expected to be relatively firm due to the steady growth of Wuhan's economy, influx of immigrants, and decentralisation of residents. The migrant inflow from outer cities and suburbs, as well as from other provinces and foreign countries, is expected to further increase as a result of government policies seeking to attract quality talent to contribute to Wuhan's growing economy. Wuhan's business areas are also expected to develop in response to the increased business activity and economic growth.

The outlook for average sale prices in the upper-mid and upper residential sectors for Wuhan is positive in both the short and medium term. Over the longer term, a forecast of further 5% to 8% increase per annum is expected as the market matures and better quality developments enter the market.

With the redevelopment of old areas in Wuhan's city centre and new residential developments in the suburbs, land prices are expected to face some upward pressure which may influence future sale prices for apartments in the city. The "up-graders" market will form another important base of buyers as changing demographics lead to a widening group of middle income home buyers. In addition, as the government continues to develop the city's riverfront, those residential projects which provide a view of the river are expected to have faster take-up rates and command a premium price when launched.

14.0 WUHAN GRADE A OFFICE MARKET

The Grade A office market in Wuhan has a total existing stock of 717,281 sm. This is, however, in the light of a large proportion of lower grade quality office stock in Wuhan which does not qualify as Grade A.

The existing Grade A offices are mostly located in the Hankou and Wuchang Districts. Hankou District has approximately 72.8% of the total stock and the Wuchang District has the remaining 27.2%.

14.1 **SITE DESCRIPTION**

The Company's project is located in the Yongqing area of the Hankou District in Wuhan's city centre, with river frontage along the Yangtze River and facing scenic Jiangtan Park. It takes approximately 10 minutes to the commercial centre of Zhongshan Avenue and Jiefang Avenue and about 15 minutes to the financial centre of Jianshe Avenue. As a mixed-use development, the project is also expected to include residential, retail, serviced apartment and recreation facilities.

14.2 **KEY CHARACTERISTICS OF MAJOR GRADE A OFFICE AREAS**

	WUCHANG	**HANKOU**
Existing Stock Jun 2006*	195,000 sm	522,281 sm
Additional Supply Jul 2006 - 2008	138,000 sm	200,000 sm
Forecast Stock 2008*	333,000 sm	722,281 sm
Average Transaction Rental (psm per month) Jun 2006	RMB 48 to RMB 53 (US$6.01 to US$6.63)	RMB 38 to RMB 78 (US$4.76 to US$9.76)
Accessibility	• Two major bridges connect Wuchang District with Hangkou & Hanyang Districts • Three main roads — Zhongnan Road, Zhongbei Road and Wuluo Road — are in the vicinity	• Two bridges connect Hankou District with Wuchang District, and three bridges connect with Hanyang District • Light Rail Line No. 1 passes through the District • Three main roads are in the vicinity: Jiefang Avenue, Jianshe Avenue and Zhongshan Avenue

Source: CB Richard Ellis

* *estimate at June 2006 on a gross basis and rental levels are quoted exclusive of management fees*

14.3 **FUTURE SUPPLY(2006 — 2008)**

Between July 2006 and the end of 2008, it is anticipated that the stock of Grade A office space in Wuhan will increase by 338,000 sm to 1.06 million sm. By 2008, Hankou district will still have the highest concentration of Grade A office space in the market with the number of such buildings increasing from six to nine. Among upcoming Grade A properties in the district, the New World Centre and the Minsheng Bank Tower are forecast to be completed in the second half of 2006, and Times Plaza, Wuhan's first premium Grade A office property, should be completed by 2007.

Such an increase in supply is more than likely a result of the positive outlook held by developers. They are encouraged by Wuhan's continued economic growth and the city's ability to continue attracting domestic and foreign companies to establish and expand their business operations in the city, thereby increasing demand for office space. The forecast new supply is anticipated to be predominantly targeted towards the strata-title sales market.

14.4 **DEMAND TRENDS**

The key drivers of the economy in Wuhan are mainly the manufacturing, automobile, fibre-optics, trading and service industries. While demand for high quality office space in Wuhan remains low in comparison with 1st tier cities along China's coast, it has steadily grown in recent years in line with the city's economic development and more foreign companies expanding inland. In 2005, 198 new companies providing foreign investment were registered in Wuhan, bringing the total number of foreign companies to over 4,000, from over 45 different countries.

In general, office properties in Hankou district, especially the Jianshe Road area, secure higher rental levels than offices located elsewhere in Wuhan, as it thrives upon vibrant commercial activities and has a higher proportion of foreign and large-scale domestic companies. The district's attractiveness is confirmed by the strength of demand for Grade A office space in this area in recent years, with annual take-up averaging nearly 65,000 sm between 2000 and 2005.

The total stock of Grade A office space increased rapidly from a low level of 232,805 in 2000 and certain older office buildings in Hankou have suffered as tenants have relocated to newer and better quality office properties in the market. Consequently, near the end of 2005, some buildings like Wuhan Plaza and Taihe Plaza began to undergo refurbishment.

With new supply continuing to enter the market in the second half of 2006, occupancy levels are expected to continue to decline slightly in the short-term. Nevertheless, continued strong demand by companies expanding in the city is expected to begin to push the average vacancy rate lower by 2008 as this space is absorbed.

14.5 **OFFICE MARKET OUTLOOK**

Wuhan's economic development will continue to be driven by the manufacturing, trade, automobile and commercial activities, and the city's economic growth is likely to attract more multinational and local corporations to expand. Additionally, Wuhan's natural locational advantages in central China at a major trade axis along the Yangtze and Han Rivers make the city particularly attractive to multinationals seeking to expand into inland China. Thus, it is expected that demand for Grade A office space will increase.

The new supply of Grade A office space will help to upgrade the image of both the Hankou and Wuchang Districts. The quality of design, facilities and features in current Grade A offices in Wuhan will be improved in the future to meet the increasing demands of end users.

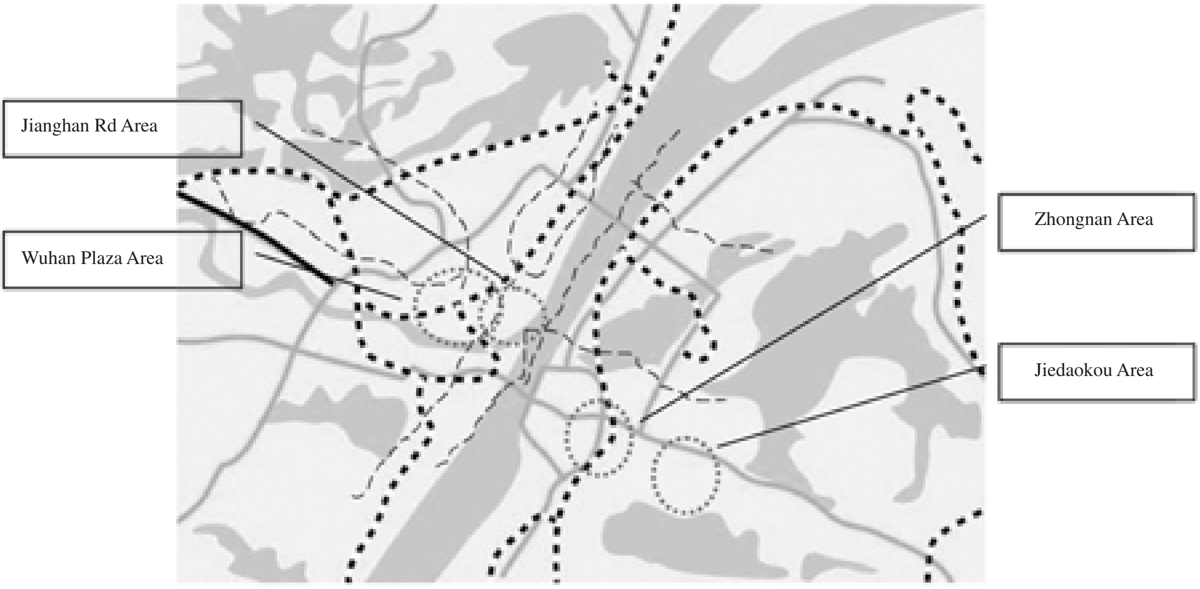
There is a clear distinction between strata sold buildings and single-owned buildings in most cities with larger tenants and international companies showing preference for single-owned buildings. There is a perception of greater control of tenant mix, maintenance and provision of services in single-owned buildings.

Due to the current availability of Grade A office space in Wuhan and influx of new supply, rental levels and sale prices are forecast to soften slightly to 2007. From 2008 however, rental levels and sale prices are forecast to rebound due to an absence of new supply in that year, coupled by the progressive absorption of the current surplus stock.

Overall, the long-term outlook for the Grade A office sector remains positive as demand for better quality offices is expected to increase in line with forecast economic growth.

15.0 WUHAN RETAIL MARKET

There are four retail areas which are positioned at the mid- to high-end of the retail market, the Wuhan Plaza Area and Jianghan Pedestrian Street Area in the Hankou District, and the Zhongnan Road and Jiedaokou Area in the Wuchang District.



Source: CB Richard Ellis

Major Prime Retail Area	Estim. GFA (sm)	Proportion
Wuhan Plaza	107,400	26.7%
Jianghan Road	151,300	37.6%
Zhongnan Road	40,000	9.9%
Jiedaokou	104,000	25.8%
Total	402,700	100.0%

Source: CB Richard Ellis

15.1 SITE DESCRIPTION

The Company’s project site is located in the Yongqing area of Hankou’s city core in Wuhan. The site is situated along the banks of the Yangtze River front facing the scenic Jiangtan Park. As a mixed-use development, the project will also include residential, office, hotel, and recreation facilities.

15.2 KEY CHARACTERISTICS OF MAJOR RETAIL AREAS

	WUHAN PLAZA	**JINGHAN ROAD**	**ZHONGNAN ROAD**	**JIEDAOKOU AREA**
Existing Stock Jun 2006*	107,400 sm	151,300 sm	40,000 sm	104,000 sm
Additional Supply Jul 2006 - 2008	175,000 sm	24,000 sm	20,000 sm	0 sm
Forecast Stock 2008*	282,400 sm	165,300 sm	60,000 sm	104,000 sm
Average Asking Rental Jun 2006 (psm per month)	RMB 270 (US$33.79)	RMB 180 (US$22.53)	RMB 150 (US$18.77)	RMB 140 (US$17.52)
Overall Positioning	• Positioned at medium to high end of the market • Mostly white collar workers, along with women, local residents and students	• Positioned at low to medium end of the market • Mostly fashion oriented consumers including women, local residents and students • Yanjiang Rd area has the potential to be a high end retail area in the future	• Positioned mainly at medium end of the market • Mostly white collar workers, women, local residents and students	• Positioned at mid to high end of the market • Mostly white collar workers, women, local residents and students
Merchandise & Brand Type	• Department store, telecommunications, fashion, shoes, entertainment AV products, books and food and beverage • Products both of mid to high end international and domestic brands	• Department store, telecommunications, fashion, shoes, entertainment AV products, books and food and beverage • Products include low end domestic brands, and medium to low end domestic brands in the shopping street • High end international department stores	• Department store, telecommunications, fashion, shoes, entertainment AV products, books and food and beverage • Products are both mid end international and domestic brands	• IT products, department store, telecommunications, fashion, shoes, entertainment AV products, books and food and beverage • Products are both international and domestic brands
Accessibility	• Main artery roads — Jiefang Dadao Street and JinhanDadao Street — pass through the area • Served by Light Rail Line	• Main artery road — Zhongshan Dadao Road — passes through the area • Light rail station on Jiangha Road	• Main artery roads — Zhongnan Road and Wuluo Road — pass through the area	• Main artery road — Wuluo Road — passes through the area

*Source: CB Richard Ellis (*estimate at June 2006) (rentals on a gross basis exclusive of management fees for ground floor space)*

15.3 **FUTURE SUPPLY (2006 — 2008)**

It is expected that by 2008 the total future stock of retail facilities in Wuhan will be around 469,000 sm with 219,000 sm entering the market in the Wuhan Plaza, Jianghan Road and Zhongnan retail areas. The remaining new supply is forecast for the Hanyang District, which is not currently considered a major retail area, and is not expected to have a large impact on the traditional retail areas in Wuhan's city centre.

Four of the ten identified projects directly targeting the high end of the market are believed to be operated by foreign companies (including Hong Kong). These foreign operated retail projects will serve to upgrade Wuhan's current overall retail environment. Available sites for further development in the traditional retail strongholds of the Hankou and Wuchang Districts may become limited in the medium to longer term.

15.4 **DEMAND TRENDS**

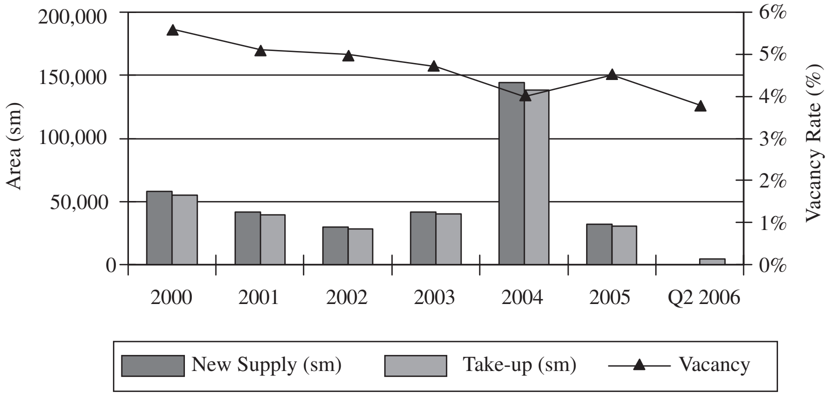
Demand for retail space, particularly the high end of the market, has grown in recent years with the vacancy rate falling from 6.0% in 2000 to 3.8% in 2006. Even in 2004 when Wuhan experienced significant new supply in the retail market, the average vacancy rate continued to diminish. Availability in the market has remained tight in the first half of 2006 due to an absence of new supply.

Historically, much of Wuhan's retail demand focused on the low- to mid-end of the market. However, in recent years and increasingly going forward, retail demand is shifting towards the mid- to high-end of the market as Wuhan's economy develops and further diversifies. In response, a growing number of foreign retailers have seized the opportunity allowed by China's market opening commitments as part of its WTO accession agreement, to establish a foothold in Wuhan's retail market and cater to its increasingly affluent population.

There is a current shortage of high end retail space in Wuhan with only one department store of approximately 18,000 sm GFA specifically targeting the high end of the market, and it is fully occupied. Given the current market trends, new supply is therefore expected to be easily absorbed in to the leasing market in the period to 2008.

Wuhan's retail market is also witnessing some diversification as locals become more demanding in their shopping preferences. As a result, entertainment and other lifestyle retailing are also becoming more popular among discerning shoppers and this trend is expected to continue.

Wuhan Prime Retail Market
Additional Supply, Take-up and Vacancy Rate



Source: CB Richard Ellis UPDSA

15.5 RETAIL MARKET OUTLOOK

Wuhan's retail market has been sustained in recent years by the increasing affluence of its residents, which has supported steady growth in retail sales. In 2005, retail sales per capita measured RMB1,408 (US$176), representing average annual growth of 11.7% since 2000, whilst the annual disposable income of urban residents had an average annual growth rate of 21.1% over the same period.

In coming years, the Hankou District and the Wuhan Plaza Area are expected to remain the favourite areas for shoppers. Old shopping areas like Simenkou or Hanzheng Street, which used to be Wuhan's retail centres with low-end retail street formats, are gradually becoming out of date and less popular among the city's consumers. With their rising affluence, shoppers will increasingly prefer department stores and shopping centres. Apart from providing a comfortable and pleasant shopping ambience, the range of goods and services is likely to be more high-end.

In the future, it is anticipated that retail developers will hold on to their developments in order to generate rental revenue rather than sell units by strata title. Retail developments benefit from such single ownership, as it allows for more control over the tenant mix, in addition to good quality services and maintenance levels.

Average rental levels in the retail sector are expected to remain stable or experience slight growth, especially around the Wuhan Plaza Area which is considered the premium shopping district of Wuhan and has a forecast growth rate of up to 5% per annum from mid 2006 to the end of 2008.

Such growth is expected as a result of the positive impact of increasing numbers of foreign retailers entering the Wuhan market following China's entry into the WTO, coupled with continuing economic growth.

16.0 HANGZHOU

16.1 XIHU DISTRICT OVERVIEW

The West Lake, which is situated in the Xihu District, is Hangzhou's landmark tourist destination, noted for its natural beauty and historical significance. Apart from the supporting retail amenities in the vicinity of the lake, there are provincial government offices and sports stadium in the surrounding area.

Recently, the retail market in Hangzhou has developed from the south in the precincts near Jiefang Road to the north of Wulin Square. The most developed retail market is the Hubin retail area, to the east of the West Lake. The majority of high end international retailers however are clustered in Xihu International Boutique Street which is well patronised by both well-heeled locals and tourists alike.

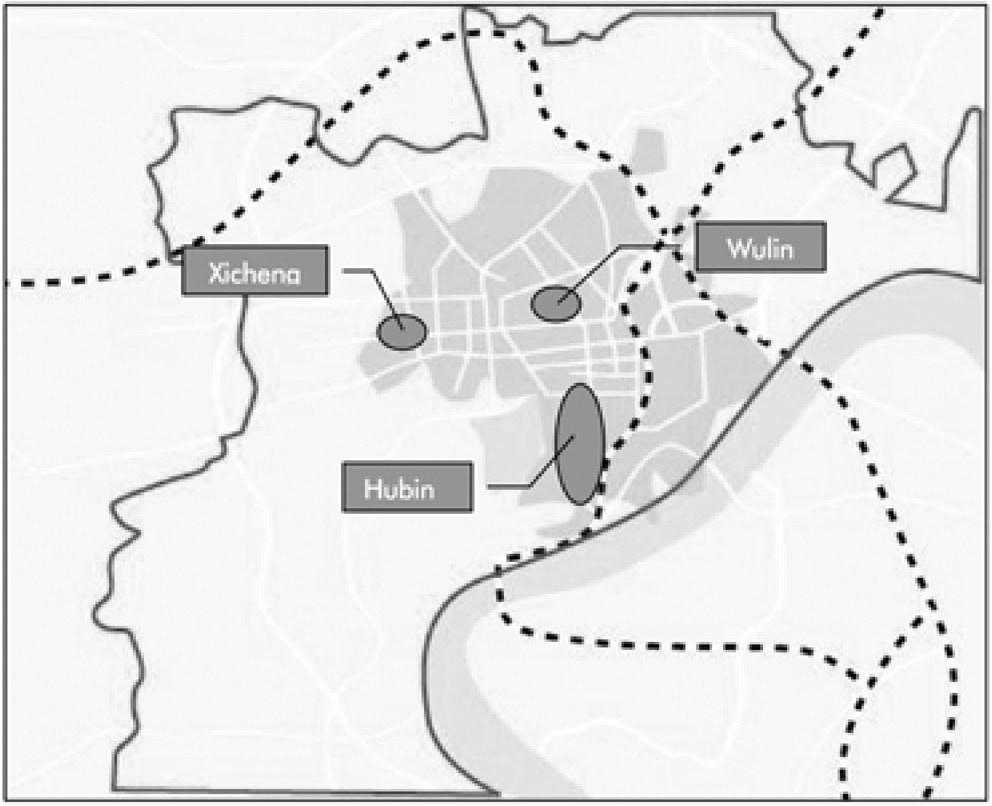
Due to the high residential land prices, this area consists mainly of high end and expensive villas. Prime offices are centralised in Huanglong area which is to the north of Xihu area. Some of these major tenants are multi-national corporations and state owned enterprises (SOE).

17.0 HANGZHOU RETAIL MARKET

Known as the capital city of oriental leisure, the main areas for mass market retail in Hangzhou are centralised in the Chengxi, Chengdong, and Chengbei areas. In comparison, mid market retail can be found in areas around Wushan square, along Yan'an Road, and in the Xicheng District.

Luxury retail is centralised mainly in the Wulin and Hubin areas, the latter of which is near the West Lake. In terms of concentration, Hubin currently comprises the largest concentration of prime retail in the city, accounting for 63.3% of the total stock. This is attributed to the area's attractive natural scenery, which is popular with both tourists and local residents. The mid- to high-end retail market in Hangzhou has a total GFA of around 523,500 sm, and an average occupancy rate of around 85% as at June 2006.

Currently, the mid-upper and upper-end of Hangzhou's retail market is estimated to have a have a higher occupancy rate than that of the low- and mid-end segments. This is due largely to the strong demand from foreign retailers in the market that targets the mid-upper and upper ends of the market in particular.



Source: CB Richard Ellis

Prime Retail District	Estim. GFA (sm)	Market Share
Hubin	331,500	63.3%
Wulin	137,000	26.2%
Xicheng	55,000	10.5%
Total	523,500	100.0%

Source: CB Richard Ellis

17.1 **SITE DESCRIPTION**

The newly completed phase I of the Company's project is located on Nanshan Road in the Hubin retail district, adjacent to the West Lake. The development consists of fifteen food and beverage outlets and is characterised by 2 to 3 storey detached Chinese architecture-style buildings, which create a relaxing and pleasant ambience.

17.2 KEY CHARACTERISTICS OF MAJOR RETAIL AREAS

	HUBIN	WULIN	XICHENG
Existing Stock Jun 2006*	331,500 sm	137,000 sm	55,000 sm
Additional Supply Jul 06 - 2008	188,000 sm	35,000 sm	100,000 sm
Forecast Stock 2008*	519,500 sm	172,000 sm	155,000 sm
Average Rental Level Jun 2006 (psm per month)	RMB 200 to RMB 450 (US$25.03 to US$56.32)	RMB 200 to RMB 500 (US$25.03 to US$62.58)	RMB 100 to RMB 250 (US$12.52 to US$31.29)
Overall Positioning	• Positioned at middle to high end of the market • Target market is mostly mid to high income domestic and foreign tourists, mainly middle aged and young people, local residents and residents from other cities of Zhejiang Province, and students	• Positioned at high end of the market • Target market is mostly white collar workers — mainly women, local residents and students along with residents from other cities of Zhejiang Province who travel to the city for their shopping needs	• Positioned at medium end of the market • Target Market is mostly residents living nearby
Merchandise & Brand Type	• Department store, telecommunications products, fashion, shoes, entertainment AV products, books and food and beverage, chain stores • Products are mainly high end international brands; some medium to high end local brands • Diversified food and beverage, leisure tea house and bars	• Department store, telecommunications, fashion, shoes, entertainment AV products, books, and food and beverage • Products are mainly high end international brands, with some being medium to highend local brands	• Department store, telecommunications goods, fashion, shoes, entertainment AV products, books and food and beverage, cinema • Products are mainly medium end international as well as local brands
Accessibility	• Main artery roads — Qinchun Road, Jiefang Road, Xihu Dadao, Nanshan Road — pass through the district • Residents and tourists can come by bus, taxi and private car	• Main artery road — Yan'an Road — passes through the district • Easy Public Access through bus, taxi and private car	• Main Road — WenEr Xi Road — passes through the district • Easy walking distance from the surrounding residential areas and easy access by public transportation such as bus, taxi and private car

Source: CB Richard Ellis (as at June 2006)

* *Estimates only*

17.3 FUTURE SUPPLY (2006 — 2008)

From mid 2006 to 2008, an additional 188,000 sm of high end retail supply is due to be completed in the Hubin area. Based on recent demand trends, it is expected that such supply will be easily absorbed by the market. In the Wulin area, another 35,000 sm of high end retail supply is expected to be added by 2008.

An additional 100,000 sm of mid-end retail supply is due to be completed in the nearby Xicheng area catering to the recently relocated Zhejiang University facility nearby as well as nearby residential communities, which are expected to grow substantially in coming years.

Another area of significant new supply of mid to high end retail in future years will be Qianjiang New City. Between mid 2006 and 2008, a total of approximately 129,000 sm of retail supply is set to be completed in the area. In contrast with other more prime retail areas of Hangzhou, however, Qianjiang New City is located some distance from the city centre and is expected to cater to wards the needs of the local residents.

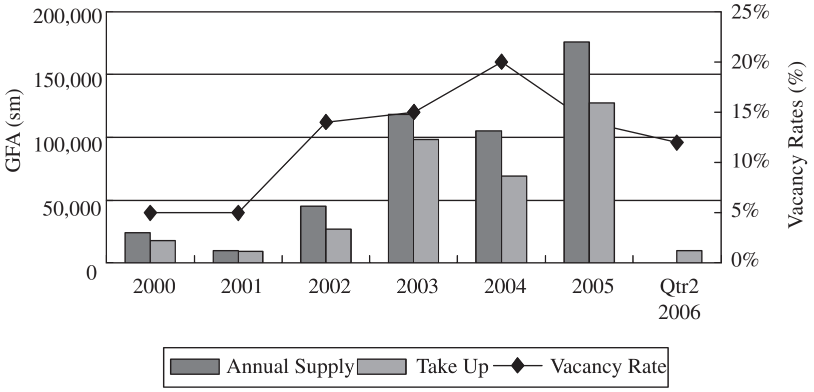
17.4 **DEMAND TRENDS**

Wulin and Hubin are popular destinations for weekend shopping. While the former attracts shoppers due to its large concentration of department stores providing a wide variety of choice merchandise, the latter provides a more leisurely and pleasant retail experience. Its lifestyle driven concept entices returning customers with its relaxed and comfortable shopping environment around the West Lake creating a unique selling point for the retail space in the Hubin area.

Demand is also backed by the large number of tourists visiting Hangzhou as well as boosted by Hangzhou's growing economy. Comparing 2005 to 2004, the domestic tourist market contributed RMB 40.4 billion (US$5.1 billion) to the local economy, which is a 11.9% increase over the previous year. Foreign tourists contributed another RMB 6.1 billion (US$0.8 billion) reflecting a 22.5% increase from 2004.

Since 2004, growth in demand for retail space has outstripped additional supply, leading to a declining vacancy rate.

Hangzhou High End Retail Market
Annual Supply, Take up and Vacancy Rates



Source: CB Richard Ellis (as at June 2006)

17.5 RETAIL MARKET OUTLOOK

Due to increasing disposable incomes and continued growth of the tourism industry, the Hangzhou retail market is likely to grow further and evolve. Future developments will probably feature more cosmopolitan designs and better layouts, better conceptualised and with stronger emphasis on marketing and centre-related activities.

In turn, rental levels and sale prices are likely to appreciate, with yields expected to improve marginally in the short to medium term as rents are expected to rise faster than capital values.

The lifestyle retail environment as manifested in retail street shops may take a little longer to develop in Hangzhou, as the city's residents are only gradually becoming more sophisticated unlike their counterparts in Beijing or Shanghai, who benefit from the strong foreign influences in those cities.

The growing numbers of domestic and foreign visitors are expected to boost the demand for lifestyle oriented retail space, given the uniqueness and beauty of the city, ringed around the West Lake. Hangzhou's proximity to Shanghai is another important positive factor that provides the city with a strong catchment of affluent potential consumers.

Hence, due to its popularity as a prime tourist destination, Hangzhou's average rental levels for prime ground floor spaces of retail facilities are generally higher than most secondary cities in China. In fact, some of the rents achieved in prime areas of Hangzhou are even comparable with the main cities of Shanghai and Beijing.

Sustained growth of average rental levels is expected to be maintained at approximately 8% between the 3rd quarter 2006 and 2008 given continued strong demand together with steady supply in future years.

18.1 THE BACKGROUND OF THE CBRE RESEARCHERS WHO PREPARED THIS MARKET RESEARCH REPORT

Mr. Chris Brooke holds the overall responsibility for the project. He is a Chartered Surveyor with over fourteen years of experience in various fields of the property industry. Since 1992 he has been providing advice relating to development consultancy and land administration matters in Hong Kong, China and the Asia Pacific region and has participated in assignments associated with market research. He has been responsible for the provision of advice regarding property development, investment, and financial viability issues to a wide range of corporations, landowners and developers.

Mr. John Tan is responsible for leading the team in China on the market study. He has some 14 years of experience in the property industry with extensive exposure to the Asia Pacific region.

18.2 THE ROLES AND DUTIES PERFORMED BY THE CBRE RESEARCHERS WHO PREPARED THE MARKET RESEARCH REPORT

CB Richard Ellis Limited was responsible for: (i) providing an overview relating to the characteristics of the various market sectors; (ii) identifying the characteristics of the existing stock; (iii) establishing the anticipated volume of future supply; (iv) assessing competition; (v) identifying demand trends; (vi) analysing historic trends in rental levels and prices; (vii) analysing rental yields; and (viii) providing a brief commentary on the outlook associated with the performance of retail outlets within each city.

The objective of the assignment completed by CB Richard Ellis was to undertake relevant research and analysis in connection with selected sectors of the property market in various cities in China by providing an overview of the property sector in each of the nominated cities, an analysis of specific districts within which properties within the nominated portfolio were situated, and an assessment of potential competition and future market trends within the city within which each of the properties is located.

The cities and sectors involved comprised:

City	Property Sector	Property Type	Property Sub Market
Shanghai	Residential	Upper Mid	City Centre
Shanghai	Residential	Upper	City Centre
Shanghai	Office	Grade A	Downtown
Shanghai	Retail	Upper Mid	City Centre
Hangzhou	Retail	High End	Downtown
Chongqing	Residential	Upper and Upper Mid	Downtown
Chongqing	Office	Grade A	Downtown
Chongqing	Retail	High End	Downtown
Chongqing	Hotel/Serviced Apartment	5 Star	Downtown
Wuhan	Residential	Upper and Upper Mid	Downtown
Wuhan	Office	Grade A	Downtown
Wuhan	Retail	High End	Downtown
Wuhan	Hotel/Serviced Apartment	5 Star	Downtown

18.3 THE ASSUMPTIONS UNDERLYING THE VARIOUS PROJECTIONS AND ESTIMATIONS MADE BY CBRE IN PREPARING THE MARKET RESEARCH REPORT

CBRE Consulting allocated professionals with specialist city and property sector knowledge as well as the requisite experience and expertise to undertake the research and analysis associated with the report. The assumptions adopted by these specialists are based upon information produced by the PRC Government in relation to the economic and demographic characteristics associated with each city and real estate market as well as on relevant databases collated by CB Richard Ellis. These databases include historic information and are based upon the knowledge, understanding and experience of the relevant professionals with regard to the development of the real estate market in China. The databases held by CB Richard Ellis are reinforced through in-depth interviews with local marketing agents/developers/buyers/potential buyers/market observers in the relevant cities and segments, as well as primary research within each city. In addition, when forecasting future real estate development trends within China, CB Richard Ellis also refers to trends seen in other fast developing Asian economies.

18.4 THE PARAMETERS DEFINED BY THE GROUP WHEN INSTRUCTING CBRE ON ITS STYLE OF WORK

The information and parameters defined by the Group when instructing CBRE on its style of work is set out in the table below:

City	Property Sector	Property Type	Price Bracket (RMB/psm)	Property Sub Market
Shanghai	Residential	Upper Mid	15,000	City Centre
Shanghai	Residential	Upper	30,000	City Centre
Shanghai	Office	Grade A/Premium	–	Downtown
Shanghai	Retail	Upper Mid/High End	–	City Centre
Hangzhou	Retail	Luxury	High Street Shops (F&B)	Downtown
Chongqing	Residential	Upper Mid	6,000	Downtown
Chongqing	Office	Grade A	–	Downtown
Chongqing	Retail	High End	–	Downtown
Chongqing	Hotel/Serviced Apartment	5 Star/Luxury	Summary Required only	Downtown
Wuhan	Residential	Upper Mid	10,000	Downtown
Wuhan	Office	Grade A	–	Downtown
Wuhan	Retail	High End	–	Downtown
Wuhan	Hotel/Serviced Apartment	5 Star/Luxury	Summary Required only	Downtown

18.5 FEES

The fees paid by the Group for instructing CBRE to prepare this Market Research Report, together with a market research report dated 12 June 2006, are US$250,000.

19.0 DEFINITION OF TERMS

Additional Supply	Incremental new supply to the market, usually quoted on an annual basis with reference to GFA or number of units.
Average Rental	On a gross basis, unless otherwise stated.
Average Sales Price	On a gross basis, unless otherwise stated.
Average Price (Statistics Bureau)	On a gross basis, inclusive of all residential sales transacted in a particular month in only the primary markets (including pre-sale transactions).
Average Transaction Volume (Statistics Bureau)	On a gross basis, inclusive of all residential sales transacted in a particular month in only the primary markets (including pre-sale transactions).
Company	Shui On Land Limited

Department Store	A retail organisation under one roof, which carries a wide range of merchandise that is organised into separate departments usually as consignments, with no single predominant merchandise line. Goods sold with one operator's branding, for the purpose of promotion, service and control.
Engel Index	The ratio of expenditure spent on food against whole expenditure (reflects people's change in consumption).
Forecast Stock	The total amount of stock (usually quoted in GFA) at a certain future point in time.
Net (Floor Area)	Net Floor Area shall exclude all common areas such as common corridors, stairs, lift lobbies, toilets and plant room. It shall be measured from the centre of the enclosing external and/or party walls.
Gross Floor Area	The area contained within the external walls of any building at each floor level and the whole thickness of the external walls. In general excludes mechanical and electrical services rooms, refuse rooms, water tanks, carparking floors and all lifts and staircases.
Hypermarket	A large discount retail complex that combines the features of supermarkets, department stores, and/or specialty stores under one roof, taken to be over 10,000 sm.
Major Shopping Facility	Shopping facilities with an estimated GFA of over 10,000sm.
Net Lettable Area	Lettable area of whole floor shall including toilets and lift lobbies but excluding common areas such as lift shafts, stairs, plant rooms and smoke lobbies.
Prime Retail Market	Inclusive of all areas of the city that are located within the inner-ring road and have a high concentration of shopping centres, within which the tenant mix is at least partly comprised of international retailers. (considered to include "mid to high end")
Primary Sector	Includes farming, forestry, animal husbandry, fisheries, natural resource extraction and similar industries
Retail Streets	Clusters of independent shops at street level, located in specified commercial areas.
Secondary Sector	Includes manufacturing, construction, mining, water supply, electricity supply, gas supply, and similar industries.
Shopping Centre	Usually a large complex under one roof, containing a cluster of retail stores and/or department stores collectively selling an assortment of goods.

Take Up	Residential Market: The amount of space transacted for sale Office and Retail Market: New completions plus vacancy figures at beginning of period less demolition less vacancy figures at period-end
Tertiary Sector	Includes all other industries not included in the primary and secondary sectors such as service related industries.

ABBREVIATIONS

CB Richard Ellis	CB Richard Ellis Limited
CBD	Central Business District
CEPA	Closer Economic Partnership Agreement
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFA	Gross Floor Area
IBRD	International Bank for Reconstruction & Development
km/sq km	Kilometre / Square Kilometres
psm	Per Square Metre
RMB	Renminbi — the lawful currency of China (US$1= RMB 7.99)
sm	Square Metres
SOL	Shui On Land Limited
US$	The lawful currency of the United States of America
WOFE	Wholly Owned Foreign Enterprises
WTO	World Trade Organisation

Set out below is a summary of:

- *certain Hong Kong and Cayman Islands tax consequences of ownership of Shares; and*
- *taxation of our Company in the PRC, Hong Kong and the Cayman Islands.*

The summary of certain Hong Kong and Cayman Islands tax consequences of ownership of Shares does not purport to address all material tax consequences of the ownership of our Shares, and does not take into account the specific circumstances of any particular investors. This summary is based on the laws of the Hong Kong and the Cayman Islands in effect on the date of this prospectus, which are subject to change (or changes in interpretation), possibly with retroactive effect. The summary does not address any aspects of Hong Kong or Cayman Islands taxation other than income taxation, capital taxation, stamp duty and estate taxation. Prospective investors are urged to consult their tax advisers regarding the tax consequences of owning and disposing of our Shares.

TAXATION OF OUR SHAREHOLDERS

Taxation of dividends

Hong Kong

Under the current practice of the Hong Kong Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits or income.

Taxation of capital gains

Hong Kong

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are sourced in Hong Kong and arise from such business, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 17.5% and on individuals at a maximum rate of 16%. Gains from sales of Shares effected on the Stock Exchange will be considered to be sourced in Hong Kong. Liability for Hong Kong profits tax would therefore arise in respect of trading gains from sales of our Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon capital gains or appreciations.

Stamp duty

Hong Kong

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of our Shares registered on the Hong Kong branch register. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred on each of the seller and the purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5. Where a sale or purchase of Shares registered on the Hong Kong branch register is effected by a person who is not resident in Hong Kong and any stamp duty payable on the contract notes is paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable on the instrument of transfer and the transferee will be liable to pay such duty. No stamp duty will be levied on the transfer of Shares that are registered on a share register outside Hong Kong.

Cayman Islands

No stamp duty is payable in the Cayman Islands on the transfers of our Shares except those which hold interests in land in the Cayman Islands.

Estate duty

Hong Kong

There is no longer taxation in the nature of inheritance tax or estate duty in Hong Kong.

Cayman Islands

There is no taxation in the nature of inheritance tax or estate duty in the Cayman Islands.

TAXATION OF OUR COMPANY

Taxation of our Company in the PRC

PRC deed tax

Under the Provisional Regulations of the PRC on the Deed Tax which took effect on 1 October 1997, deed tax applies to entities and individuals accepting transfer of the ownership of land and houses within the territory of the PRC.

The transfer of the ownership of land and houses refer to the following acts:

- Assignment of the right to use state-owned land;

- Transfer of the land use right, including sale, gift and exchange, excluding the transfer of the right to contract for the management of rural collective land;
- Purchase and sale of houses;
- Gift of houses; and
- Exchange of houses.

The rate of deed tax will, within the range of 3-5%, be determined by the people's governments of provinces, autonomous regions or municipalities directly under the PRC Government in light of the actual conditions of their respective areas and shall be reported to the Ministry of Finance and the State Administration of Taxation of China for record.

Deed tax will be reduced or exempted under one of the following circumstances:

- For acceptance of land and houses by state agencies, institutions, social organisations and military units for office, teaching, medical service, scientific research and military facilities, the tax will be exempted
- For initial purchase of publicly owned residential houses by urban and township workers and staff members according to the provisions of relevant laws and regulations, the tax will be exempted;
- For re-purchase of residential houses due to destruction and loss of houses through force majeure, the tax will, upon approval, be reduced or exempted according to the circumstances; and;
- Any other items of reduction or exemption allowed by the Ministry of Finance.

Any such reduction or exemption will not be available if the relevant land or house and the change of use is no longer within the scope referred to above.

Income Tax

Income tax payable by foreign-invested enterprises established in the PRC and by foreign enterprises is governed by the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (the "PRC Income Tax Law") and its implementing rules, which provide for a national income tax rate of 30% (plus a 3% local tax) unless a lower rate is provided by law, administrative regulations or State Council regulations. Pursuant to the PRC Income Tax Law and its implementing rules, foreign-invested enterprises established in the PRC are liable to pay income tax on their income derived from sources both in and outside the PRC, and foreign enterprises which have establishments in the PRC and engage in production or business operations and which, though without establishments in the PRC, have income derived from sources in the PRC are liable to pay income tax on their income derived from sources in the PRC. Accordingly, we will be subject to corporate income tax on our income derived from sources in the PRC, if any. Our subsidiaries in the PRC are generally subject to corporate income tax at a rate of 33% on their income derived from sources both within and outside the PRC.

Business tax

Under the Provisional Regulations on Business Tax of the PRC and the provisional implementation rules which took effect on 1 January 1994, business tax is levied on all enterprises that provide "taxable services". These include the assignment of intangible assets, the sale of immovable property and leasing of immovable properties in the PRC. The rates range from 3% to 20% depending on the type of services provided. The assignment of intangible assets, the sale of buildings and other attachments to the land and leasing of property attract a tax rate of 5% of gross revenue generated from the relevant transactions of the enterprise. Enterprises are required to pay the business tax to the relevant local tax authorities where the enterprises derived their taxable income.

LAT

Under the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) promulgated by the State Council on 13 December 1993 and its implementing rules, land appreciation tax, or LAT, applies to both domestic and foreign investors, irrespective of whether they are corporate entities or individuals. LAT is payable on the appreciation in value representing the balance of the proceeds received on such sales, after deducting various prescribed items, including payments made for acquisition of land use rights, the direct costs and expenses of the development of the land and construction of the buildings and structures, finance costs up to a maximum of 5% of the total development costs, the appraised price of any existing buildings and structures on the land and taxes related to the assignment of the real property. LAT is charged at progressive rates ranging from 30% to 60%. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities. An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law. If, however, the appreciation amount exceeds 20% of the sum of allowable deductions, such exemption is not available and the taxpayer will be liable to LAT on the full appreciation amount, after taking account of the allowable deductions. The allowable deductions include the following items:

- Payment made to acquire land use rights;

- Direct costs and expenses of the development of the land and construction of the properties;

- Selling, administrative expenses and finance charges in connection with property development;

- Construction costs and charges in the case of newly constructed buildings and facilities or assessed value in the case of old buildings and structures;

- The appraised price of any previous buildings and structures existing on the land and taxes related to the assignment of the real property;

- Taxes in connection with the transfer of real estate; and
- Other items stipulated by the Ministry of Finance (including 20% deduction of the first two items mentioned above in relation to property development).

LAT is charged at progressive rates ranging from 30% to 60% of the appreciation value (i.e., the balance as described above.

Appreciation value	**LAT rates (%)**
For the portion:	
not exceeding 50% of allowable deductions	30
Over 50% but not more than 100% of allowable deductions	40
Over 100% but not more than 200% of allowable deductions	50
Over 200% of allowable deductions	60

An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law.

In practice, the local governments have collected LAT in advance at a rate determined by local tax authorities on the basis of presale income and make the final accounting of income derived from the sale of all the residential properties, as prescribed by the Implementing Rules of the Provisional Regulations of the PRC on Land Appreciation Tax. To date consistent with what we believe other property developers are required to pay in Shanghai we have paid provisional LAT at a rate of 1% on the gross proceeds of pre-sales of our residential properties in Shanghai except for the Shanghai Rui Hong Xin Cheng project, in respect of which we are exempted from prepayment of LAT. We have not paid, nor have we been required to pay, the full amount of LAT and, in the case of Lot 149 of the Shanghai Rui Hong Xin Cheng project, have not been required to pay any LAT because the appreciation value derived from the sale of our residential properties has not exceeded 20% of the sum of the allowable deductions.

Dividends from our PRC operations

Under the current PRC tax laws, regulations and rulings, dividends from our operations in the PRC paid to us by our operating subsidiaries established in the PRC are currently exempt from any PRC withholding or income tax.

Taxation of our Company in Hong Kong

We do not consider that any of our income or the income of our Group is derived from or arises in Hong Kong for the purposes of Hong Kong taxation. We will therefore not be subject to Hong Kong taxation.

Taxation of our Company in the Cayman Islands

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

- That no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and
- That no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by us:
  - On or in respect of the shares, debentures or other obligations of our Company; or
  - By way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

  The undertaking is for a period of 20 years from the date of the undertaking, which is 23 March 2004.
- There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands other than certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

This Appendix sets out summaries of certain aspects of PRC law and regulations, which are relevant to our operations and business. These include laws relating to land, real estate development, foreign investment enterprises and foreign exchange control. For a description of the legal risks relating to government regulation of our business, and in particular the land system in China, see "Risk Factors".

THE LAND SYSTEM OF THE PRC

Overview

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural areas and all farm land is, unless otherwise specified by law, collectively-owned. The state has the right to resume its ownership of land or the right to use land in accordance with law if required for the public interest.

Although all land in the PRC is owned by the state or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways, the two most important being land grants from local land authorities and land transfers from land users who have already obtained land use rights.

Land grants

National and local legislation

In April 1988, the National People's Congress passed an amendment to the constitution of the PRC. The amendment, which allowed for the transfer of land use rights for value, paved the way for reforms of the legal regime governing the use of land and transfer of land use rights. In December 1988, the Standing Committee of the NPC also amended the Land Administration Law of the PRC to permit the transfer of land use rights for value.

In May 1990, the State Council enacted the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State Land in Urban Areas (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). These regulations, generally referred to as the Urban Land Regulations, formalised the process of the grant and transfer of land use rights for consideration. Under this system, the State retains the ultimate ownership of the land. However, the right to use the land, referred to as land use rights, can be granted by the state and local governments at or above the county level for a maximum period of 70 years for specific purposes, including for residential and commercial development, pursuant to a land grant contract and upon payment to the State of a land grant fee for the grant of land use rights.

The Urban Land Regulations prescribe different maximum periods of grant for different uses of land as follows:

Use of land	**Maximum period (years)**
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Educational, scientific, cultural, public health and sports	50
Comprehensive utilization or others	50

Under the Urban Land Regulations, domestic and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not resume possession of lawfully-granted land use rights prior to expiration of the term of grant. If the public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. Subject to compliance with the terms of the land grant contract, a holder of land use rights may exercise substantially the same rights as a land owner during the grant term, including holding, leasing, transferring, mortgaging and developing the land for sale or lease.

Upon paying in full the land grant fee pursuant to the terms of the contract, the grantee may apply to the relevant land bureau for issuance of the land use rights certificate. Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a new land grant fee. If the term of the grant is not renewed, the land use rights and ownership of any buildings on the land will revert to the State without compensation.

In addition to the general framework for transactions relating to land use rights set out in the Urban Land Regulations, local legislation provides for additional requirements, including those applicable to specific transactions within specific areas relating to the grant and transfer of land use rights. These local regulations are numerous and some of them are inconsistent with national legislation. Under PRC law, national laws and regulations prevail to the extent of such inconsistencies.

Methods of land grant

There are two methods by which land use rights may be granted, namely by private agreement or competitive processes (i.e., tender, auction or listing at a land exchange administered by the local government).

As at 31 July 2002, the grant of land use rights by way of competitive processes is governed by the Regulations on the Grant of State-owned Land use Rights by Invitation of Bids, Auction or Listing on a Land Exchange (招標拍賣掛牌出讓國有土地使用權規定), or the 2002 Regulations, issued by the Ministry of Land and Resources of the PRC in May 2002. The Regulations specifically provide that land to be used for commercial purposes, including tourism, entertainment and commodity residential properties for sale, must be granted by way of competitive processes. A number of measures are provided by the 2002 Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly. For instance, the local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval by the city or provincial government. In addition, the announcement of tender, auction or listing at a land exchange must be made 20 days prior to the date of beginning such competitive processes. Further, it is also stipulated that for listing at a land exchange, the time period for accepting bids must not be less than 10 days.

The local land bureau granting the land use rights should examine the qualifications of the intended bidders and inform those qualified to participate in the bidding processes by sending out invitations to tender. Bidders are asked to submit sealed bids together with the payment of a security deposit. When land use rights are granted by way of tender, a bid evaluation committee consisting of not less than five members (including a representative of the grantor and other experts), formed by the land bureau is responsible for opening the bids and deciding on the successful bidder. The successful bidder will then sign the land grant contract with the land bureau and pay the balance of the land grant fee before obtaining the State land use rights certificate and the land bureau effecting registration of the successful bidder as the holder of land use rights for the land. See the section entitled "Documents of title and registration of property interests". The land bureau will consider the following factors: if the invitation to tender only requires a bid from the bidder, whoever offers the highest bid will be the successful bidder; or if the invitation to tender requires the bidder to submit planning proposals in addition to the bid, then details of the proposals will be considered. If the relevant land bureau considers that none of the bids is satisfactory, the land bureau has the right to reject all the bids.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period. Tenders for land use rights can be by way of open tenders or private tenders.

Where land use rights are granted by way of listing at a land exchange administered by the local government, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period.

The land use rights for our projects have been granted in accordance with these regulations and, with regard to our Shanghai Knowledge and Innovation Community project and our Chongqing Tiandi project, pursuant to local exceptions to these requirements.

In June 2003, the Ministry of Land and Resources promulgated the Regulations on Grant of State-owned Land use Rights by Agreement (協議出讓國有土地使用權規定), or the 2003 Regulations, to regulate granting of land use rights by agreement in respect of land, the designated uses of which are other than for commercial purposes as described above. According to the 2003 Regulations, the local land bureau, together with other relevant government departments, including the city planning authority, will formulate the plan concerning the grant, including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the State, and submit such plan to the relevant government for approval. Afterwards, the local land bureau and the relevant party will negotiate and enter into the land grant contract based on the above-mentioned plan. If two or more parties are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or listing on a land exchange in accordance with the 2002 Regulations.

The grantee is required to pay the land grant fee pursuant to the terms of the contract and the contract is then submitted to the relevant local bureau for the issue of the land use rights certificate. Upon expiration of the term of grant, the grantee may apply for its renewal. Upon approval by the relevant local land bureau, a new contract is entered into to renew the grant, and a land grant fee shall be paid.

Model land grant contract

To standardise land grant contracts, in 2000, the Ministry of Land and Resources and the State Administration for Industry and Commerce published the model land grant contract, on the basis of which many local governments have formulated their respective local form land grant contract to suit their specific local circumstances. The model land grant contract contains terms such as location of land, use of land, land grant fee and its payment schedule, conditions of land upon delivery, term of grant, land use conditions and restrictions (including GFA, plot ratio and height and density limitations), construction of public facilities, submission of building plans for approval, deadline for commencement of construction, payment of idle fees, deadline for completion of construction, application for extension of the stipulated construction period, restrictions on subsequent transfers, responsibility for obtaining supply of utilities, restrictions against alienation before payment of the land grant fee and completion of prescribed development, application of renewal, force majeure, breach of contract and dispute resolution.

If a land user wishes to change the specified use of land after the execution of a land grant contract, approvals must first be obtained from the relevant land bureau and the relevant urban planning department, and a new land grant contract may have to be signed and the land grant fee may have to be adjusted to reflect the added value of the new use. Registration procedures must be carried out immediately after approval of the change of designated use.

If the land user fails to develop and invest in the land within the period of time specified in the land grant contract, the land bureau has the right to impose various penalties ranging from fines to withdrawal of the grant without consideration (unless the failure is due to force majeure or the activities of a government authority).

Termination

A land use right terminates upon the expiry of the term of grant specified in the land grant contract and the resumption by the state of that right.

The state generally will not withdraw a land use right before the expiration of its term of grant and if it does so for special reasons, such as in the public interest, it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user.

Upon expiry, the land use right and ownership of the related buildings erected on the land and other attachments may be acquired by the state without compensation. The land user will take steps to surrender the land use rights certificate and cancel the registration of the certificate in accordance with relevant regulations.

A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a land grant fee and effect appropriate registration for the renewed grant.

Land transfers from current land users

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into an assignment contract or a joint venture development agreement with the land user.

The assignment contract or joint venture development agreement must be registered with the relevant local land bureau at the municipal or county level. Upon a transfer of land use rights, all rights and obligations contained in the land grant contract are deemed incorporated as part of the terms and conditions of such transfer.

Certain domestic PRC individuals or entities enjoy the right to use land allocated by the State without payment of any consideration for an indefinite period of time. This type of land use right is generally referred to as an allocated land use right. The Urban Land Regulations state that assignment, lease or mortgage of allocated land use rights in urban areas and any buildings or attachments situated on the land is subject to the approval of the relevant land and real estate departments. The conditions for approval include the following:

- The existing land user must be an individual or a company, enterprise or other economic organisation;
- The existing land user must hold a State land use rights certificate and the relevant ownership certificates for the buildings and attachments;

- A formal land grant contract must be entered into with the relevant land department; and
- The land grant fee must be paid or such payment may be made from the proceeds of such assignment, lease and mortgage.

The assignment contract or the joint venture development agreement is subject to terms and conditions specified in the land grant contract. For residential construction projects, PRC law requires that at least 25% of total construction costs, excluding land grant fees, be expended and the construction schedule and date of completion and delivery of the project have been determined before assignment can take place. A higher minimum construction and investment fee may be provided in land grant contracts entered into between the local land administration bureau and the land user. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee of the land use rights. The relevant local government has the right to acquire the land use rights to be assigned if the assignment price is significantly lower than the market price. Relevant local governments may also acquire the land use rights from a land user in the event of a change in town planning. The land user will then be compensated for the loss of his land use rights.

Documents of title and registration of property interests

A land use rights certificate is the evidentiary legal document to demonstrate that the registered land user has the lawful right to use the land during the term stated in the land use rights certificate. Upon the completion of construction of a building (including passing the acceptance tests by various government departments), a building ownership certificate will be issued to the owner of the building. The holder of a land use right who is issued a building ownership certificate holds the land use rights and owns the building erected on the land. All holders of land use rights, and other rights in respect of the land, such as the right to buildings erected on the land, must register all their lawful state-owned land use rights, as well as ownership rights to the buildings. In this regard, real estate registries have been established in all cities in China. In most cities, there are separate registries for land use rights and buildings. However, in Shanghai and some other major cities, the two registries have been combined. In places where there are separate registries, the holder of a land use right will be issued a building ownership certificate for its ownership of the building and a land use rights certificate for its land use rights in the underlying land. In the other places where registries have been combined, such as in Shanghai, the land use rights certificate and the building ownership certificate are combined into a single certificate. Under PRC law, land use rights and building ownership rights which are duly registered are protected by law.

Whether the registered land user can assign, mortgage or lease the land use rights will be subject to conditions stipulated in the original land grant contract. In addition to the requirement to register land use rights, there is also a requirement to register a mortgage of a land use right in local land registration departments. See the section entitled “Mortgage and guarantee.”

Mortgage and guarantee

The mortgage of real property in the PRC is governed by the Security Law of the PRC, or the Security Law, the Law of the PRC on the Administration of Urban Real Property, or the Real Property Law, and other relevant real estate-related laws and regulations. A real property mortgage agreement must be in writing and must contain specific provisions including (i) the type and amount of the indebtedness secured, (ii) the period of the obligation by the debtor, (iii) the repayment of the indebtedness, and (iv) the name, quantity, conditions, location, valuation and ownership of the mortgaged property. Pursuant to the Real Property Law, buildings newly-erected on a piece of urban land after a mortgage contract has been entered into shall not constitute mortgaged property. If the mortgaged property is auctioned off, the new buildings added on the land may be auctioned together with the mortgaged property, but the mortgagee shall not be entitled to priority compensation from the proceeds of the auction of the new buildings.

Pursuant to the Security Law, a real property mortgage contract becomes effective on the date of registration with the local real property department. When carrying out mortgaged property registration, the loan contract and the mortgage contract as well as the land use rights certificate or the building ownership certificate in respect of the mortgaged property must be submitted to the registration authority. If the mortgagor cannot repay the loan that is secured by the mortgaged property, the mortgagee may agree with the mortgagor to receive payment by evaluating the mortgaged property in terms of money or through the proceeds of the auction or selling off the property. If no such agreement is reached, the mortgagee may institute proceedings in a People's Court. After the mortgaged property has been evaluated in terms of money or been auctioned or sold off, any portion of the proceeds that exceeds the amount of the indebtedness shall belong to the mortgagor and any shortfall shall be paid by the mortgagor.

The Security Law also contains comprehensive provisions dealing with guarantees. Under the Security Law, guarantees may be in two forms: (i) general guarantees whereby the guarantor bears the liability when the debtor fails to perform the payment obligation; and (ii) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally liable for the payment obligation. A guarantee contract must be in writing and, unless agreed otherwise, the term of a guarantee shall be six months after the expiration of the term for performance of the principal obligation.

The Security Law further provides that where indebtedness is secured by both a guarantee and by mortgaged property, the guarantor's liability shall be limited to the extent of the indebtedness that is not secured by the mortgaged property.

Property development

Property development projects in the PRC are generally divided into single projects and large tract development projects. A single project refers to the construction of buildings on a plot of land and the subsequent sale of units. Large tract development projects consist of the comprehensive development of large area and the construction of necessary infrastructure such as water, electricity, road and communications facilities. The developer may either assign the land use rights of the developed area or construct buildings on the land itself and sell or lease the buildings erected on it.

On 16 July 2004, the State Council promulgated the Decision of the State Council on Investment System Reforms, or the Decision. Prior to the implementation of the Decision, the approval for the establishment of foreign invested entities engaged in real estate development activities was governed by the minutes of a meeting that was called by the China Communist Party and the State Council on 30 April 1984 to discuss the topic of opening up 14 coastal cities to foreign investors, or the Minutes, and the Notice on Certain Issues About the Development of Real Estate promulgated by the State Council on November 4, 1992, or the Notice.

Pursuant to the Minutes and the Notice, local governments have the authority to examine and approve, on their own, non-productive type projects (such as real estate projects) using foreign investment regardless of the investment amount. We have been advised by Jin Mao Law Firm, our PRC counsel, that, the Minutes and the Notice are still legally effective. In respect of our projects in the PRC, we have established 16 companies engaged in real estate development in Shanghai, Chongqing, Wuhan and Hangzhou. All of the 16 companies have obtained necessary regulatory approvals required from relevant local authorities according to the Minutes, the Notice and the Decision, respectively. The approvals for 15 of the project companies were given pursuant to the Minutes and the Notice as those companies were established before the Decision came into effect. Approval for the establishment of the remaining subsidiary, our Wuhan project company, was given pursuant to the Decision rather than the Minutes and the Notice as it was established after the Decision came into effect. Pursuant to the Decision, “restricted” projects, as stipulated by the Catalogue for Guiding Foreign Investment in Industry, or the Catalogue, promulgated on 30 November 2004 jointly by the National Development and Reform Commission and the Ministry of Commerce, refer to projects involving development and operation of high-class properties including high-class hotels, villas and high-end office building and international exhibition centres. Other projects with lower-class belong to a “permitted” column. Since PRC laws and regulations do not set out strict and clear definition on “high-class” real estate, the standard for “high-class” falls into the discretion of the relevant local authority subject to different level of local development and the local authorities are not required to apply for approval from or registration with the central level authority. In practice, when a foreign investor establishes a project company, the investor usually does not take the proposed project as a “high-class” one and the local authority does not classify such project as falling within the column of “restricted” projects. In respect of the Wuhan project company, we have consulted with local authority of Wuhan and are informed that they did not consider the Wuhan project to be “high-class”. Based on the above, we believe the Wuhan project is not a “restricted” project and we have obtained or completed all the necessary approvals, registration or filing procedures.

Pursuant to the Urban Land Regulations, foreign entities may acquire land use rights in the PRC unless the law provides otherwise. However, in order to develop the acquired land, the foreign entities need to establish foreign investment enterprises in the PRC as the project companies to develop the property. These project companies may be in the form of Sino-foreign equity or cooperative joint ventures or wholly foreign-owned enterprises. The typical scope of business of such project company includes development, construction and sales and leasing commodity properties and ancillary facilities on the specific land as approved by the government and property management. The term of the property development company is usually the same as the term of grant of the land use rights in question.

Establishment of a project company is subject to the approval by the relevant departments of the PRC Government in accordance with the following procedure. First, the PRC party to a joint venture project or the foreign investor, in the case of a wholly foreign-owned project, will submit a project application report to the central or local development and reform commission for verification and approval. If the development and reform commission considers the proposed property development project to be consistent with the prevailing national and local economic plans and foreign investment regulations, it will grant an approval to the applicant in respect of the project. The National State Development and Reform Commission and the Ministry of Commerce have been given the authority to regularly promulgate guidelines for the direction of foreign investment.

Once the project application report has been verified and approved, the PRC party and the foreign investor may proceed to prepare a joint feasibility study report that reflects their assessment of the overall economic viability of the proposed project company. At the same time, the parties may proceed to negotiate and execute the joint venture contract and articles of association for the establishment of a project company. In the case of a wholly foreign-owned project, the foreign investor may then prepare and sign the articles of association. The joint feasibility study report, the joint venture contract and/or articles of association will then, depending, among other things, on the industry to which it belongs under the Catalogue and the amount of total investment, be submitted to the Ministry of Commerce or its local counterpart, as the case may be, for approval. If the Ministry of Commerce or its local counterpart finds the application documents to be in compliance with PRC law, it will issue an approval certificate for the establishment of the project company. With this approval certificate, the foreign investor and/or the PRC party can apply to the local administration for industry and commerce for a foreign investment enterprise business licence for the project company.

Once a foreign entity developer has established a project company and secured the land use rights to a piece of land for development, it has to apply for and obtain the requisite planning permits from the planning departments and have its design plan approved by, and apply for and obtain a construction permit from, the relevant construction commission for commencement of construction work on the land. When the construction work on the land is completed, the completed buildings and structures must be examined and approved by the government departments before they can be delivered to purchasers or lessors for occupancy.

Under the "Provisions on Administration of Qualification Certificates of Real Estate Developers" (房地產開發企業資質管理規定) (the "Qualification Certificate Regulation") implemented by the Ministry of Construction on 29 March, 2000, a real estate developer shall apply for registration of its qualifications according to such Regulation. An enterprise may not engage in development and sale of real estate without a qualification classification certificate for real estate development. The construction authority under the State Council oversees the qualifications of real estate developers throughout China, and the real estate development authority under a local government on or above the county level shall oversee the qualifications of local real estate developers.

In accordance with the Qualification Certificate Regulation, real estate developers are classified into four classes. The approval system is tiered, so that confirmation of class 1 qualifications shall be subject to preliminary examination by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2, 3 or 4 shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority.

Under the Development Regulations, the real estate development authorities shall examine applications for registration of qualifications of a real estate developer when it reports its establishment, by considering its assets, professional personnel and business results. A real estate developer shall only undertake real estate development projects in compliance with the approved qualification registration.

After a newly established real estate developer reports its establishment to the real estate development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days of its receipt of the above report. The real estate developer shall apply for a formal qualification certificate from the real estate development authority within one month before expiry of the provisional qualification certificate. Failure to obtain the required provisional or formal qualification certificate may result in a fine ranging from RMB50,000 to RMB100,000 and revocation of the developer's business licence if such failure to obtain a qualification certificate is not rectified.

A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification. A class 1 real estate developer is not restricted as to the scale of real estate project to be developed and may undertake a real estate development project anywhere in the country. A real estate developer of class 2, 3 or 4 may undertake a project with a gross area of less than 250,000 sq.m. and the specific scope of business shall be as confirmed by the construction authority under the people's government of the relevant province, autonomous region or municipality.

The real estate development authorities perform annual inspections of qualified developers. Developers who fail to meet the qualification requirements or operate in breach of the requirements may have their qualification classification certificates degraded or revoked.

Pre-sales

Pursuant to the Real Property Law and the Measures for Administration of the Pre-sale of Urban Commodity Premises, or the Pre-sale Measures, as amended in July 2004, residential properties for sale that are under construction may be sold when the following conditions and/or requirements are satisfied:

- the land grant fee in respect of the land use rights has been paid in full and the land use rights certificate has been obtained;
- the construction works planning permit and the construction project commencement permit have been obtained;
- at least 25% of the total amount of the project investment fund has been injected into the development of the project and the progress of construction and the completion date of the project has been ascertained; and
- the pre-sale permit has been obtained.

Various local governments have enacted local regulations to supplement the national requirements. In Shanghai, pursuant to the amendments to the Regulations Regarding the Administration of Urban Real Estate Transfer of Shanghai (上海市房地產轉讓辦法), or the Regulations, adopted in 2000 and last amended in 2004, the pre-sale of residential properties is subject to additional requirements, including that the developer has entered into an escrow agreement with a professional agency registered in Shanghai concerning escrow of the pre-sale proceeds, formulated the deed of mutual covenants and entered into a property management services contract with a qualified property manager. Shanghai imposes more stringent standards on the minimum construction progress that must be attained for pre-sales: (i) for residential properties for sale that consist of seven storeys or less, the basic foundation work and the main structural construction of the building must have been completed; and (ii) for residential properties for sale that consist of eight storeys or more, the basic foundation must have been completed and at least two-thirds of the main structural construction (not less than seven storeys in any event) must have been completed. In Chongqing, similar requirements are also imposed under the Regulations for Administration of Real Estate Transactions in Urban Areas of Chongqing Municipality (重慶市城鎮房地產交易管理條例) promulgated in June 2002. These regulations further prescribe that, at the time of pre-sale, the units that have been presold and the land use rights to the underlying land must not be mortgaged. In Hangzhou, according to Certain Regulations on Administration of Urban Property Development in Hangzhou (杭州市城市房地產開發經營管理若干規定), as adopted in 2000 and amended in 2003, the following standards must be met for pre-sales: (i) for tier buildings, one-third or more of the main structural construction has been completed; and (ii) for high buildings, the main construction underground has been completed. As for Wuhan, there are no special supplementary regulations in respect of standards for properties for pre-sale.

Leasing

Both the Urban Land Regulations and the Real Property Law permit leasing of granted land use rights and the buildings or homes constructed on the land. Leasing of properties situated in urban areas is governed by the *Measures for Administration of Leasing of Urban Buildings* (城市房屋租賃管理辦法), or the Leasing Measures. The Leasing Measures were promulgated by the Ministry of Construction in April 1995 in accordance with the Real Property Law in order to strengthen the administration of the leasing of urban buildings. The Leasing Measures permit property owners to lease their properties to others for residential or commercial property uses except as otherwise prohibited by relevant law. The landlords and tenants who are the parties to a property lease transaction are required to enter into a written lease agreement specifying all of the terms of the lease arrangement as required by statute. Leasing of buildings and the underlying land use rights must not exceed a maximum term of 20 years. The lease agreement becomes effective upon signing; however, it must be registered with the relevant real property administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant's interest against claims from third parties. A tenant may, upon obtaining consent from the landlord, assign or sublet the premises to sub-tenants. Local governments may impose rent controls.

According to the Real Property Law, rental income derived from the lease of buildings and the underlying land use rights from a landlord who acquired only allocated land use rights without payment of consideration for such acquisition must be turned over to the State.

Separation of markets for domestic and foreign property purchasers

When the PRC real property market first developed in early 1990s, there was a "foreign" market in which high-end properties were designated to be sold to purchasers from Hong Kong, Macau, Taiwan and foreign countries for hard currency and a "domestic" market in which properties of domestic standards of quality were designated to be sold to local PRC purchasers for Renminbi. Such mandatory bifurcation of the real property market has been lifted in Beijing and Shanghai in recent years. For instance, Shanghai first merged the two markets in the residential sector in 2001 and subsequently unified the two markets in the non-residential sector in 2003. At present, Hangzhou still maintains a bifurcated market while Wuhan has never implemented a bifurcated market system.

Real estate loans

On 5 June 2003, the People's Bank of China promulgated the Notice on Further Strengthening the Administration of Real Estate Related Credit. According to this notice, commercial banks shall focus their business on supporting real estate projects targeted at mid- to lower-income households and appropriately restrict the granting of real estate loans to projects for the construction of luxury apartments and villas. The notice provides that when applying for bank loans, a real property development company must contribute at least 30% of the total investment of the project from its own funds, and prohibits banks from advancing funds to real property developers as working capital or for payment of land grant fees. See "Recent macroeconomic control measures" below for recent developments in this area.

On 2 September 2004, the China Banking Regulatory Commission issued a Guideline for Commercial Banks on Risks of Real Estate Loans (商業銀行房地產貸款風險管理指引). According to the guideline, no loans shall be granted in relation to projects which have not obtained requisite land use rights certificates, construction land planning permit, construction works planning permit and work commencement permit. The guideline also stipulated that not less than 35% of the investment in a property development project must be derived from the real estate developer's own capital for the development project in order for banks to extend loans to the real estate developer. In addition, the guideline noted that commercial banks should set up strict approval systems on granting loans.

Recent macroeconomic control measures

Central government measures

The PRC Government has implemented a series of measures to tighten control on the real property market since 2003. In August 2003, the State Council issued the Notice on Promoting the Sustained Healthy Development of the Real Estate Market formulating the policies, directions and guidelines for the regulation of the real property market, including tightening control on the construction of high-end residential properties, strengthening the property mortgage financing market, improving urban planning and controlling land supply. Since 2004, there has been a stabilization of the residential property market, particularly as a result of the PRC Government's efforts to discourage speculation and increase the supply of affordable housing. In April 2004, the State Council increased the capital ratio of fixed assets investment projects in real property development (except for low-end residential properties) and three other major industries from 20% or above to 35% or above.

Since March 2005, central government agencies, including the Ministry of Construction, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Land and Resources, the People's Bank of China, the State Administration of Taxation and the China Banking Regulatory Commission, have introduced a number of measures to stabilize the real property market. The measures, among others, included: (i) the removal of the preferential mortgage rate for residential housing by the People's Bank of China, while still allowing banks to give a 10% discount on home loans, which meant that the minimum mortgage rates on residential housing effectively increased to approximately 5.55%; (ii) raising the minimum down payment by purchasers of properties that have yet to be completed from 20% to 30% of the purchase price, and requiring that monthly mortgages should not exceed 50% of household income; (iii) placing restrictions on the amount of money that can be lent to individuals for multiple investment mortgages; (iv) imposing a business tax of 5% of the sale price if a homeowner re-sells a residential unit within five years of purchase, or a business tax of 5% of the increased value if a homeowner resells a luxury residential unit after five years of purchase; (v) prohibiting homeowners from reselling unfinished properties before construction is completed, following a practice already introduced in Shanghai; and (vi) other measures designed to increase the supply of subsidised housing and improve the availability of information on the demand and supply of residential housing.

In response to the notices issued by the State Council, the People's Bank of China, the PRC central bank, adopted numerous financial measures and issued a series of lending guidelines for PRC banks to follow. In addition to the Notice on Further Strengthening the Administration of Real Estate

Related Credit referred to above, on 16 March 2005, the PRC central bank increased the basic interest rate for financing of residential properties, which was the second increase in the basic interest rate within a time period of five months, to bring the basic interest rate for financing of properties for residential purposes more in line with the interest rate applicable for financing of properties for commercial and other purposes. The measure imposes a minimum interest rate for financing of properties for residential purposes equal to 90% of the basic rates for lending for other purposes for the same period.

The State Council and the Ministry of Land and Resources also separately issued a number of regulations and notices on land supply. Following the 2002 Regulations, the Ministry of Land and Resources issued the Notice on Continuing the Review of the Implementation of the Grant of Land use Rights for Commercial Uses by Invitation of Bids Auction or Listing on a Land Exchange on 31 March 2004, requiring all local land administration authorities to strictly enforce the 2002 Regulations. In addition, the Ministry of Land and Resources required that with effect from 31 August 2004, the grant of land use rights must be made pursuant to auctions or listing on a land exchange and that no land use rights for commercial uses may be granted by way of agreement. In the Urgent Notice of the General Office of the State Council on Intense Regulation and Rectification of the Land Market and Strict Administration of Land issued by the State Council on 29 April 2004, the development of agricultural land was suspended for a period of six months pending rectification by the PRC Government of irregularities in land development in China.

The State Council continued to issue notices to stabilize the real property market in 2005. On 26 March 2005, the State Council issued the Notice on Effectively Stabilizing the Price of Residential Property, which required the relevant government authorities to take administrative measures to stabilize real property prices. These measures, among others, included increasing land supply for ordinary and low-end residential properties and formulating land supply, fiscal, tax and financial policies to balance supply and demand in the real property market. On 30 April 2005, the Ministry of Construction, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Land and Resources, the People’s Bank of China, the State Administration of Taxation and the China Banking Regulatory Commission jointly promulgated the Opinion on Duly Stabilizing the Prices of Residential Properties, or the Opinion, and issued a series of measures to serve as guidelines for the construction and purchase of residential properties. Among other things, the Opinion discourages land speculation by adjusting land supply, prohibits the re-sale of uncompleted residential properties and imposes a business tax on the resale of residential properties by individuals within two years from initial purchase. Starting from 1 June 2005, for residential properties sold within two years from the original purchase, business tax is levied on the selling price. Also, the Opinion emphasises that local authorities are only authorised to grant preferential treatments to ordinary residential property projects that fulfil the requirements specified in the Opinion, subject to a maximum amount of variation of not exceeding 20%.

On 17 May 2006, the PRC Government announced further measures to promote healthy development of the real estate industry in the PRC, which include the plan to focus on property developments for low-income households, the usage of taxation, bank credit and land policies to regulate housing demand and the policy to crack down on property developers and local authorities who hoard land and/or drive up prices. On 24 May 2006, the PRC Government approved further detailed measures to implement the aforesaid measures. On 30 May 2006, the State Administration of Taxation promulgated the Circular Addressing the Policies Governing the Adjustment of Real Estate Business Tax, or the Circular. The Circular requires that, among other things, starting from 1 June 2006, for residential properties sold within five years since the original purchase, business tax will be levied on the total selling price; for ordinary residential properties sold more than five years (inclusive) after the original purchase, business tax will be exempted; for non-ordinary residential properties sold more than five years (inclusive) after the original purchase, business tax will be levied on the difference between the selling price and the original purchase price.

Pursuant to these measures, local governments are required to adopt plans, by September 2006, to focus on developing low-to-mid-priced and small-to-medium-size properties to meet demand from owner-occupiers. These measures stipulate that commencing from 1 June 2006, the minimum down payment is 30% of the total purchase price for residential units with floor area exceeding 90 square metres on all existing units and those yet to be completed, or a down payment of 20% on residential units for self use with floor area under 90 square metres. The measures require that at least 70% of the residential units in residential housing projects approved or commenced after 1 June 2006 must be no larger than 90 square metres. The measures further provide that for residential properties sold within five years after the original purchase, business tax will be levied on the total sale price; for "ordinary" residential properties sold five years or more after the original purchase, business tax will be exempted; and for "non-ordinary" residential properties sold five years or more after the original purchase, business tax will be levied on the difference between the sale price and the original purchase price. The measures continue to prohibit land provision for villas and restrict land provision for development of low density and large residential property.

On 6 July 2006, the Ministry of Construction promulgated Certain Opinions regarding the Implementation of the Ratio Requirements for the Structure of Newly Constructed Residential Units, or the New Opinions to carry out the Opinions approved by the State Council. The New Opinions stipulate that, the residential units with floor area of less than 90 square metres shall account for over 70% of the total area of residential units, which are newly approved and constructed in each city or county after 1 June 2006. The relevant local government will have authority to determine the configuration of newly constructed property. On 6 July 2006, the Ministry of Construction, the National Development and Reform Commission and the State Administration for Industry and Commerce promulgated the Notice for the Further Rationalisation and Standardisation of the Real Estate Market with serial code of JZF [2006] No.166), or the "166 Notice". According to the 166 Notice, a real estate developer must commence selling the property within 10 days of the receipt of pre-sale permit for the project. On 24 July 2006, the Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, the People's Bank of China, the State Administration for Industry and Commerce and the State Administration of Foreign Exchange jointly issued the Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market (with the serial code of JZF [2006] No. 171), or the "171 Opinion". The 171 Opinion aims to regulate access for foreign investment in the real estate market and to strengthen management of real estate purchases by foreign invested enterprises. The 171 Opinion provides, among others that a foreign institution or individual must establish a foreign-invested enterprise in order to purchase real property in the PRC which is not intended for that institution or individual's own use. The registered capital of such foreign-invested enterprise must be at least 50% of its total investment in PRC real property if the amount of such investment exceeds US$10 million. Branches and representative offices of foreign institutions in the PRC and foreign individuals who work or study in the PRC for more than one year may purchase real property for their own use but not for any other purpose; and foreign institutions which have no branches or representative offices in the PRC or foreign individuals who work or study in the PRC for less than a year are prohibited from purchasing any real property in the PRC. Residents of Hong Kong, Macau and Taiwan and foreigners of Chinese origin are not subject to the one-year residency requirement and may purchase real property in the PRC for their own use. On 3 September 2006, the State Administration of Foreign Exchange and the Ministry of Construction jointly issued Notice in respect of standardization of issues relating Foreign Exchange of Real Estate Market (關於規範房地產市場外匯管理有關問題的通知) or the 47 Notice to implement the 171 Opinion. The 47 Notice provides, among other things, the specific procedures for purchasing houses by branches and representative offices established in the PRC by foreign institutions, foreign individuals who work or study in the PRC for more than one year, and residents of Hong Kong, Macao and Taiwan as well as foreigners of Chinese origin. The 47 Notice also stipulates that if the foreign invested real estate enterprise has failed to pay its registered capital in full or obtain the "State-Owned Land Use Right Certificate", or its own capital funds do not reach 35% of the total investment for the project, the enterprise is prohibited from applying for overseas loans, and the branches of the State Administration of Foreign Exchange are not permitted to approve such loans.

Implementation of macroeconomic control measures in major cities in the PRC

As real estate prices in Shanghai have been rising faster than the national rate, the central and local government have also adjusted local economic policies on several occasions in an effort to curb prices and discourage speculation in Shanghai. In March and April 2005, the Shanghai local government implemented a variety of market tightening policies. In particular, these included: (i) a business tax of 5% of the increased value on residential properties that are bought and resold in less than a year; and (ii) a ban on all mortgage transfers, as a result of which homeowners will have to pay off the balance of their existing mortgage before they can sell to the next buyer if the transfer takes place within one year from the original purchase. Other policies are aimed at expanding the supply of subsidised housing and housing aimed at low- or middle-income households.

On 5 March 2005, the local government in Shanghai issued Certain Opinions on Strengthening the Present Adjustment and Control of Real Property Market and Promoting a Sustainable and Healthy Development of the Real Property Market, or the Opinions, which made clear that future development of the real property market is aimed at stabilizing the rapid increase in real property prices and preventing speculation by focusing on the supply of ordinary residential units to local residents. Fiscal, financial, legal, administrative and other means will be used comprehensively to achieve such ends. On 7 March 2005, in response to the Opinions, the Shanghai Local Tax Bureau issued a notice to remove the business tax exemption which had been in effect since 1 August 1999 and began imposing a 5% business tax, together with other miscellaneous levies, on gains from transfers of real properties which take place within one year from the original purchase. To support the central government's macroeconomic control measures over the local real property market, the Shanghai Banking Association issued the Guidelines for Banks in Shanghai on Granting Mortgage Loans to Individuals, or the Guidelines, on 28 March 2005. Pursuant to these Guidelines, commercial banks in Shanghai are required to increase the percentage of down payment if a borrower applies for a mortgage loan for a second property. If the same borrower applies for a mortgage loan for additional properties, the loan applications will be subject to strict scrutiny. The banks will substantially increase the percentage of down payment and interest rates for such mortgage loans. In addition, the banks are banned from providing bridge loans to enable sellers to transfer their properties prior to paying off the entire amount of their outstanding loan if the transfer takes place within one year from the original purchase. Further, on 31 May 2005, the Shanghai Finance Bureau, the Shanghai Tax Bureau, the Shanghai Urban Planning Bureau and the Shanghai Land and Resources Bureau jointly supplemented the Notice Concerning the Strengthening of Administration of Real Property Taxes pursuant to which non-luxury homes are defined under this notice as homes with a GFA of less than 140 square metres and costing less than RMB17,500 per square metre if located within the Inner Ring Viaduct, RMB10,000 per square metre if located between the Inner and the Outer Ring Viaduct or RMB7,000 per square metre if located outside the Outer Ring Viaduct, with buyers of luxury homes after 1 June 2005 subject to a 3% deed tax.

Other local governments in the PRC, including those in Hangzhou, Wuhan and Chongqing, have issued similar notices to specify their respective standards of “ordinary residential property” and supplement the requirements set out in the Opinion.

Local legislation

While the Urban Land Regulations set out a general framework for transactions relating to land use rights, local legislation regulates specific transactions within specified areas relating to the grant and transfer of land use rights. These local regulations are numerous. Some of them are inconsistent with national legislation. The central authorities have taken the position that if there are inconsistencies, the national legislation will prevail.

FOREIGN INVESTED ENTERPRISES

Overview

The PRC promulgated its first joint venture law in 1979. Since then, a broad range of related laws, administrative rules and regulations have been adopted that provide a framework within which foreign investment activities can be effectively conducted and regulated. The government has encouraged foreign direct investment in order to accelerate the inward flow of foreign capital, technology and management techniques.

Foreign invested enterprises in the PRC, or FIEs, may take a number of forms, including:

- Equity joint ventures;
- Co-operative joint ventures; and
- Wholly foreign-owned enterprises.

Procedures for establishment of a Joint Venture

The establishment of a joint venture requires the approval of MOFCOM (or its delegated authorities). Certain documents including a feasibility study report, joint venture contract and articles of association of joint venture are required to be submitted to MOFCOM or its delegated authorities for approval. Within 30 days after the issue of the approval certificate by MOFTEC, the applicant is required to apply to the State Administration Bureau for Industry and Commerce ("SAIC") (or its local bureau) for the issue of a business license. A joint venture entity is formally established on the date its business license is issued.

Types of Joint Ventures

Sino-foreign equity joint ventures

Equity joint ventures and are governed by the Sino-foreign Equity Joint Ventures Law of the PRC (the "Equity Joint Venture Law") adopted on 1 July 1979 and amended on 15 March 2001 by the NPC and the Implementing Regulations of the Sino-foreign Equity Joint Ventures Law of the PRC promulgated on 20 September 1983 and amended on 22 July 2001 by the State Council.

Under the Equity Joint Venture Law and its Implementing Regulations, an equity joint venture takes the form of a limited liability company. It is an independent legal person which may independently assume civil obligations, enjoy civil rights and own, use and dispose of its assets. The liability of the joint venture partners is limited to the amount of the registered capital they have respectively agreed to contribute under the joint venture contract. The registered capital must be paid in accordance with the terms and conditions of the joint venture contract and may take the form of cash, land use rights, capital goods, intellectual property rights and know-how. Transfer of the contribution(s) in the registered capital of a joint venture partner to any other person(s) requires the consent of the other joint venture partner(s) and the approval of the original approval authority.

The total amount of investment of an equity joint venture is the sum of capital construction funds and circulating funds required for the scale of its operations and production. The proportion of the investment contributed by a foreign joint venture partner in the registered capital of the joint venture in general shall not be less than 25%. Under the Provisional Regulations Concerning the Ratio of Registered Capital and Total Investment of Sino-foreign Equity Joint Venture promulgated by the SAIC on 1 March 1987, the ratios between the amount of registered capital and the amount of total investment are prescribed. For example, where the amounts of total investment is between US$10 million and US$30 million, the amount of registered capital must not be less than 40% of total investment.

The profit, risks and losses of an equity joint venture are shared by the joint venture partners in proportion to their contributions to the registered capital.

The operations of an equity joint venture are regulated by an extensive body of laws and regulations, both national and regional, governing matters such as registration, capital contribution, foreign exchange, accounting, taxation and labour.

Sino-foreign cooperative joint ventures

Cooperative joint ventures are governed by the Sino-foreign Cooperative Joint Ventures Law of the PRC (the "Cooperative Joint Venture Law") promulgated on 13 April 1988 and amended on 31 October 2000 and the Implementing Rules of the Sino-foreign Cooperative Joint Ventures Law of the PRC promulgated by MOFTEC on 4 September 1995.

A co-operative joint venture may or may not be registered as an independent legal entity. If a co-operative joint venture is registered as an independent legal person, the joint venture entity will take the form of a limited liability company. The joint venture partners of a co-operative joint venture that has not applied for the status of an independent legal person are required to assume civil liabilities in accordance with the applicable PRC civil law.

Matters relating to the establishment, approval procedures, capital contribution, foreign exchange, accounting, taxation and labour of a co-operative joint venture are substantially the same as those of an equity joint venture.

Under the Cooperative Joint Venture Law and its Implementing Rules, the joint venture partners have a greater degree of flexibility to structure the joint venture arrangements and to determine their respective rights, obligations and liabilities. Profits and losses of a cooperative joint venture may be distributed to and shared by the joint venture partners in such manner as those partners may agree to, instead of in proportion to their respective contribution to the registered capital of the joint venture. In addition, where the cooperative joint venture contract provides for the reversion of all fixed assets of the cooperative joint venture to the local joint venture partner upon the expiry of the term of the joint venture, the joint venture partners may agree in the relevant joint venture contract the mechanism of profit distribution whereby the foreign joint venture partner may have priority in recovering investment during the term of the joint venture.

Management of Joint Ventures

Under the Equity Joint Venture Law and the Cooperative Joint Venture Law, the highest authority of a joint venture is vested in its board of directors. There is no requirement under the applicable law for the holding of meetings of joint venture partners.

The powers and functions of the board of directors are generally governed by the provisions of the joint venture contract and the articles of association of the joint venture. Meetings of the board of directors of a joint venture are required to be held at least once every year. In general, major decisions affecting the joint venture (such as development plans, production and business plans, budget, distribution of profits, termination of business and appointment of key personnel) are to be determined by the board directors. The daily operation and management of a joint venture is vested in the management office which has a general manager and several deputy managers who assist the general manager. The general manager and deputy general managers of a joint venture are engaged by its board directors. A general manager is required to act in accordance with the directions and guidance of the board of the directors.

On 6 January 2003, MOFTEC promulgated Circular Concerning Strengthening Management of Approval, Registration, Foreign Exchange, Taxation and Relevant Problems of Foreign-Investment Enterprises. This circular took effect on 1 January 2003 and provides that if the investment proportion of foreign investors is less than 25%, they should apply for examination for approval and registration according to the procedure now required when establishing Foreign-Investment Enterprises. If it passes the examination, the enterprise will be granted a ratification certificate for foreign-investment enterprise which states "foreign investment is less than 25%". Once the enterprise obtains the registration, it will be granted a business license for foreign investment enterprise and the words "foreign investment is less than 25%" will be added to the column of "Nature of Enterprise" on such business licence. Such enterprises cannot enjoy the preferential tax policies of foreign-investment enterprises.

Wholly-foreign-owned enterprise

A wholly-foreign-owned enterprise, or WFOE, is owned completely by one or more foreign investors and does not involve any PRC joint venture parties. It is a PRC legal person under PRC law. The establishment of wholly-foreign-owned enterprises is restricted or prohibited in certain specified sectors, such as media, trading companies, banking and telecommunications.

REGULATION OF FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign currency exchange

The principal regulations governing foreign currency exchange in the PRC are the Regulations for the Control of Foreign Exchange (中華人民共和國外匯管理條例), or the Foreign Exchange Regulations, promulgated by the State Council in January 1996, as amended. Under these regulations, Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not for expenses of capital, such as direct investment, loans or investments in securities outside the PRC unless the prior approval of the State Administration for Foreign Exchange is obtained.

Under the Foreign Exchange Regulations, foreign-invested enterprises in the PRC may purchase foreign exchange without State Administration for Foreign Exchange approval for trade and service-related foreign exchange transactions by providing commercial documents evidencing these transactions. They may also remit foreign exchange (subject to a cap approved by the State Administration for Foreign Exchange) to satisfy foreign exchange liabilities or to pay dividends. However, the relevant PRC Government authorities, which have significant administrative discretion in implementing the laws, may restrict or eliminate the ability of foreign-invested enterprises to purchase and remit foreign currencies in the future. See "Risk factors — Risks relating to the People's Republic of China — Restrictions on currency exchange may limit our ability to utilise our turnover effectively." In addition, foreign exchange transactions involving direct investment, loans and investments in securities outside the PRC are subject to limitations and require approvals from the State Administration for Foreign Exchange.

Dividend distribution and remittance

The principal PRC regulations governing the distribution of dividends by our WFOEs are (i) The Wholly Foreign-Owned Enterprise Law (1986), as amended in 2000; and (ii) Implementation Regulations under the Wholly Foreign-Owned Enterprise Law (2001).

Under these regulations, WFOEs in China may only pay dividends out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a WFOE in China is required to set aside at least 10.0% of its after-tax income each year, if any, to fund a reserve fund until the accumulated reserve amounts to 50.0% of its registered capital. It is also required to set aside funds for the employee bonus and welfare fund from its after-tax income each year at percentages determined at its sole discretion. These reserves are not distributable as cash dividends.

For overseas remittance of the current year's dividends, a WFOE is required, under the Circular on Relevant Questions Concerning the Remittance of Profits, Dividends and Bonuses Out of China Through Designated Foreign Exchange Banks (關於外匯指定銀行辦理利潤、股息、紅利彙出有關問題的通知) which was issued on 22 September 1998 and amended on 14 September 1999, to submit the following documents to a designated foreign exchange bank:

- Proof of tax payment and tax returns (WFOEs enjoying tax reductions or exemptions shall provide certification of tax reduction and exemption issued by the local tax authorities);
- An auditor's report on the profit and dividend situation for the current year issued by an accounting firm;
- The resolution of the board of directors relating to the dividends distribution;
- The foreign investment enterprise's foreign exchange registration certificate;
- The capital verification report issued by an accounting firm; and
- Other documents the State Administration for Foreign Exchange may require.

In addition, for overseas remittance of preceding years' dividends, such WFOE shall appoint an accounting firm to conduct an audit for the year(s) in which the dividend-related profits were generated and shall present the auditor's report to the bank as a required supplemental document.

In the case of foreign investment companies the registered capital of which has not been fully paid up in accordance with the joint venture contract and/or articles of association, the dividends in foreign currency may not be remitted out of the PRC. If there are special circumstances under which the registered capital cannot be contributed within the time limit as specified in the joint venture contract and/or articles of association, the foreign investment company shall apply for approval with the original approving authority. With the approval of the original approving authority and the abovementioned required documents, the dividends in foreign currency shall be remitted out of the PRC in proportion to the registered capital that has actually been contributed.

Shareholder loan

A shareholder loan made by foreign investors as shareholders to foreign investment enterprises such as cooperative joint ventures, equity joint ventures and WFOEs is regarded as foreign debt in China, which is subject to a number of PRC laws and regulations, including the Foreign Exchange Control Regulations (中華人民共和國外匯管理條例) of 1997, the Interim Measures on Foreign Debts (外債管理暫行辦法) of 2003 or, the Interim Measures, the Statistical Monitoring of Foreign Debts Tentative Provisions of 1987 (外債統計監測暫行規定) and its Implementing Rules of 1998 (外債統計監測暫行規定實施細則), the Administration of the Settlement, Sale and Payment of Foreign Exchange Provisions of 1996 (結匯、售彙及付彙管理規定) and the Notice of the State Administration of Foreign Exchanges in Respect of Perfection of Issues Relating Foreign Debts, dated 21 October 2005 (國家外匯管理局關於完善外債管理有關問題的通知).

Under these regulations, a shareholder loan of a foreign debt nature made to cooperative joint ventures, equity joint ventures and WFOEs does not require the prior approval of the State Administration for Foreign Exchange. However, such foreign debt must be registered with and recorded by the State Administration for Foreign Exchange or its local branch in accordance with relevant PRC laws and regulations.

Our PRC subsidiaries can legally borrow foreign exchange loans up to their borrowing limits, which is the difference between their respective amounts of “total investment” and “registered capital” as approved by the Ministry of Commerce or its local counterparts. “Total investment” is the projected amount of funds necessary for a foreign-invested enterprise to attain the production or operational capacity set out in its joint venture contract and/or articles of association, whereas “registered capital” refers to the equity or capital contributions to be paid in full by the foreign investors. Interest payment, if any, on the loans is subject to a 10% withholding tax.

Pursuant to Article 18 of the Interim Measures, if the foreign exchange debts of our PRC subsidiaries exceed their respective borrowing limits, we are required to apply to the relevant PRC authorities to increase the total investment amount (and registered capital) in order to allow the excess of the foreign exchange debts to be registered with the State Administration for Foreign Exchange.

The procedures for registration of the foreign debt and remittance of foreign currency for related interest, principal and other payments are as follows:

- Within 15 days after formal execution of a shareholder loan agreement, borrowers shall present relevant documents to the State Administration for Foreign Exchange or its local branch and complete registration procedures and collect a seriatim Foreign Debt Registration Certificate (外債登記證). The submission includes (i) a signed application, (ii) an original and copy of the shareholder loan agreement, (iii) a completed Form with Information on Execution of Foreign Debt Agreement (外債簽約情況表), (iv) Foreign

Exchange Registration Certificate for Foreign Investment (外商投資企業外匯登記證), the joint venture contract and/or articles of association relating to establishment of the foreign investment enterprise and a capital verification report, and (v) other documents that the State Administration for Foreign Exchange or its local branch may require.

Moreover, in connection with foreign debt registration, it is also required that the registered capital of the related foreign investment enterprise is fully paid up in accordance with the joint venture contract and/or articles of association. The amount of the medium and long-term foreign debts that the foreign investment enterprise has borrowed may not exceed the difference between the total investment as stipulated in the joint venture contract or its articles of association and its registered capital. In principle, the interest rate on foreign loans may not be higher than the interest rate on similar loans in the international financial market; otherwise, the registration could be denied by the relevant administration of foreign exchange.

- When borrowers transfer foreign currency into China pursuant to foreign loan agreements, upon presentation of their Foreign Debt Registration Certificate, they shall open a Foreign Debt Spot Exchange Special Account (外債專用稅匯帳戶) with a bank in the PRC designated or approved by the State Administration for Foreign Exchange.

- When borrowers repay principal and interest, they should make an application to the State Administration for Foreign Exchange or its local branch based on the specified valid vouchers for the issuance of Verification Certificate (核准許). The submission includes (i) a signed application form (加蓋申請單位公章的業務申請表), (ii) Foreign Debt Registration Certificate, (iii) shareholder loan agreement, (iv) notices of repayment of principal and interest issued by lender (債權人的還本付息通知單), which shall include the total amount of the principal and interest for repayment, amount of the principal to be repaid, interest rate and the method and period for calculating interest, (v) notification of the transfer into account of the related portion of the loan and the current foreign currency account statement (該筆貸款資金入賬通知單和現有外匯帳戶對帳單), (vi) proof of tax payment and tax returns for the payment of interest and fees (對外支付利息和費用需提供稅務憑證), and (vii) other documents that the State Administration for Foreign Exchange or its local branch may require.

- The bank which has opened the account for such borrowers shall rely on the Verification Certificate and Foreign Debt Registration Certificate as provided by borrowers and effect payment through the Foreign Debt Spot Exchange Special Account.

- In accordance with the bank payment documentation, borrowers shall record the amount of the payment in a Foreign Debt Variation and Repayment Form (外債變動反饋表) and file a copy with the State Administration for Foreign Exchange or its local branch that issued the Foreign Debt Registration Certificate.

In accordance with the Notice of the State Administration for Foreign Exchange on Improving the Examination of the Settlement of Foreign Exchange on the Capital Account by Foreign-Invested Enterprises and Administration of the Registration of Their Foreign Debts issued by the State Administration for Foreign Exchange on 17 May 2004, local branches of the State Administration for Foreign Exchange and authorised designated foreign exchange banks shall, when handling the approval of settlement of foreign debts and the formalities for the verification of foreign exchange settlement of the foreign debt capital of foreign investment enterprises and in the case of a single transaction for an amount of more than US$200,000 which is used for such settlement of foreign exchange, request from the relevant foreign investment enterprise such written instructions of payment regarding the use of the capital for such settlement and make payment directly to the designated recipient.

With regard to payment of small amounts, including payment of salaries, setting aside of reserves or for amounts of foreign exchange settlement capital of US$200,000 or less, the local branches of the State Administration for Foreign Exchange and authorised designated foreign exchange banks may choose not to request the relevant foreign investment enterprise to provide written payment instructions, but to transfer the foreign exchange settlement capital into the RMB bank account of such foreign investment enterprise. However, the foreign investment enterprise shall provide a detailed list of the uses of the previous foreign exchange settlement capital in connection with the subsequent foreign exchange settlement.

Set out below is a summary of certain provisions of our memorandum of association and our articles of association and of certain aspects of Cayman Islands Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 February 2004 under the Cayman Islands Companies Law. Our memorandum of association and our articles of association comprise our constitution.

MEMORANDUM OF ASSOCIATION

Our memorandum of association states, among other things, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Islands Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

We may by special resolution alter our memorandum of association with respect to any objects, powers or other matters specified in our memorandum of association.

ARTICLES OF ASSOCIATION

Our articles of association were adopted pursuant to a shareholders' resolution passed on 18 September 2006, conditional upon and with effect from the Listing Date. The following is a summary of certain provisions of our articles of association:

Directors

Composition of our board

Unless otherwise determined by our Company in general meeting, the number of directors shall not be less than three. There is no maximum number of directors. Notwithstanding any other provisions in our articles of association, our board shall comprise a majority of independent non-executive directors.

Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Islands Companies Law and our memorandum of association and articles of association and 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 our 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 our board may determine). Subject to the Cayman Islands Companies Law, the rules of any Designated Stock Exchange (as defined in our articles of association) and our memorandum of association and articles of association, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

Our board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Cayman Islands Companies Law and our articles of association and, where applicable, the rules of any Designated Stock Exchange (as defined in our articles of association) 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 our Company shall be at the disposal of our board, which may re-designate 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 our Company nor our 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 our 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.

Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in our articles of association relating to the disposal of the assets of our Company or any of our subsidiaries. Our directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by our articles of association or the Cayman Islands Companies Law to be exercised or done by our Company in general meeting.

Compensation or payments for loss of office

Pursuant to our articles of association, payments to any director or past director of any payment 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 our Company in general meeting.

Loans and provision of security for loans to directors

There are provisions in our articles of association prohibiting the making of loans or provision of security to directors.

Disclosure of interests in contracts with our Company or any of our subsidiaries

A director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of director for such period and, subject to our articles of association, upon such terms as our board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other articles. A director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our 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 our articles of association, our board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to our directors or officers of such other company.

Subject to the Cayman Islands Companies Law and our articles of association, no director or proposed or intended director shall be disqualified by his office from contracting with our 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 our 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 our Company shall declare the nature of his interest at the meeting of our 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 our 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 our 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:

- 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 our Company or any of our subsidiaries;

- any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of our 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;

- any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our 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;

- 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 our Company by virtue only of his/their interest in shares or debentures or other securities of our Company;

- 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 five 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

- 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 our Company or of any of our 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.

Remuneration

The ordinary remuneration of our directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our directors in such proportions and in such manner as our 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. Our directors shall also be entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or 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 our 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 our Company or who performs services which in the opinion of our 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 our board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a director. An executive director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as our board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a director.

Our board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our 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 our Company or any of our subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

Our 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 our board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

Retirement, appointment and removal

At each annual general meeting, one-third of our 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. Our 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. There are no provisions relating to retirement of directors upon reaching any age limit.

Our 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 our board or as an addition to the existing board provided that our board shall comprise a majority of independent non-executive directors. Any director so appointed shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a director nor an alternate director is required to hold any shares in our Company by way of qualification.

A director may be removed by ordinary resolution of our 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 our Company) and our Company may by ordinary resolution appoint another in his place.

The office or director shall be vacated if he:

- Becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors
- Is found to be or becomes of unsound mind;
- Resigns his office by notice in writing to our Company;
- Ceases to be a director by virtue of any provisions of law or is removed from office pursuant to our articles of association; or
- Is prohibited by law from being a director.

Our board may from time to time appoint one or more of its body to be president, vice-president(s), secretary, treasurer, assistant treasurer, manager or controller or to hold any other employment or executive office with our Company for such period and upon such terms as our board may determine and our board may revoke or terminate any of such appointments. Our board may delegate any of its powers to committees consisting of such director or directors and other persons as our 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 any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by our board.

Borrowing powers

Our board may exercise all the powers of our Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital of our Company, to issue debentures, debenture stock, and other securities of our Company for any debt, liability or obligation of our Company or of any third party.

Proceedings of our board

Our board may meet together with (either within or outside the Cayman Islands) for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

Register of directors and officers

The Cayman Islands Companies Law and our articles of association provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty days of any change in such directors or officers.

Alterations to constitutional documents / Change of Name

Our articles of association may be rescinded, altered or amended by our Company in general meeting by special resolution. The Cayman Islands Companies Law provides that a special resolution shall be required to alter the provisions of our memorandum of association, to amend our articles of association or to change the name of our Company.

Alteration of capital

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Islands Companies Law:

- increase its capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

- convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination than is fixed by our memorandum of association;

- divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as our directors may determine;

- sub-divide its shares or any of them into shares of smaller amount than is fixed by our memorandum of association, subject nevertheless to the provisions of the Cayman Islands Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or

- 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.

Our Company may by special resolutions reduce its share capital and any capital redemption reserve in any manner authorised by law.

Variation of rights of existing shares or classes of shares

Subject to the Cayman Islands Companies Law, the rights attaching to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of our articles of association relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons 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 by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

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 (as defined in our articles of association) or in such other form as our 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 our 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 our 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. Our 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.

Our 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 our 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 the Cayman Islands or such other place at which the principal register is kept in accordance with the Cayman Islands Companies Law.

Our 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 our Company has a lien.

Our board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in our articles of association) may determine to be payable or such lesser sum as our directors may from time to time require is paid to our 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 our board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in our articles of association), at such times and for such periods as our 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 days in any year.

Power for our Company to purchase our own shares

Our Company is empowered by the Cayman Islands Companies Law and our articles of association to purchase its own Shares subject to certain restrictions and our board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in our articles of association).

Power for any subsidiary of our Company to own shares in our Company

There are no provisions in our articles of association relating to ownership of shares in our Company by a subsidiary.

Requirements for annual general meetings

An annual general meeting of our Company must be held in each year (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 our articles of association)) at such time and place as may be determined by our board.

Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in the sub-paragraph entitled “Special Resolution — majority required/ordinary resolution” below) be called by at least twenty-one clear days’ notice in writing, and any other extraordinary general meeting at which an ordinary resolution is to be proposed shall be called by at least fourteen clear days’ notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than such as, under the provisions of our articles of association or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- the declaring and sanctioning of dividends;
- the consideration and adoption of the accounts and balance sheet and the reports of our directors and the auditors;
- the election of directors whether by rotation or otherwise in place of those retiring;
- the appointment of auditors and other officers;
- the fixing of the remuneration of our directors and of the auditors;
- the granting of any mandate or authority to our directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent. in nominal value of its existing issued share capital; and
- the granting of any mandate or authority to our directors to repurchase securities of our Company.

Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by our articles of association 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.

A corporation being a member shall be deemed for the purpose of our articles of association to be present in person if represented by its duly authorised representative being the person appointed by resolution of our directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

Special resolution-majority required / Ordinary resolution

Pursuant to our articles of association, a special resolution of our Company must be passed by a majority of not less than three-fourths of such members as, being entitled so to do, vote in person or, in the case of such members being corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, 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. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen days of being passed.

An ordinary resolution is defined in our articles of association to mean a resolution passed by a simple majority of such members as, being entitled to do so, vote in person or, in the case of such members being corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with our articles of association.

Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with our articles of association, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every 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 installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in our articles of association, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in our articles of association) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in our Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or if required by the rules of the Designated Stock Exchange, by any director or directors who, individually or collectively, hold proxies in respect of shares representing five per cent. or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our 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 of our Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in our articles of association), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Proxies

Any member of our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

Accounts and audit

Our board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Cayman Islands Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as our board decides and shall always be open to inspection by any director. No member (other than a director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by our board or our Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of our directors' report and a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions our articles of association; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in our articles of association), our Company may send to such persons a summary financial statement derived from our Company's annual accounts and our directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to a summary financial statement, a complete printed copy of our Company's annual financial statement and our directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of our articles of association. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our 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 the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

Dividends and other methods of distribution

Subject to the Cayman Islands Companies Law, our 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 our board.

Our articles of association provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Islands Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever our board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, our 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 our board may think fit. Our Company may also upon the recommendation of our board by an ordinary resolution resolve in respect of any one particular dividend of our 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.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever our board or our Company in general meeting has resolved that a dividend be paid or declared our 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 our board for the benefit of our Company until claimed and our 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 our board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Inspection of register of members

Pursuant to our articles of association the register and branch register of members shall be open to inspection for at least two hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by our board, at the registered office or such other place at which the register is kept in accordance with the Cayman Islands Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by our board, at the Registration Office (as defined in our articles of association), unless the register is closed in accordance with our articles of association.

Call on shares and forfeiture of shares

Subject to our articles of association and to the terms of allotment, our board may from time to time make such calls upon the members in respect of any moneys unpaid on their partly paid shares (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 from whom the sum is due shall pay interest upon the sum at the rate of eight per cent. per annum from the day appointed for the payment thereof to the time of actual payment, but our board may waive payment of such interest wholly or in part. Our board may, if it thinks fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon any partly paid shares held by him, and upon all or any of the moneys so advanced our Company may pay interest at such rate (not exceeding without the sanction of an ordinary resolution, eight per cent. per annum) as may be agreed upon between the member paying the sum in advance and our directors.

If a member fails to pay any call on the day appointed for payment thereof, our board may serve not less than fourteen 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 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 our board to that effect.

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 our Company all moneys which, at the date of forfeiture, were payable by him to our Company in respect of the shares, but this liability shall cease if and when our Company receives payment in full of the amount unpaid on the shares forfeited.

Rights of the minorities in relation to fraud or oppression

There are no provisions in our articles of association relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in this Appendix.

Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our 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 Cayman Islands Companies Law divide among the members in specie or kind the whole or any part of the assets of our 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.

Untraceable members

Pursuant to our articles of association, our Company may sell any of the shares of a member who is untraceable if (i) all cheque(s) or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in our articles of association) 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 our articles of association), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in our articles of association) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

Subscription rights reserve

Our articles of association provide that to the extent that it is not prohibited by and is in compliance with the Cayman Islands Companies Law, if warrants to subscribe for shares have been issued by our Company and our 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.

CAYMAN ISLANDS COMPANIES LAW

Our Company is incorporated in the Cayman Islands subject to the Cayman Islands Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of the Cayman Islands Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

Operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

Share capital

The Cayman Islands Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Islands Companies Law provides that the share premium account may be applied by our Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of our Company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Islands Companies Law);

(d) writing-off the preliminary expenses of our Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of our Company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, our Company will be able to pay its debts as they fall due in the ordinary course business.

The Cayman Islands Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Our articles of association includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, our Company may give financial assistance to directors and employees of our Company, our subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, our subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if our directors of our Company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of our Company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

Purchase of shares and warrants by a company and our subsidiaries

Subject to the provisions of the Cayman Islands Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our Company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if our articles of association of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of our Company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of our Company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, our Company shall be able to pay its debts as they fall due in the ordinary course of business.

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 Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and our directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

Dividends and distributions

With the exception of section 34 of the Cayman Islands Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Islands Companies Law permits, subject to a solvency test and the provisions, if any, of our Company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account.

Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of our Company to challenge (a) an act which is ultra vires our Company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of our Company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of our Company in issue, appoint an inspector to examine into the affairs of our Company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that our Company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our Company's memorandum and articles of association.

Management

The Cayman Islands Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, 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 our Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by our Company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by our Company; and (iii) the assets and liabilities of our Company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our Company's affairs and to explain its transactions.

Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

- that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 23 March 2004.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

Loans to directors

There is no express provision in the Cayman Islands Companies Law prohibiting the making of loans by a company to any of its directors.

Inspection of corporate records

Members of our Company will have no general right under the Cayman Islands Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's articles of association.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as our directors may, from time to time, think fit. There is no requirement under the Cayman Islands Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

Winding up

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of our Company by its memorandum expires, or the event occurs on the occurrence of which our memorandum of association provides that our 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.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of our Company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, our Company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of our Company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for our Company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of our Company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge our Company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of our 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 our Company has been disposed of, and thereupon call a general meeting of our Company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Cayman Islands Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

GENERAL

Walkers, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Islands Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix X. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT THE COMPANY

A. Incorporation

We were incorporated in the Cayman Islands as an exempted company under the Companies Law on 12 February 2004. We have registered a place of business in Hong Kong at 34/F, Shui On Centre, 6-8 Harbour Road, Hong Kong and have been registered as an oversea company under Part XI of the Hong Kong Companies Ordinance. Mr. Kim Lun UY has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its registered place of business in Hong Kong set out above. As we are incorporated in the Cayman Islands, our corporate structure, our memorandum of association and our articles of association are subject to the laws of the Cayman Islands. A summary of our constitution and relevant aspects of the Cayman Islands Companies Law is set out in Appendix VIII.

B. Changes in share capital

As at the date of our incorporation, our authorised share capital was US$50,000 divided into 5,000,000 shares of par value of US$0.01 each. The following changes in our share capital have taken place since the date of our incorporation:

(a) On 16 February 2004, one subscriber share was allotted and issued fully paid to Elisa Gatti. On 16 February 2004, one share was transferred from Elisa Gatti to Shui On Investment Company Limited;

(b) On 29 April 2004, our authorised share capital was increased to US$14,000,000 divided into 1,400,000,000 shares of par value US$0.01 each comprising 1,000,000,000 ordinary shares, 180,000,000 Senior Preference Shares and 220,000,000 Junior Preference Shares. On 29 April 2004, 65,999,999 shares were allotted to Shui On Investment Company Limited. On 29 April 2004, 235,000,000 ordinary shares of US$0.01 each were allotted to Shui On Properties Limited;

(c) On 31 May 2004, NRI Limited was allotted 130,000,000 ordinary shares of US$0.01 each. On 31 May 2004, Ergo Versicherungsgruppe AG was allotted 45,000,000 Senior Preference Shares. On 31 May 2004, MetroProp (China) was allotted 15,000,000 Senior Preference Shares. On 31 May 2004, Citicorp International Finance Corporation was allotted 10,000,000 Senior Preference Shares. On 31 May 2004, Jebsen and Company Limited was allotted 5,000,000 Senior Preference Shares. On 31 May 2004, Value Partners Funds were allotted 5,000,000 Senior Preference Shares. On 31 May 2004, Standard Chartered Bank was allotted 10,000,000 Senior Preference Shares;

(d) On 31 May 2004, NRI Limited was allotted 25,000,000 Junior Preference Shares. On 31 May 2004, Ergo Versicherungsgruppe AG was allotted 30,000,000 Junior Preference Shares. On 31 May 2004, MetroProp (China) was allotted 10,000,000 Junior Preference Shares. On 31 May 2004, Citicorp International Finance Corporation was allotted 10,000,000 Junior Preference Shares. On 31 May 2004, Value Partners Funds were allotted

5,000,000 Junior Preference Shares. On 31 May 2004, Ocean Equity Holdings Limited was allotted 20,000,000 Junior Preference Shares. On 31 May 2004, Shanghai Hope International Limited was allotted 10,000,000 Junior Preference Shares;

(e) On 4 November 2004, Ergo Versicherungsgruppe AG was allotted 11,250,000 Senior Preference Shares. On 4 November 2004, MetroProp (China) was allotted 3,750,000 Senior Preference Shares. On 4 November 2004, Jebsen and Company Limited was allotted 1,250,000 Senior Preference Shares. On 4 November 2004, Value Partners Funds were allotted 1,250,000 Senior Preference Shares. On 4 November 2004, Standard Chartered Bank was allotted 2,500,000 Senior Preference Shares. On 4 November 2004, Co-Investment Limited Partnership V was allotted 2,500,000 Senior Preference Shares;

(f) On 4 November 2004, NRI Limited was allotted 6,250,000 Junior Preference Shares. On 4 November 2004, Ergo Versicherungsgruppe AG was allotted 7,500,000 Junior Preference Shares. On 4 November 2004, MetroProp (China) was allotted 2,500,000 Junior Preference Shares. On 4 November 2004, Co-Investment Limited Partnership V (SOL) was allotted 2,500,000 Junior Preference Shares. On 4 November 2004, Ocean Equity Holdings Limited was allotted 5,000,000 Junior Preference Shares. On 4 November 2004, Value Partners Funds were allotted 1,250,000 Junior Preference Shares. On 4 November 2004, Shanghai Hope International Limited was allotted 2,500,000 Junior Preference Shares;

(g) On 20 May 2005, Ergo Versicherungsgruppe AG was allotted 22,500,000 Senior Preference Shares. On 20 May 2005, MetroProp (China) was allotted 7,500,000 Senior Preference Shares. On 20 May 2005, Co-Investment Limited Partnership V(SOL) was allotted 5,000,000 Senior Preference Shares. On 20 May 2005, Jebsen and Company Limited was allotted 2,500,000 Senior Preference Shares. On 20 May 2005, Value Partners Funds were allotted 2,500,000 Senior Preference Shares. On 20 May 2005, Standard Chartered Bank (Hong Kong) Limited was allotted 5,000,000 Senior Preference Shares;

(h) On 20 May 2005, NRI Limited was allotted 12,500,000 Junior Preference Shares. On 20 May 2005, Ergo Versicherungsgruppe AG was allotted 15,000,000 Junior Preference Shares. On 20 May 2005, MetroProp (China) was allotted 5,000,000 Junior Preference Shares. On 20 May 2005, Co-Investment Limited Partnership V (SOL) was allotted 5,000,000 Junior Preference Shares. On 20 May 2005, Ocean Equity Holdings Limited was allotted 10,000,000 Junior Preference Shares. On 20 May 2005, Value Partners Funds were allotted 2,500,000 Junior Preference Shares. On 20 May 2005, Shanghai Hope International Limited was allotted 5,000,000 Junior Preference Shares;

(i) On 20 June 2005, Ergo Versicherungsgruppe AG was allotted 11,250,000 Senior Preference Shares. On 20 June 2005, MetroProp (China) was allotted 3,750,000 Senior Preference Shares. On 20 June 2005, Co-Investment Limited Partnership V(SOL) was allotted 2,500,000 Senior Preference Shares. On 20 June 2005, Jebsen and Company Limited was allotted 1,250,000 Senior Preference Shares. On 20 June 2005, Value Partners Funds were allotted 1,250,000 Senior Preference Shares. On 20 June 2005, Standard Chartered Bank (Hong Kong) Limited was allotted 2,500,000 Senior Preference Shares;

(j) On 20 June 2005, NRI Limited was allotted 6,250,000 Junior Preference Shares. On 20 June 2005, Ergo Versicherungsgruppe AG was allotted 7,500,000 Junior Preference Shares. On 20 June 2005, MetroProp (China) was allotted 2,500,000 Junior Preference Shares. On 20 June 2005, Co-Investment Limited Partnership V (SOL) was allotted 2,500,000 Junior Preference Shares. On 20 June 2005, Ocean Equity Holdings Limited was allotted 5,000,000 Junior Preference Shares. On 20 June 2005, Value Partners Funds were allotted 1,250,000 Junior Preference Shares. On 20 June 2005, Shanghai Hope International Limited was allotted 2,500,000 Junior Preference Shares;

(k) On 9 December 2005, 5,866,667 ordinary shares of US$0.01 each were allotted to NRI Limited by way of bonus consideration in accordance with the sale and purchase agreement dated 18 February 2004 reflecting the achievement of certain performance targets on, among others, sales of our residential units in our Shanghai Rui Hong Xin Cheng project;

(l) With effect from 1 January 2006, following receipt of a written notice from Jebsen and Company Limited (“Jebsen”) of Jebsen’s election to convert 10,000,000 Senior Preference Shares into ordinary shares in accordance with their rights, we repurchased and cancelled those Senior Preference Shares and issued and allotted 8,115,547 ordinary shares of US$0.01 each to Jebsen;

(m) On 2 March 2006, 2,933,333 ordinary shares of US$0.01 each were allotted to NRI Limited by way of bonus consideration in accordance with the sale and purchase agreement dated 18 February 2004 reflecting the achievements of certain performance targets on, among others, sales of our residential units in our Shanghai Rui Hong Xin Cheng project;

(n) On 20 May 2006, each ordinary share of US$0.01 each was subdivided into 4 Shares of US$0.0025 each;

(o) On 20 May 2006, our authorised share capital was increased from US$14,000,000 to US$34,000,000 by the creation of a further 8,000,000,000 Shares;

(p) On 5 June 2006, 102,754,966 Shares were allotted to the HSBC Investor;

(q) As at the Listing Date, we will issue and allot 272,000,000 Shares to Shui On Investment Company Limited, a member of the Shui On Group, by way of bonus consideration in accordance with the sale and purchase agreements dated 18 February 2004 reflecting the achievement of certain performance targets on, among other things, sales of our residential units in our Shanghai Taipingqiao project;

(r) As at the Listing Date, upon conversion of the Preference Shares into Shares in accordance with their terms, we will repurchase and cancel such Preference Shares and issue and allot the following Shares to the former Preference Shareholders:

If the Offer Price is HK$4.80 per Share, being the bottom of the proposed Offer Price range:

	Number of Preference Shares as at the Latest Practicable Date before mandatory conversion		Number of Shares on conversion
Name of holder	**Senior**	**Junior**	
NRI Limited	—	50,000,000	191,495,324
Asia Real Estate Income Fund SICAV	90,000,000	60,000,000	439,034,456
MetroProp (China)	30,000,000	20,000,000	146,344,816
Co-Investment Limited Partnership V (SOL)	20,000,000	20,000,000	123,095,920
Ocean Equity Holdings Limited	—	40,000,000	153,196,260
Value Partners Funds	10,000,000	10,000,000	61,547,960
Standard Chartered Bank (Hong Kong) Limited	20,000,000	—	46,497,792
Shanghai Hope International Limited	—	20,000,000	76,598,128

If the Offer Price is HK$5.35 per Share, being the top of the proposed Offer Price range:

	Number of Preference Shares as at the Latest Practicable Date before mandatory conversion		Number of Shares on conversion
Name of holder	**Senior**	**Junior**	
NRI Limited	—	50,000,000	191,495,324
Asia Real Estate Income Fund SICAV	90,000,000	60,000,000	417,524,352
MetroProp (China)	30,000,000	20,000,000	139,174,780
Co-Investment Limited Partnership V (SOL)	20,000,000	20,000,000	118,315,896
Ocean Equity Holdings Limited	—	40,000,000	153,196,260
Value Partners Funds	10,000,000	10,000,000	59,157,948
Standard Chartered Bank (Hong Kong) Limited	20,000,000	—	41,717,768
Shanghai Hope International Limited	—	20,000,000	76,598,128

(s) As at the Listing Date and upon cancellation of the Preference Shares, the authorised but unissued share capital attributable to the Preference Shares will be cancelled such that the authorised share capital of the Company will accordingly become US$30,000,000 divided into 12,000,000,000 Shares;

(t) As at the Listing Date, upon automatic exercise of the Warrants in accordance with their terms, we will issue to the holders of Warrants a further 108,990,200 Shares assuming an Offer Price of HK$4.80, being the bottom of the proposed Offer Price range, or 107,370,582 Shares assuming an Offer Price of HK$5.35, being the top of the proposed Offer Price range;

(u) As at the Listing Date, in accordance with the terms of the HSBC Investment Agreement we will issue and allot to the HSBC Investor a further 58,870,034 Shares assuming an Offer Price of HK$4.80, being the bottom of the proposed Offer Price range, or 42,254,379 Shares assuming an Offer Price of HK$5.35, being the top of the proposed Offer Price range (in each case also assuming that the prevailing exchange rate on the business day before the day of issue of those Shares is HK$7.758: US$1.00, being the same as the rate applied to calculate the initial number of Shares issued to the HSBC Investor under the terms of the HSBC Investment Agreement).

C. Description of the Warrants

On 12 October 2005, we issued 3,874,250 Warrants exercisable for the purchase of approximately 3.1% (on a fully diluted basis and assuming conversion of all Preference Shares) of our then outstanding ordinary shares of US$0.01 each. The Warrants are exercisable at an exercise price of US$0.01 per Share, at any time on or after the Listing Date. The Warrants will expire on 12 October 2008. Upon exercise at any time after the Listing Date, the number of Shares or cash equivalent to the fair value of such Shares to which each Warrant holder would be entitled is determined in accordance with the following formula. There will be an adjustment to the conversion rate based on any issue of Shares by us at other than fair value. The "fair value" per Share at any date of determination shall be the average (weighted by daily trading volume) of the daily prices, being the closing price that day as reported by the Stock Exchange, per Share for the lesser of (A) the 10 consecutive trading days immediately prior to that date and (B) the total number of trading days for which the Shares have traded immediately prior to that date. We have the option to satisfy exercises in cash or Shares. We have amended the terms of the Warrants such that they will be exercised automatically on Listing and satisfied by the issue of Shares. See the section entitled "Corporate Structure — History and Corporate Reorganisation — Amendment to the terms of the Warrants" for more details.

(i) *Formula*

Each Warrant will entitle the holder to receive cash from the Company in an amount equal to the fair value of a number of fully paid and non-assessable ordinary shares of the Company equal to Y at an exercise price of US$0.01 per share, subject to adjustments in certain cases as described below, provided that, if the issuance or delivery of Shares by the Company to a holder of Warrants would not be subject to any pre-emption right of holders of Shares and the exercise price per Share is equal to or greater than the par value per Share, the Company may deliver, at the Company's sole option, Shares in lieu of cash, where:

$Y = \{A \text{ x } [D / (1 — A)]\} / C$;

$A =$ 0.031 (the "Initial Warrant Participation"), as adjusted from time to time as described below;

C = 3,874,250; and

D = the total number of outstanding Shares on the Listing Date, assuming conversion of the Preference Shares, minus the aggregate number of newly issued Shares that we sold pursuant to the Listing at the Offer Price.

(ii) ***Adjustments***

The Initial Warrant Participation and the exercise price will be subject to adjustment, subject to certain exceptions, in certain events including:

(1) the payment by the Company of dividends and other distributions on our Shares;

(2) subdivisions, consolidations and reclassification of the Shares;

(3) the distribution to all holders of the Shares of rights, options or warrants to subscribe for Shares or securities convertible into, or exchangeable or exercisable for, Shares at a price which is less than the fair value per Share of the Shares on that date;

(4) certain distributions to all holders of the Shares of any of our assets or debt securities or any rights or warrants to purchase any such securities (excluding those rights and warrants referred to in (3) above and cash dividends and other cash distributions from current or retained earnings);

(5) the issuance of Shares for a consideration per Share less than the then fair value per Share, excluding:

- securities issued in transactions referred to in clauses (1) to (4) above or clause (6) below or the issuance of Shares upon exercise of the Warrants;
- ordinary Shares issued as consideration in a merger (and, if the merger is with an affiliate of the Company, only if we obtain an opinion from an internationally recognised investment banking, appraisal or valuation firm stating that the consideration received in such merger is fair to the Company from a financial point of view); and
- Shares issued to officers, directors or employees of the Company or any of its subsidiaries under any benefit plan or other arrangements approved by the board of directors and holders of Shares when required by law; or

(6) the issuance of securities convertible into or exchangeable for the Shares for a conversion or exchange price plus consideration received upon issuance less than the then fair value per Share of the Shares of the Company, excluding:

- securities issued in transactions referred to in (3) and (4) above;

- the Warrants;
- securities issued as consideration in a merger; and
- securities issued to officers, directors or employees of the Company or any of its subsidiaries under any benefit plan or other arrangements approved by the board of directors and holders of Shares when required by law.

Any adjustments to the exercise price per Share will be calculated to the nearest cent. No adjustment need be made for any of the foregoing transactions if holders of the Warrants are to participate in the transaction on a basis and with notice that the board of directors determines to be fair and appropriate in light of the basis and notice on which other holders of Shares participate in the transaction.

No adjustment in the exercise price will be required unless such adjustment would require an increase or decrease of at least 1.0% in the exercise price, with all calculations to be made to the nearest cent or to the nearest 1/10,000th of a Share. However, any adjustment that is not made will be carried forward and taken into account in any subsequent adjustment.

Adjustment upon consolidation, merger or sale of assets

In the case of certain consolidations or mergers of the Company, or the sale or lease of all or substantially all of the assets of the Company to another person:

(1) each Warrant will be automatically exercisable for the kind and amount of securities, cash or other assets which the holder of the warrant would have owned immediately after such consolidation, merger or sale had the warrants been exercised immediately prior thereto; and

(2) the entity formed by or surviving any such consolidation or merger, if other than the Company, or to which such sale shall have been made will assume the obligations of the Company under the warrant agreement.

If:

(1) the Company consolidates with, merges with or into, or sells all or substantially all of its assets to, another person and in connection therewith the consideration payable to the holders of the Shares in exchange for their Shares is payable solely in cash, or

(2) there is a dissolution, liquidation or winding-up of our business, then the holders of the Warrants will be entitled to receive distributions on an equal basis with the holders of Shares, as if the Warrants had been exercised for Shares immediately prior to such event, less the exercise price.

Automatic conversion upon Listing

Further to the Amendment Agreement dated 31 August 2006, the terms of the Warrant Agreement have been amended for the automatic conversion of the Warrants at Listing Date by way of a cashless exercise satisfied by the issue of an aggregate of a number of fully paid Shares equal to Y multiplied by the number of Warrants, minus the number of whole Shares whose value at the Offer Price is not less than that of the aggregate exercise price for all such Warrants (the result rounded down to the nearest whole number and rounded to the nearest board lot), where:

Y = {A x [D/(1 - A)]} / C;

A = the Initial Warrant Participation;

C = 3,874,250

D = the total number of issued Shares on the Listing Date, assuming conversion of any Preference Shares in issue as of such date pursuant to the terms of the articles of association of the Company, minus the aggregate number of newly issued Shares that the Company sold pursuant to the Global Offering at the Offer Price.

The number of Shares to which each Warrant holder would be entitled assuming that the Offer Price is at the bottom of the proposed Offer Price range, would be as follows:

Name of holder	**Number of Warrants**	**Total number of Shares to which holder is entitled**	**Approximate percentage shareholding[1]**
Shui On Investment Company Limited	1,000,000	28,131,948	0.7%
Other Warrant holders	2,874,250	80,858,252	1.9%
Total	3,874,250	108,990,200	2.6%

Note:

(1) Based on the total issued Share capital assuming all of the Warrants are exercised.

D. Description of the Notes

On 12 October 2005, Shui On Development (Holding) Limited, our wholly owned subsidiary (the "Note Issuer"), issued US$375,000,000 of 8.5% Senior Notes due 2008 pursuant to a trust deed dated 12 October 2005 and entered into between the Note Issuer and J.P. Morgan Corporate Trustee Services Limited as trustee (the "Trust Deed").

The following is a summary of certain provisions of the Trust Deed and the Notes. As described in the section entitled "Documents delivered to the Registrar of Companies and Available for Inspection" in Appendix X, a copy of the Trust Deed is available for inspection.

Brief description of the Notes

The Notes are:

- general, unsecured obligations of the Note Issuer;

- senior in right of payment to any existing and future obligations of the Note Issuer expressly subordinated in right of payment to the Notes;
- *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Note Issuer (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Note Issuer's subsidiaries.

The Notes will mature on 12 October 2008, unless redeemed earlier pursuant to their terms and the Trust Deed. The Trust Deed allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further issues" below. Unless the context requires otherwise, references to the "Notes" for all purposes of the Trust Deed and this "Brief description of the notes" include any Additional Notes that are actually issued. Notes A and Notes B will bear interest at 8.5% per annum from the Original Issue Date or from the most recent Interest Payment Date with respect to which interest has been paid or duly provided for, payable semiannually in arrears on 12 April and 12 October of each year(each an "Interest Payment Date"), commencing 12 April 2006; *provided* that any Note B will accrue interest only on the pro-rata portion of its principal that is equal to the pro-rata portion of the purchase price that has been paid for the unit that such Note B formed a part of.

Interest will be paid to Holders of record at the close of business on 29 March or 28 September immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Further issues

Subject to the covenants described below, the Note Issuer may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes A in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under paragraph (1) of the "Limitation on indebtedness and disqualified or preferred stock" covenant described below.

Interest reserve account

The Paying Agent will establish an interest reserve account (the "Interest Reserve Account") on or before the Original Issue Date. Commencing three months prior to each Interest Payment Date and until interest payable on the Notes on such Interest Payment Date has been paid (each an "Interest Reserve Period"), the Note Issuer will deposit or maintain on deposit with the Paying Agent in the Interest Reserve Account (i) money (in U.S. dollars) or (ii) U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay interest on the Notes scheduled to be due and payable on the next succeeding Interest Payment Date. The Trustee or the Paying Agent will be entitled to withdraw amounts from the Interest Reserve Account to pay interest due under the Notes in the event that the Paying Agent has not received any such required payment when due. At the Stated Maturity of the Notes, the funds in the Interest Reserve Account will be withdrawn by the Paying Agent and applied to the payment of principal, premium, if any, and accrued interest due and payable on the Notes.

If at any time the amount on deposit in the Interest Reserve Account exceeds the amount then required to be held in the Interest Reserve Account, the Note Issuer shall be entitled to withdraw such excess amount. In the event that, at any time during an Interest Reserve Period, amounts in the Interest Reserve Account are not sufficient to pay interest on the Notes scheduled to be due and payable on the next succeeding Interest Payment Date, the Note Issuer will within 10 Business Days make additional deposits into the Interest Reserve Account with the Paying Agent to ensure that the balance on deposit therein is equal to the amount of cash or U.S. Government Obligations then required to be held therein.

Optional redemption

The Note Issuer may, at its option, redeem all or part of the Notes at the redemption prices (expressed as percentages of principal amount) set out below provided that, with respect to the Notes B, the redemption price shall be calculated based on the paid portion of such Notes at the time of the optional redemption plus accrued and unpaid interest on the Notes redeemed, to (but not including) the applicable redemption date, if redeemed during the twelve-month period beginning on 12 October of the years indicated below, subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant Interest Payment Date.

Year	**Redemption price**
2005	108.50%
2006	104.25%
2007	100.00%

The Note Issuer will give not less than 30 days' nor more than 60 days' notice of any optional redemption. The Trustee will select Notes for redemption pro rata, by lot or by such other method as the Trustee in its sole discretion shall deem to be fair and appropriate.

A Note of US$100,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of notes upon a change of control

Not later than 30 days following a Change of Control, the Note Issuer will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof (provided that, with respect to Notes B, the purchase price shall be calculated based on the paid portion of the Notes at the time of such repurchase) plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

On the Offer to Purchase Payment Date, the Note Issuer shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Registrar all Notes or portions thereof so accepted and to the Trustee and the Registrar an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Note Issuer. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Registrar shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$100,000 or integral multiples of US$100,000. The Note Issuer will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date.

The Offer to Purchase is required to contain or incorporate by reference information concerning the business of the Note Issuer and its Subsidiaries which the Note Issuer in good faith believes will assist such Holders to make an informed decision with respect to the Change of Control Offer, including a brief description of the events requiring the Note Issuer to make the Change of Control Offer, and any other information required by applicable law to be included therein. The Offer to Purchase is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Change of Control Offer.

The Note Issuer has agreed in the Trust Deed that it will timely repay all Indebtedness of the Note Issuer or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Trust Deed. Notwithstanding this agreement of the Note Issuer, it is important to note that if the Note Issuer is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Note Issuer's failure to purchase tendered Notes would constitute an event of default under the Trust Deed.

Certain of the events constituting a Change of Control under the Notes will also constitute an event of default under certain debt instruments of the Note Issuer and its Subsidiaries. Future debt of the Note Issuer may also (1) prohibit the Note Issuer from purchasing Notes in the event of a Change of Control; (2) provide that a Change of Control is a default; or (3) require repurchase of such debt upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Note Issuer to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Note Issuer. The Note Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Note Issuer's then-existing financial resources. The provisions of the Trust Deed relevant to the Note Issuer's obligation to make an Offer to Purchase as a result of a Change of Control may be waived or modified with the written consent of the Holders of at least 50% in aggregate principal amount then outstanding.

The phrase "all or substantially all," as used with respect to the assets of the Note Issuer in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Note Issuer has occurred.

Except as described above with respect to a Change of Control, the Trust Deed does not contain provisions that permit the Holders to require that the Note Issuer purchase or redeem the Notes in the event of a takeover, recapitalisation or similar transaction.

No mandatory redemption or sinking fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional amounts

All payments of principal of, and premium (if any) and interest on the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Note Issuer is organised or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Note Issuer will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

    (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

        (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Note Issuer addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any withholding or deduction in respect of any tax, duty, assessment or other governmental charge where such withholding or deduction is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) with respect to any payment of the principal of, or premium, if any, or interest on, such Note to a Holder, if the Holder is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor, with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note, such mention shall be deemed to include payment of Additional Amounts provided for in the Trust Deed to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Maintenance of paying agent

The Note Issuer will ensure that it shall maintain a paying agent in a member state that will not be obligated to withhold or deduct tax pursuant to European Directive on the Taxation of Savings Income (Directive 2003/48/EC) or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Redemption for taxation reasons

The Notes may be redeemed, at the option of the Note Issuer, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof provided that, with respect to the Notes B, the redemption price shall be calculated based on the paid portion of such Notes at the time of such tax redemption, together with accrued and unpaid interest, if any, to the date fixed by the Note Issuer for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective on or after the Original Issue Date with respect to any payment due or to become due under the Notes or the Trust Deed, the Note Issuer is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures available to it; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Note Issuer would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Note Issuer will deliver to the Trustee:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Note Issuer taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant of recognised standing that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain covenants

Set out below are summaries of certain covenants contained in the Trust Deed.

Limitation on indebtedness and disqualified or preferred stock

(1) The Note Issuer will not Incur any Indebtedness (including Acquired Indebtedness) or Disqualified Stock, *provided* that (x) the Note Issuer may Incur Indebtedness (including Acquired Indebtedness) and (y) any Restricted Subsidiary may Incur Permitted Subsidiary Indebtedness if, on the date of such Incurrence, the Interest Service Coverage Ratio does not exceed 0.6. The Note Issuer will not permit any Restricted Subsidiary to Incur any Disqualified Stock or Preferred Stock (other than Disqualified Stock or Preferred Stock of Restricted Subsidiaries held by the Note Issuer or a Wholly Owned Restricted Subsidiary, so long as it is so held).

(2) Notwithstanding the foregoing, the Note Issuer and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness of the Note Issuer under the Notes (excluding any Additional Notes) and Indebtedness of any Subsidiary Guarantor pursuant to a Subsidiary Guarantee of the Notes (including Additional Notes) in accordance with the covenant under the caption "Limitation on issuances of guarantees by restricted subsidiaries;"

(b) Indebtedness of the Note Issuer or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (c);

(c) Indebtedness of the Note Issuer or any Restricted Subsidiary owed to the Note Issuer or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Note Issuer or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (c) and (ii) if the Note Issuer is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes;

(d) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness Incurred under the immediately preceding paragraph or clauses (a), (b) or (f) of this covenant and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes shall only be permitted under this clause (d) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded and (iii) in no event may Indebtedness of the Note Issuer be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary;

(e) Indebtedness Incurred by the Note Issuer or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Note Issuer or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(f) Indebtedness Incurred by the Note Issuer or Permitted Subsidiary Indebtedness Incurred by any Restricted Subsidiary represented by Capitalised Lease Obligations, mortgage financings or purchase money obligations assumed in connection with the acquisition or development of real or personal, movable or immovable, property or assets, in each case, Incurred no later than 180 days after the date of such acquisition or completion of development for the purpose of financing all or any part of the purchase price, lease expense or cost of construction or improvement of property, plant or equipment used in a Permitted Business (whether through the direct purchase of property, plant or equipment or the Voting Stock of any Person owning such property, plant or equipment that thereupon becomes a Restricted Subsidiary) (any such Incurrence being a "Productive Assets Financing");

(g) Indebtedness Incurred by the Note Issuer or any Restricted Subsidiary to guarantee the obligations of a Person acquiring real property, other than real property that was, in accordance with GAAP, recorded as investment property on the balance sheet of the Note Issuer, from the Note Issuer or any Restricted Subsidiary under financing arrangements of that Person relating to such acquisition up to a maximum amount which will not exceed 80% of the total sales proceeds of the sold property;

(h) Indebtedness Incurred by the Note Issuer to guarantee the obligations of a Restricted Subsidiary that were guaranteed by the Company as of the Original Issue Date, *provided* that the terms of such guarantee shall be substantially similar to the terms of the respective guarantee of the Company as in effect on the Original Issue Date; and

(i) Indebtedness of the Note Issuer and Permitted Subsidiary Indebtedness Incurred by any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (i) and then outstanding, will not exceed US$15 million.

(3) For purposes of determining compliance with this "Limitation on indebtedness and disqualified or preferred stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in paragraph (1) of this covenant, the Note Issuer, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types.

Limitation on restricted payments

The Note Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) to (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Note Issuer's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable solely in shares of the Note Issuer's or any of its Restricted Subsidiaries' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Note Issuer or any Restricted Subsidiary;

(2) purchase, call for redemption or redeem or otherwise acquire for value any shares of Capital Stock of the Note Issuer or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Note Issuer or any Restricted Subsidiary;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes (excluding any intercompany Indebtedness between or among the Note Issuer and any of its Restricted Subsidiaries); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Note Issuer could not Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of paragraph (1) of the covenant under the caption "— Limitation on indebtedness and disqualified or preferred stock;" or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Note Issuer and its Restricted Subsidiaries after the Original Issue Date, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Note Issuer (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the financial quarter immediately following the Original Issue Date and ending on the last day of the Note Issuer's most recently ended financial quarter for which consolidated financial statements of the Note Issuer (which the Note Issuer shall use its best efforts to compile in a timely manner) are available and have been provided to the Trustee at the time of such Restricted Payment; plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Note Issuer after the Original Issue Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Note Issuer, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Note Issuer into Capital Stock (other than Disqualified Stock) of the Note Issuer, or (B) the exercise by a Person who is not a Subsidiary of the Note Issuer of any options, warrants or other rights to acquire Capital Stock of the Note Issuer (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Note Issuer; plus

(iii) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Note Issuer or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), or (B) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments made by the Note Issuer or a Restricted Subsidiary after the Original Issue Date in any such Person.

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Note Issuer (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a capital contribution or a substantially concurrent sale (other than to a Subsidiary of the Note Issuer) of, shares of Capital Stock (other than Disqualified

Stock) of the Note Issuer (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilised for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent offering of, shares of the Capital Stock (other than Disqualified Stock) of the Note Issuer (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilised for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Note Issuer, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Note Issuer;

(6) any payments made to the Company, solely for the purpose of and at the time and to the extent required, to fund the Dividend Service Reserve Account in an aggregate amount not to exceed during any twelve-month period the amount of Fixed Dividends payable by the Company during such twelve-month period;

(7) any payments made to the Company, solely for the purpose of and at the time and to the extent required, to fund the SPPE Redemption Reserve Account and the JPPE Redemption Reserve Account in an aggregate amount not to exceed during any six-month period the amount of money that the Company is obligated to pay into the SPPE Redemption Reserve Account and the JPPE Redemption Reserve Account during such six-month period;

(8) any payments made to the Company in an aggregate amount not to exceed US$30 million during any twelve-month period, solely for the purpose of funding a dividend payment by the Company on its Common Stock; *provided* that no Junior Preference Shares and no Senior Preference Shares are outstanding at the time of such payment;

(9) any payments made for the repurchase of Capital Stock of Interchina International Limited in an aggregate amount not to exceed US$120 million (or the Dollar Equivalent thereof);

(10) any payments made to the Company solely to fund (i) payments by the Company to any Warrant holder in lieu of the delivery of Ordinary Shares in connection with the exercise of Warrants by a Warrant holder, (ii) any payments deemed to occur in connection with deemed purchases in connection with any cashless exercise of Warrants by any Warrant holder or (iii) any other payments by the Company to any Warrant holder pursuant to the terms of the Warrants;

(11) any Investment in another Person which, when taken together with the total amount of all other Investments made pursuant to this clause (11), will not exceed US$25 million, *provided* that it has been concluded by at least 75% of the members of the Board of Directors that the purpose of such Investment is to give the Note Issuer or its Restricted

Subsidiaries access to at least a number of square metres of land available for development by the Note Issuer or its Restricted Subsidiaries that is equal to 30,000 times the U.S. dollar amount of such Investment divided by US$25 million;

(12) any Investment made by the Note Issuer or a Restricted Subsidiary in a joint venture with another Person which, when taken together with any Investment previously made pursuant to this clause (12) during the then current financial year will not exceed US$30 million; *provided* that the joint venture is solely engaged in Permitted Businesses; or

(13) other Restricted Payments in an aggregate amount not to exceed US$15 million (or the Dollar Equivalent thereof) since the Original Issue Date;

provided that, in the case of clause (2), (3), (4), (6), (7), (8), (9), (10), (11), (12) or (13) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each payment permitted pursuant to clauses (1), (5), (6), (7), (8), (10), (11), and (13) of the preceding paragraph, to the extent that it is a Restricted Payment, shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on restricted payments" covenant have been met with respect to any subsequent Restricted Payments, *provided* that any Restricted Payment made pursuant to clause (5) of the preceding paragraph to shareholders of Interchina International Limited in connection with the acquisition of subsidiaries of Interchina International Limited by the Note Issuer or any of its Restricted Subsidiaries shall, up to an aggregate amount of US$120 million (or the Dollar Equivalent thereof), when taken together with any Restricted Payment made under clause (9) of the preceding paragraph, not be included in such calculation.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Note Issuer or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognised standing if the Fair Market Value exceeds US$7.5 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$7.5 million (or the Dollar Equivalent thereof), the Note Issuer will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on restricted payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Trust Deed.

Limitation on dividend and other payment restrictions affecting restricted subsidiaries

(1) Except as provided below, the Note Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on any Capital Stock (or options, warrants or other rights to acquire such Capital Stock) of such Restricted Subsidiary owned by the Note Issuer or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Note Issuer or any other Restricted Subsidiary;

(c) make loans or advances to the Note Issuer or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Note Issuer or any other Restricted Subsidiary.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes or the Trust Deed, and any extensions, refinancings, supplements, amendments, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, supplement, amendment, renewal or replacement, taken as a whole, are no less favourable in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, supplemented, amended, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Note Issuer or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, supplements, amendments, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, supplement, amendment, renewal or replacement, taken as a whole, are no less favourable in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, supplemented, amended, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Note Issuer or any Restricted Subsidiary not otherwise prohibited by the Trust Deed or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Note Issuer or any Restricted Subsidiary in any manner material to the Note Issuer or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on sales and issuances of capital stock in restricted subsidiaries," "— Limitation on indebtedness and disqualified or preferred stock" and "— Limitation on asset sales" covenants; or

(f) in connection with any Productive Assets Financing permitted by clause (f) of the second paragraph of the covenant under the caption "Limitation on indebtedness and disqualified or preferred stock."

Limitation on sales and issuances of capital stock in restricted subsidiaries

The Note Issuer will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Note Issuer or a Restricted Subsidiary;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Note Issuer or a Restricted Subsidiary;

(3) for the sale of shares of all the Capital Stock of a Restricted Subsidiary if permitted under, and made in accordance with, the "— Limitation on asset sales" covenant;

(4) the issuance or sale of shares of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "— Limitation on restricted payments" covenant if made on the date of such issuance or sale; and

(5) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale) the proceeds of which are treated as Net Cash Proceeds under and applied in accordance with the "— Limitation on asset sales" covenant.

Limitation on issuances of guarantees by restricted subsidiaries

The Note Issuer will not permit any Restricted Subsidiary, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Note Issuer or any other Restricted Subsidiary, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental trust deed to the Trust Deed providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Note Issuer or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clauses (2) (b) or (c) under the caption "— Limitation on indebtedness and disqualified or preferred stock." Under the Trust Deed, and any supplemental trust deed to the Trust Deed, as applicable, each Subsidiary Guarantee will be limited in an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (2) is subordinated in right of payment to the Notes, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Any Subsidiary Guarantee executed and delivered pursuant to the first paragraph of this covenant may provide that it shall automatically terminate upon the sale of all Capital Stock of the relevant Subsidiary Guarantor held by the Note Issuer or any Restricted Subsidiary to a Person or Persons other than the Note Issuer or any Restricted Subsidiary. Any Subsidiary Guarantee executed and delivered pursuant to the first paragraph of this covenant may further provide that it shall automatically terminate upon termination of any and all obligations of the Subsidiary Guarantor under the Guarantee of the relevant Guaranteed Indebtedness.

Limitation on transactions with shareholders and affiliates

The Note Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 5% or more of any class of Capital Stock of the Note Issuer or (y) any Affiliate of the Note Issuer or any Restricted Subsidiary (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favourable to the Note Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Note Issuer or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Note Issuer or such Restricted Subsidiary; and

(2) the Note Issuer delivers to the Trustee:

  (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by at least 75% of the members of the Board of Directors; and

  (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$20 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Note Issuer or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognised standing;

provided that clause (2) of this paragraph shall not apply to any Affiliate Transaction between the Note Issuer or a Restricted Subsidiary and the Company, SOCAM and its Subsidiaries, Shui On Investment Company Limited or Shui On Properties Limited; and provided further that clause (2) of this paragraph shall not apply to any Affiliate Transaction between the Note Issuer or a Restricted Subsidiary and any of the holders of Junior Preference Shares or Senior Preference Shares entered into in the ordinary course of business of each of the parties thereto and that, if it involves consideration in excess of US$20 million (or the Dollar Equivalent thereof), has been approved by at least 75% of the members of the Board of Directors.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees to directors of the Note Issuer who are not employees of the Note Issuer;

(2) transactions between or among the Note Issuer and any of its Restricted Subsidiaries or between or among Restricted Subsidiaries;

(3) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment agreements and other compensation arrangements, options to purchase Capital Stock, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits plans and/or indemnity provided on behalf of officers and employees approved by the Board of Directors in an aggregate amount not to exceed US$3 million (or the Dollar Equivalent thereof) during any financial year;

(4) to the extent permitted by law, loans or advances to employees, officers or directors in the ordinary course of business of the Note Issuer or any of its Restricted Subsidiaries not exceeding an aggregate amount of US$3 million outstanding at any time with respect to all loans or advances made after the Original Issue Date; and

(5) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under the caption "— Limitation on restricted payments" if permitted by that covenant.

Limitation on liens

The Note Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien; *provided* that the Note Issuer will not, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on the Interest Reserve Account, other than for the benefit of the holders of the Note.

Limitation on sale and leaseback transactions

The Note Issuer will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Note Issuer may enter into a Sale and Leaseback Transaction if:

(1) the Note Issuer could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the first paragraph of the covenant described above under "— Limitation on indebtedness and disqualified or preferred stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "— Limitation on liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Note Issuer applies the proceeds of such transaction in compliance with, the covenant described below under the caption "— Limitation on asset sales."

Limitation on asset sales

The Note Issuer will not, and will not permit any Restricted Subsidiary to, complete any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Note Issuer or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(3) in the case of an Asset Sale that constitutes an Asset Disposition, the Note Issuer could Incur at least US$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant under the caption "— Limitation on indebtedness and disqualified or preferred stock" after giving pro forma effect to such Asset Disposition;

(4) at least 75% of the consideration received consists of cash. For purposes of this provision, each of the following will be deemed to be cash:

   (a) any liabilities, as shown on the Note Issuer's most recent consolidated balance sheet, of the Note Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Note Issuer or such Restricted Subsidiary from further liability; and

   (b) any securities, notes or other obligations received by the Note Issuer or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Note Issuer or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Note Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Note Issuer or any Indebtedness of a Restricted Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Note Issuer or a Restricted Subsidiary; or

(2) pay land, relocation, construction and other development costs relating to the construction of projects of any of the Note Issuer's Restricted Subsidiaries; or

(3) make an Investment in properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets that will be used in the Permitted Businesses ("Replacement Assets").

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1), (2) or (3) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$5.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US$5.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Note Issuer must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes (provided that, with respect to Notes B, the purchase price shall be calculated based upon the paid portion of such Notes as the time of repurchase) and (y) the denominator of which is equal to the outstanding principal amount of the Notes (provided that, with respect to Notes B, the purchase price shall be calculated based upon the paid portion of such Notes as the time of repurchase) and all pari passu Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$100,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash (provided that, with respect to Notes B, the purchase price shall be calculated based upon the paid portion of such Notes as the time of such Offer to Purchase).

If any Excess Proceeds remain after completion of an Offer to Purchase, the Note Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Trust Deed. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

On the Offer to Purchase Payment Date, the Note Issuer shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Note Issuer. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$100,000 or integral multiples of US$100,000. The Note Issuer will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date.

The Offer to Purchase is required to contain or incorporate by reference information concerning the business of the Note Issuer and its Subsidiaries which the Note Issuer in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Note Issuer to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

Limitation on the Note Issuer's business activities

The Note Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided*, however, that the Note Issuer or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on restricted payments."

Use of proceeds

The Note Issuer will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) for progress payments for the acquisition of development rights for the Company's large-scale, development project in Wuhan, payment of development costs for the Shanghai Taipingqiao project, the Rui Hong Xin Cheng project and other projects, and general corporate purposes and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of restricted and unrestricted subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) such designation would not cause a Default; (2) such Restricted Subsidiary does not own any Disqualified Stock of the Note Issuer or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Note Issuer or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "— Limitation on indebtedness and disqualified or preferred stock" or such Lien would violate the covenant described under the caption "— Limitation on liens;" (3) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (4) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "— Limitation on restricted payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) such designation shall not cause a Default; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on indebtedness and disqualified or preferred stock;" (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption "— Limitation on liens;" and (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary).

Government approvals and licences; compliance with law

The Note Issuer will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorisations, consents, permits, concessions and licences as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Note Issuer and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Note Issuer to perform its obligations under the Notes or the Trust Deed.

Anti-layering

The Note Issuer will not Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Note Issuer, unless such Indebtedness is also contractually subordinated in right of payment to the Notes on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favour of some but not all of such Indebtedness.

Provision of financial statements and reports

(1) So long as any of the Notes remain outstanding, the Note Issuer will file with the Trustee and furnish to the Holders:

    (a) as soon as they are available, but in any event within 120 calendar days after the end of the financial year of the Note Issuer, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognised firm of independent accountants; and

    (b) as soon as they are available, but in any event within 90 calendar days after the end of each of the first, second and third financial quarter of the Note Issuer, copies of its financial statements (on a consolidated basis) in respect of the respective period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with the audited financial statements of the Note Issuer; *provided* that the financial statements delivered after the end of the second financial quarter shall cover the six-month period then ended;

    provided that if at any time the Common Stock of the Company is listed for trading on a recognised stock exchange, the Note Issuer will additionally file with the Trustee, (1) as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of the Company are filed with any recognised exchange on which the Company's Common Stock is at any time listed for trading, true and correct copies of any financial or other report filed with such exchange and (2) as soon as available (and in any event within 45 days after the close of each quarter of each financial year) interim reports in the English language, including financial statements of the Company (on a consolidated basis) containing statements of income, balance sheets and cash flow statements as of the end of and for each interim period covered thereby and for the comparable period of the immediately preceding financial year.

(2) In addition, so long as any of the Notes remain outstanding, the Note Issuer will provide to the Trustee (a) within 120 days after the close of each financial year, an Officers' Certificate stating the Interest Service Coverage Ratio as at the end of each of the second and fourth financial quarter of such financial year and showing in reasonable detail the calculation of the Interest Service Coverage Ratio, including the arithmetic computations of each component of the Interest Service Coverage Ratio, with a certificate from the Note Issuer's external auditors verifying the accuracy and correctness of the calculation and

arithmetic computation as at the end of the last financial quarter of such financial year; and (b) as soon as possible and in any event within 30 days after the Note Issuer becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Note Issuer proposes to take with respect thereto.

Events of default

The following events are defined as "Events of Default" in the Trust Deed:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 days;

(3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, merger and sale of assets" or the failure by the Note Issuer to make or complete an Offer to Purchase in the manner described under the captions "— Repurchase of notes upon a change of control" or "— Limitation on asset sales;"

(4) any default in the making of any payment into the Interest Reserve Account when required and such default continues for a period of 60 days;

(5) the Note Issuer or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Trust Deed or under the Notes (other than a default specified in clause (1), (2), (3) or (4) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(6) there occurs with respect to any Indebtedness of the Note Issuer or any Restricted Subsidiary having an outstanding principal amount of US$5 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(7) one or more final judgments or orders for the payment of money are rendered against the Note Issuer or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$5 million (in excess of amounts which the Note Issuer's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(8) an involuntary case or other proceeding is commenced against the Company, the Note Issuer or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company, the Note Issuer or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company, the Note Issuer or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company, the Note Issuer or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(9) the Company, the Note Issuer or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company, the Note Issuer or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company, the Note Issuer or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;

(10) the Interest Service Coverage Ratio, as calculated on the most recent Interest Service Coverage Ratio Test Date, exceeds 0.6; or

(11) (i) any termination, amendment, waiver or modification of the deed poll of the Company dated 30 September 2005 regarding the subordination of shareholder's loans (such deed poll, in the form of the date thereof, without regard to any amendment, waiver or other modification thereto, the "Deed Poll") that would adversely affect the interests or rights of any Holder, (ii) the Deed Poll is not effective or no longer effective to subordinate the obligations under the Shareholder's Loans as provided in paragraphs 1 and 2 thereof, or (iii) any of the Company, the Note Issuer or any Subsidiary of the Note Issuer takes any action that violates or contravenes any provision of the Deed Poll.

If an Event of Default (other than an Event of Default specified in clause (8) or (9) above) occurs and is continuing under the Trust Deed, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Note Issuer (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (8) or (9) above occurs with respect to the Company, the Note Issuer or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Note Issuer and to the Trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Except as otherwise provided above or in "— Amendments and waiver — Amendments with consent of holders," the Holders of at least a majority in aggregate principal amount of the outstanding Notes may, by notice to the Trustee, waive an existing Default and its consequences. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Trust Deed, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Trust Deed or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Trust Deed or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request. However, such limitations do not apply to the right of any Holder of a Note to receive

payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Note Issuer must certify, on or before a date not more than 120 days after the end of each financial year, that a review has been conducted of the activities of the Note Issuer and its Restricted Subsidiaries and the Note Issuer's and its Restricted Subsidiaries' performance under the Trust Deed and that the Note Issuer has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Note Issuer will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Trust Deed.

Consolidation, merger and sale of assets

The Note Issuer will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than to the Note Issuer or a Restricted Subsidiary), unless:

(1) the Note Issuer shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organised and validly existing under the laws of the Cayman Islands and shall expressly assume, by a supplemental trust deed to the Trust Deed, executed and delivered to the Trustee, all the obligations of the Note Issuer under the Trust Deed and the Notes, and the Trust Deed and the Notes shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Note Issuer or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Note Issuer immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis the Note Issuer or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on indebtedness and disqualified or preferred stock;" and

(5) the Note Issuer delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the supplemental trust deed (if any) complies with this provision and that all conditions precedent provided for in the Trust Deed relating to such transaction have been complied with.

No payments for consents

The Note Issuer will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Trust Deed or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Defeasance

Defeasance and discharge

The Trust Deed provides that the Note Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Trust Deed will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

(1) the Note Issuer (a) has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Trust Deed and the Notes and all other amounts due and owing thereunder and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognised firm of independent accountants to the effect that the amount deposited by the Note Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Trust Deed and that all such conditions under this paragraph have been complied with;

(2) the Note Issuer has delivered to the Trustee an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Note Issuer or any of its Restricted Subsidiaries is a party or by which the Note Issuer or any of its Restricted Subsidiaries is bound.

Defeasance of certain covenants

The Trust Deed provides that the provisions of the Trust Deed will no longer be in effect with respect to clauses (3), (4) and (5)(x) under the first paragraph under "— Consolidation, merger and sale of assets" and all the covenants described herein under "— Certain covenants," other than as described under "— Certain covenants — Government approvals and licenses; compliance with law" and "— Certain covenants — anti-layering," clause (3) under "Events of default" with respect to such clauses (3), (4) and (5)(x) under the first paragraph under "Consolidation, merger and sale of assets" and with respect to the other events set forth in such clause, clause (5) under "Events of default" with respect to such other covenants and clauses (6) and (7) under "Events of default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Trust Deed and the Notes and the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and certain other events of default

In the event that the Note Issuer exercises its option to omit compliance with certain covenants and provisions of the Trust Deed with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Note Issuer will remain liable for such payments.

Amendments and waiver

Amendments without consent of Holders

The Trust Deed may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Trust Deed or the Notes;

(2) comply with the provisions described under "— Consolidation, merger and sale of assets;"

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Trust Deed;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Trust Deed;

(6) secure the Notes or release, terminate or discharge any Lien securing the Notes as provided or permitted by the terms of the Trust Deed;

(7) in any other case where a supplemental trust deed to the Trust Deed is required or permitted to be entered into pursuant to the provisions of the Trust Deed without the consent of any Holder;

(8) effect any changes to the Trust Deed in a manner necessary to comply with the procedures of Euroclear or Clearstream; or

(9) make any other change that does not materially and adversely affect the rights of any Holder.

Amendments with consent of Holders

Amendments of the Trust Deed may be made by the Note Issuer and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Note Issuer with any provision of the Trust Deed or the Notes; *provided*, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Trust Deed;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Trust Deed;

(8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Trust Deed or for waiver of certain defaults;

(9) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders;

(10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change

of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;

(11) change the redemption date or the redemption price of the Notes from that stated under the captions "— Optional redemption" or "— Redemption for taxation reasons;"

(12) amend, change or modify the obligation of the Note Issuer to pay Additional Amounts; or

(13) amend, change or modify any provision of the Trust Deed or the related definition affecting the ranking of the Notes in a manner which adversely affects the Holders.

Unclaimed money

Claims against the Note Issuer for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Trust Deed within a period of six years.

No personal liability of incorporators, shareholders, officers, directors or employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Note Issuer in the Trust Deed, or in any of the Notes or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, shareholder, officer, director, employee or controlling person of the Note Issuer or of any successor Person thereof.

Concerning the Trustee and the Paying Agent

J.P. Morgan Corporate Trustee Services Limited is to be appointed as Trustee under the Trust Deed and J.P. Morgan Bank Luxembourg S.A. is to be appointed as Registrar and JPMorgan Chase Bank, N.A. (London branch) is to be appointed as the paying agent (the "Paying Agent") with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Trust Deed. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Trust Deed as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Trust Deed contains limitations on the rights of the Trustee, should it become a creditor of any obligor on the Notes, to obtain payment of claims in certain cases or to realise on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Note Issuer and its Affiliates; *provided*, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Governing law

Each of the Notes and the Trust Deed provide that such instrument will be governed by, and construed in accordance with, English law.

Definitions

Set out below are defined terms used in the covenants and other provisions of the Trust Deed. Reference is made to the Trust Deed for other capitalised terms used in this "Description of the notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary and not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary, *provided* that Indebtedness of such Person which is redeemed, defeased, retired or otherwise repaid at the time of or immediately upon completion of such Asset Acquisition or the transactions by which such Person is merged or consolidated with or into the Note Issuer or any Restricted Subsidiary or becomes a Restricted Subsidiary shall not constitute Acquired Indebtedness.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Asset Acquisition" means (1) an investment by the Note Issuer or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Note Issuer or any of its Restricted Subsidiaries; or (2) an acquisition by the Note Issuer or any of its Restricted Subsidiaries of the property and assets of any Person other than the Note Issuer or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Note Issuer or any of its Restricted Subsidiaries (other than to the Note Issuer or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Note Issuer or any of its Restricted Subsidiaries.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock) in one transaction or a series of related transactions by the Note Issuer or any of its Restricted Subsidiaries to any Person (other than the Note Issuer or any Restricted Subsidiary); *provided* that "Asset Sale" shall not include:

(1) sales or other dispositions of property or assets in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "— Limitation on restricted payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$2 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Note Issuer or its Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant under the caption "— Consolidation, merger and sale of assets;"

(7) a disposition to the Note Issuer or a Restricted Subsidiary, including the sale or issuance by the Note Issuer or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary to the Note Issuer or any Restricted Subsidiary;

(8) any sale or disposition of all or part of a property held by the Note Issuer or any Restricted Subsidiary as an investment property in accordance with GAAP; and

(9) any sale or disposition of all shares of Capital Stock of a Restricted Subsidiary held by the Note Issuer or a Restricted Subsidiary to a real estate investment trust established, organised or sponsored by the Note Issuer or a Restricted Subsidiary.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment (including, without limitation, any sinking fund requirements) of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments; *provided* that, in the case of any Capitalised Lease Obligations, all calculations hereunder shall give effect to any applicable options to renew in favor of the Note Issuer or any Restricted Subsidiary.

"Board of Directors" means the board of directors elected or appointed by the shareholders of the Note Issuer to manage the business of the Note Issuer or any committee of such board duly authorised to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorised to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, public holiday or other day on which banking institutions in London (or in any other place in which payments on the Notes are to be made) are authorised by law or governmental regulation to close.

"Capitalised Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalised on the balance sheet of such Person.

"Capitalised Lease Obligations" means the discounted present value of the rental obligations under a Capitalised Lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether issued or outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

"Change of Control" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Note Issuer with or into another Person or the merger or amalgamation of another Person with or into the Note Issuer, or the sale of all or substantially all the assets of the Note Issuer to another Person;

(2) the Permitted Holders are the beneficial owners of less than 30% of the total voting power of the Voting Stock of the Company;

(3) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act")) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of voting power attributable to the Voting Stock of the Company greater than the total voting power held beneficially by the Permitted Holders;

(4) the Company is the owner of less than 100% of the total voting power of the Voting Stock of the Note Issuer;

(5) the adoption of a plan relating to the liquidation or dissolution of the Note Issuer.

"Clearstream" means Clearstream Banking, société anonyme, Luxembourg.

"Commodity Hedging Agreement" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not issued or outstanding at the Original Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Consolidated Interest Expense" means, in relation to the Note Issuer and the Restricted Subsidiaries on a consolidated basis, for any period, the aggregate amount of interest payable by the Note Issuer and the Restricted Subsidiaries in respect of Indebtedness during such period; "interest" shall, for the purposes of this definition, include any upfront fees, exit fees, and/or servicing fees in connection with such Indebtedness.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except to the extent of the amount of dividends or similar distributions actually paid in cash to the specified Person or a Restricted Subsidiary of the Person during such period;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Note Issuer or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Note Issuer or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains (or losses) realised on the sale or other disposition of (a) any property or assets of the Note Issuer or any Restricted Subsidiary which is not sold in the ordinary course of its business, *provided* that any sale or disposition of all or part of a

property held by the Note Issuer or any Restricted Subsidiary as an investment property in accordance with GAAP shall be deemed to have occurred in the ordinary course of business, or (b) any Capital Stock of any Person (including any gains by the Note Issuer realised on sales of Capital Stock of the Note Issuer or other Restricted Subsidiaries);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains.

"Consolidated Net Worth" means, at any date of determination, shareholders' equity or shareholders' funds, including share capital, share premium, capital reserve, exchange reserve, other reserve, accumulated profits and minority interests, as set forth on the most recently available quarterly or annual consolidated balance sheet of the Note Issuer and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Note Issuer, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Note Issuer or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an event of default that is no more favorable to the holders of such Capital Stock than any of the Events of Default set forth in "— Events of default," "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if, in the case of an "asset sale" or "change of control," the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "— Limitation on asset sales" and "— Repurchase of notes upon a change of control" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Note Issuer's repurchase of such Notes as are required to be repurchased pursuant to the "— Limitation on asset sales" and "— Repurchase of notes upon a change of control" covenants.

"Dividend Service Reserve Account" means a special reserve account maintained by the Company, which shall at all times retain an amount in the Dividend Service Reserve Account sufficient to pay one year's Fixed Dividends on the Junior Preference Shares and Senior Preference Shares in issue from time to time.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"Fixed Dividends" means, in relation to the Senior Preference Shares, the fixed dividend of 7.5% per annum payable by the Company semi-annually in cash in respect of the Senior Preference Shares, and in relation to the Junior Preference Shares, the fixed dividend of 7% per annum payable by the Company semi-annually in cash in respect of the Junior Preference Shares.

"GAAP" means International Financial Reporting Standards, formulated by the International Accounting Standards Board, which are in effect from time to time. All ratios and computations contained or referred to in the Trust Deed shall be computed in conformity with GAAP applied on a consistent basis.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of (1) property, (i) with respect to which title or land use rights have been transferred to such Person or to such Person's designee, (ii) which, pursuant to GAAP, would be recorded on the balance sheet of such Person or such Person's designee if a balance sheet were prepared as of such date or (iii) the risks associated with which have passed to such Person or such Person's designee, or (2) services, except Trade Payables;

(5) all Capitalised Lease Obligations;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person; and

(8) to the extent not otherwise included in this definition, Hedging Obligations.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortised portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and

(3) that the amount of Indebtedness with respect to any Hedging Agreement shall be equal to the net amount payable if such Hedging Agreement terminated at that time due to default by such Person.

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"Interest Service Coverage Ratio" means, on any Transaction Date or Interest Service Coverage Ratio Test Date, the Consolidated Interest Expense of the Note Issuer and the Restricted Subsidiaries divided by the Operating Cash Flow of the Note Issuer and the Restricted Subsidiaries as determined with respect to the then most recent four financial quarters prior to such Transaction Date or Interest Service Coverage Ratio Test Date, as applicable, for which consolidated financial statements of the Note Issuer (which the Note Issuer shall use its best efforts to compile in a timely manner) are available and have been provided to the Trustee (the "Four Quarter Period").

"Interest Service Coverage Ratio Test Date" means, with respect to each financial year of the Note Issuer, the earlier of the date on which consolidated financial statements of the Note Issuer for such financial year (which the Note Issuer shall use its best efforts to compile in a timely manner) (i) become available or (ii) should have been provided to the Trustee pursuant to paragraph (1) of the covenant under the caption "— Provision of financial statements and reports."

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person (other than trade receivables recorded on the balance sheet of the Note Issuer or its Restricted Subsidiaries in accordance with GAAP, established in the ordinary course of business and due within 45 business days or prepaid expenses recorded on the balance sheet of the Note Issuer or its Restricted Subsidiaries in accordance with GAAP);

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the "Designation of restricted and unrestricted subsidiaries" and "Limitation on restricted payments" covenants: (1) the Note Issuer will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the assets (net of liabilities owed to any Person other than the Note Issuer or a Restricted Subsidiary and that are not Guaranteed by the Note Issuer or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"JPPE Redemption Reserve Account" means the reserve account maintained by the Company for the sole purpose of setting aside funds for the potential redemption of the then outstanding Junior Preference Shares in accordance with the terms thereof as in effect on the Original Issue Date, without regard to any amendment, waiver or other modification thereto.

"Junior Preference Shares" means the junior convertible redeemable participating preference shares of US$0.01 each in the capital of the Company having the rights and benefits and being subject to the restrictions set out in the Company's Articles of Association.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Moody's" means Moody's Investors Service, Inc. and its affiliates.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

   (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

   (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Note Issuer and its Restricted Subsidiaries, taken as a whole;

   (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

   (d) appropriate amounts to be provided by the Note Issuer or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Offer to Purchase" means an offer to purchase Notes by the Note Issuer from the Holders commenced by the Note Issuer mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Note Issuer defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$100,000 or integral multiples of US$100,000.

"Officer" means one of the executive officers of the Note Issuer or, in the case of a Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor.

"Officers' Certificate" means a certificate signed by two Officers.

"Operating Cash Flow" means, in relation to the Note Issuer and the Restricted Subsidiaries and in respect of any period for which such amount is being determined, (i) the consolidated earnings before dividends, interest, depreciation, amortisation and non-cash interest expense included in cost of sales, minus (ii) taxation expenses, all as determined by reference to the financial statements of the Note Issuer and the Restricted Subsidiaries for the respective period.

"Opinion of Counsel" means a written opinion from legal counsel.

"Ordinary Shares" means shares of Common Stock of the Company.

"Original Issue Date" means the date on which the Notes A are originally issued under the Trust Deed.

"Permitted Businesses" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Note Issuer and its Restricted Subsidiaries on the Original Issue Date.

"Permitted Holders" means any or all of the following:

(1) Mr. Vincent Hong Sui Lo;

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Note Issuer or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Note Issuer or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed solely to protect the Note Issuer or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Note Issuer or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets, including Asset Dispositions made in compliance with the covenant described under "— Limitation on asset sales;"

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "— Limitation on liens;"

(10) loans and advances to employees made in the ordinary course of business not to exceed US$3 million in the aggregate at any one time outstanding;

(11) Guarantees of commitments for the purchase of goods and services incurred in the ordinary course of business as long as such Guarantees, to the extent constituting Indebtedness, are permitted to be incurred under the covenant described under "Certain covenants — Limitation on indebtedness and disqualified or preferred stock;" and

(12) an Investment in a real estate investment trust that was established, organised or sponsored by the Note Issuer or a Restricted Subsidiary.

"Permitted Liens" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Note Issuer and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Note Issuer or its Restricted Subsidiaries relating to such property or assets;

(6) any interest or title of a lessor in the property subject to any operating lease;

(7) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Note Issuer or any Restricted Subsidiary other than the property or assets acquired; *provided* further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(8) Liens in favour of the Note Issuer or any Restricted Subsidiary;

(9) Liens arising from the rendering of a final judgment or order against the Note Issuer or any Restricted Subsidiary that does not give rise to an Event of Default;

(10) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(11) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(12) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (e) of the second paragraph of the covenant under the caption "— Limitation on indebtedness and disqualified or preferred stock";

(13) Liens existing on the Original Issue Date;

(14) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (f) of the covenant described under the caption entitled "— Limitation on indebtedness and disqualified or preferred stock";

(15) Liens on bank deposits securing Indebtedness which is permitted to be incurred under clause (f) of the covenant described under the caption entitled "— Limitation on indebtedness and disqualified or preferred stock;"

(16) Liens on property or other assets securing Indebtedness permitted under clause (f) of the covenant described under the caption entitled "— Limitation on indebtedness and disqualified or preferred stock" outstanding or Incurred for the purpose of financing all or any part of the purchase price or cost of construction development, lease or improvement of such property or assets;

(17) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (d) of the second paragraph of the covenant described under the caption entitled "— Limitation on indebtedness and disqualified or preferred stock;" *provided* that such Liens do not extend to or cover any property or assets of the Note Issuer or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(18) Liens to secure Capitalised Lease Obligations permitted to be incurred under the Trust Deed;

(19) encumbrances, ground leases, easements or reservations of, or right of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Note Issuer or any Restricted Subsidiary of the Note Issuer or to the ownership of its properties which do not individually or in the aggregate materially and adversely affect the value of such properties or materially impair their use in the operation of the business of the Note Issuer or any Restricted Subsidiary of the Note Issuer;

(20) Liens securing any obligations of the Note Issuer under the Notes and the Trust Deed;

(21) Liens securing any property of the Note Issuer or any Restricted Subsidiary in favor of any government or subdivision thereof, securing the obligations of the Note Issuer or such Restricted Subsidiary under any contract or payment owed to such governmental entity pursuant to applicable laws, rules, regulations or statutes;

(22) Liens arising in connection with industrial revenue, development or similar bonds or other means of project financing (not to exceed the value of the project financed and limited to the project financed); and

(23) Any renewal or extension of the Liens described in the foregoing clauses which is limited to the original property or assets covered thereby.

"Permitted Subsidiary Indebtedness" means Indebtedness of the Restricted Subsidiaries, taken as a whole (but excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses (2)(a), (c) and (e) of the covenant described under the caption "— Limitation on indebtedness and disqualified or preferred stock"); *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness, less any cash or fixed deposits held by any Restricted

Subsidiary, does not exceed an amount equal to 60% of the total assets of the Note Issuer and the Restricted Subsidiaries on a consolidated basis measured in accordance with GAAP as of the most recent quarterly or annual consolidated balance sheet of the Note Issuer and its Restricted Subsidiaries (which the Note Issuer shall use its best efforts to compile in a timely manner) are available.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"PRC CJV" means Shanghai Rui Hong Xin Cheng Co., Ltd., Shanghai Taipingqiao Properties Management Co., Ltd., Shanghai Rui Zhen Food & Beverage Co., Ltd. and Hangzhou Xihu Tiandi Management Co., Ltd. and any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on 13 April 1988 (as most recently amended on 13 October 2000) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on 4 September 1995, as such laws may be amended.

"Restricted Subsidiary" means any Subsidiary of the Note Issuer other than an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Services and its affiliates.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Note Issuer or any Restricted Subsidiary transfers such property to another Person and the Note Issuer or any Restricted Subsidiary leases it from such Person.

"Senior Indebtedness" of the Note Issuer or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Note Issuer or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be not senior in right of payment to the Notes; *provided* that Senior Indebtedness does not include (1) any obligation to the Note Issuer or any Restricted Subsidiary, (2) Trade Payables or (3) Indebtedness Incurred in violation of the Trust Deed.

"Senior Preference Shares" means the senior convertible redeemable participating preference shares of US$0.01 each in the capital of the Company having the rights and benefits and being subject to the restrictions set out in the Company's Articles of Association.

"Significant Restricted Subsidiary" means any Restricted Subsidiary, or group of Restricted Subsidiaries, that would, taken together, be a "significant subsidiary" as defined in Article 1, Rule 1-02 (w)(1) or (2) of Regulation S-X promulgated under the United States Securities Act of 1933, as amended, as such regulation is in effect on the Original Issue Date.

"SPPE Redemption Reserve Account" means a reserve account maintained by the Company for the sole purpose of setting aside funds for the potential redemption of the then outstanding Senior Preference Shares in accordance with the terms thereof as in effect on the Original Issue Date, without regard to any amendment, waiver or other modification thereto.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Note Issuer which is contractually subordinated or junior in right of payment to the Notes pursuant to a written agreement to such effect.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the issued or outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and, with respect to the Note Issuer or any Restricted Subsidiary, any other Person that the Note Issuer or Restricted Subsidiary controls; *provided* that, with respect to the Note Issuer, each PRC CJV shall also be deemed a Subsidiary for the purpose of this definition. For purposes of this definition, control means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Subsidiary Guarantee" means any Guarantee of the obligations of the Note Issuer under the Trust Deed and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means any Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Trust Deed and the Notes; *provided* that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Trust Deed and the Notes.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America or any agency thereof or obligations fully and unconditionally Guaranteed by the United States of America or any agency thereof, in each case maturing within one year;

(2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organised under the laws of the United States of America, any state thereof, the United Kingdom, Hong Kong or Singapore, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent

thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognised statistical rating organisation (as defined in Rule 436 under the United States Securities Act of 1933, as amended);

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate of the Note Issuer) organised and in existence under the laws of the United States of America, any state thereof or any foreign country recognised by the United States of America with a rating at the time as of which any investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P;

(5) securities with maturities of six months or less from the date of acquisition issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's;

(6) any mutual fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) time deposit accounts, certificates of deposit and money market deposits with (i) Bank of China, Industrial Commercial Bank of China, Construction Bank of China, Bank of Shanghai, (ii) any other bank or trust company organised under the laws of the PRC whose long-term debt is rated as high or higher than any of those banks or (iii) any other bank organised under the laws of the PRC, provided that, in the case of clause (iii), such deposits do not exceed US$5 million (or the Dollar Equivalent thereof) with any single bank or US$20 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 45 business days.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Note Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Trust Deed; and (2) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorised to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Warrants" means the warrants issued by the Company on the Original Issue Date.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the issued or outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries.

E. **Written resolutions of the shareholders of the Company**

By resolutions approved in writing by all shareholders entitled to vote at general meetings of our Company, which were passed on 18 September 2006, the Company resolved, inter alia:

(1) that conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with their terms or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:

(a) the Global Offering and the Over-allotment Option were approved and the directors were authorised to allot and issue, and to approve the transfer of, such number of shares in connection with the Global Offering and any exercise of the Over-allotment Option as they see fit, on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;

(b) a general unconditional mandate was given to the directors to allot, issue and deal with Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or pursuant to the repurchase of the Warrants, the exercise of the Warrants or any other subscription rights which may be granted under any share option scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for shares under options or Warrants or a special authority granted by our shareholders) with an aggregate nominal value of not more than the sum of:

  (i) 20% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering; and

  (ii) the aggregate nominal value of the share capital of our Company repurchased by us (if any);

(c) a general unconditional mandate was given to the directors to exercise all powers of the Company to repurchase shares to be listed on the Stock Exchange with a total nominal value of not more than 10% of the aggregate nominal value of the Company's share capital in issue immediately following the completion of the Global Offering; and

(d) the general unconditional mandate as mentioned in paragraph (b) above was extended by the addition to the aggregate nominal value of the shares which may be allotted and issued or agreed to be allotted and issued by the directors pursuant to such general mandate of an amount representing the aggregate nominal value of the shares purchased by the Company pursuant to the mandate to purchase shares referred to in paragraph (c) above.

Each of the general mandates referred to in paragraphs (b), (c) and (d) above will remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable law or our articles of association; or (iii) the time when such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting.

By resolutions approved in writing by all shareholders entitled to vote at general meetings of our Company, which were passed on 18 September 2006, the Company resolved, inter alia, with effect from the Listing Date to adopt our articles of association, the terms of which are summarised in Appendix VIII.

F. Share capital after the Global Offering

Assuming the Global Offering becomes unconditional, immediately upon completion of the Global Offering, before exercise of the Over-allotment Option and otherwise on the basis of the Share Capital Assumptions, the authorised share capital of the Company will be US$30,000,000 divided into 12,000,000,000 Shares of US$0.0025 each. Other than pursuant to the conversion of the Preference Shares or the exercise of Warrants, our directors have no present intention to issue any part of the authorised but unissued capital of the Company and, without the prior approval of the members in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed above, there has been no alteration in the share capital of the Company within the two years immediately preceding the date of this prospectus.

2. OUR SUBSIDIARIES

Particulars of our principal subsidiaries are listed in the Accountants' Report set out in Appendix I.

Save as disclosed below, there has been no alteration in the share capital or registered capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus:

(a) Chongqing Shui On Tiandi Property Development Co., Ltd. (重慶瑞安天地房地產發展有限公司)

On 21 November 2003, Chongqing Shui On Tiandi Property Development Co., Ltd. was established in the PRC as a sino-foreign equity joint venture with a registered capital of US$12,000,000 and was owned as to 99% by our subsidiary Grand Hope Ltd. and as to 1% by Chongqing Yu Zhong State-owned Asset Management Co., Ltd. (重慶渝中國有資產經營管理有限公司).

On 20 July 2004, the registered capital of Chongqing Shui On Tiandi Property Development Co., Ltd. was increased to US$19,250,000 and was owned as to 99% by Grand Hope Ltd. and as to 1% by Chongqing Yu Zhong State-owned Asset Management Co., Ltd.

On 4 November 2004, the registered capital of Chongqing Shui On Tiandi Property Development Co., Ltd. was increased to US$28,000,000 and was owned as to 99% by Grand Hope Ltd. and as to 1% by Chongqing Yu Zhong State-owned Asset Management Co., Ltd.

On 10 March 2005, the registered capital of Chongqing Shui On Tiandi Property Development Co., Ltd. was increased to US$36,750,000 and was owned as to 99% by Grand Hope Ltd. and as to 1% by Chongqing Yu Zhong State-owned Asset Management Co., Ltd.

On 18 May 2005, the registered capital of Chongqing Shui On Tiandi Property Development Co., Ltd. was increased to US$45,500,000 and was owned as to 99% by Grand Hope Ltd. and as to 1% by Chongqing Yu Zhong State-owned Asset Management Co., Ltd.

On 17 June 2005, the registered capital of Chongqing Shui On Tiandi Property Development Co., Ltd. was increased to US$54,250,000 and was owned as to 99% by Grand Hope Ltd. and as to 1% by Chongqing Yu Zhong State-owned Asset Management Co., Ltd.

On 13 September 2005, the registered capital of Chongqing Shui On Tiandi Property Development Co., Ltd. was increased to US$63,000,000 and was owned as to 99% by Grand Hope Ltd. and as to 1% by Chongqing Yu Zhong State-owned Asset Management Co., Ltd.

On 27 December 2005, the registered capital of Chongqing Shui On Tiandi Property Development Co., Ltd. was increased to US$71,750,000 and was owned as to 99% by Grand Hope Ltd. and as to 1% by Chongqing Yu Zhong State-owned Asset Management Co., Ltd.

(b) **Shanghai Rui Hong Xin Cheng Co., Ltd. (上海瑞虹新城有限公司)**

On 2 July 2001, Shanghai Rui Hong Xin Cheng Co., Ltd. was established in the PRC as a sino-foreign cooperative joint venture with a registered capital of RMB467,000,000 and was owned as to 99% by our subsidiary Hollyfield Holdings Ltd. and as to 1% by Shanghai Zhong Hong (Group) Co., Ltd. (上海中虹(集團)有限公司).

On 20 January 2006, the registered capital of Shanghai Rui Hong Xin Cheng Co., Ltd. was increased to RMB567,000,000 and was owned as to 99% by Hollyfield Holdings Ltd. and as to 1% by Shanghai Zhong Hong (Group) Co., Ltd.

(c) **Hangzhou Hucui Food Services Pte Ltd. (杭州滬翠餐飲有限公司)**

On 16 July 2004, Hangzhou Hucui Food Services Pte Ltd. was established in the PRC as a wholly foreign owned enterprise with a registered capital of US$1,250,000 and was wholly owned by Crystal Jade Food & Beverage (Hangzhou) Ltd.

On 8 July 2005, the registered capital of Hangzhou Hucui Food Services Pte Ltd. was increased to US$2,500,000 and was wholly owned by Crystal Jade Food & Beverage (Hangzhou) Ltd.

(d) **Wuhan Shui On Tiandi Property Development Co., Ltd. (武漢瑞安天地房地產發展有限公司)**

On 2 August 2005, Wuhan Shui On Tiandi Property Development Co., Ltd. was established in the PRC as a wholly foreign owned enterprise with a registered capital of US$61,000,000 and was wholly owned by Super Field Limited.

On 14 October 2005, the registered capital of Wuhan Shui On Tiandi Property Development Co., Ltd. was increased to US$66,000,000 and was wholly owned by Super Field Limited.

On 31 March 2006, the registered capital of Wuhan Shui On Tiandi Property Development Co., Ltd. was increased to US$97,000,000 and was wholly owned by Super Field Limited.

(e) Shui On Development (Holding) Limited

On 27 July 2005, Shui On Development (Holding) Limited was incorporated in the Cayman Islands with limited liability with an authorised share capital of US$50,000 divided into 5,000,000 shares of US$0.01 each. On 10 August 2005, one subscriber share was allotted to Hugh O'Loughlin. On 5 September 2005, 21 shares were allotted to the Company.

(f) Profitstock Holdings Limited

On 2 June 2005, Profitstock Holdings Limited was incorporated in the British Virgin Islands as an International Business Company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On incorporation, one share was allotted to Oil Officers Limited.

On 16 December 2005, 69 shares were allotted to Shui On Development (Holding) Limited, 20 shares were allotted to Equity Millennium Limited, 10 shares were allotted to Shun Hing China Investment Limited.

(g) Globe State Properties Limited

On 12 October 2005, Globe State Properties Limited was incorporated in the British Virgin Islands as an International Business Company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On incorporation, one share was allotted to Oil Officers Limited.

On 16 December 2005, one share was transferred from Oil Officers Limited to Shui On Development (Holding) Limited.

On 16 December 2005, 69 shares were allotted to Shui On Development (Holding) Limited, 20 shares were allotted to Equity Millennium Limited and 10 shares were allotted to Shun Hing China Investment Limited.

(h) Bestwealth Holdings Limited

On 18 November 2004, Bestwealth Holdings Limited was incorporated in the British Virgin Islands as an International Business Company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 6 December 2004, one share was allotted to Chinalink Capital Limited.

(i) Fieldcity Investments Limited

On 30 March 2005, Fieldcity Investments Limited was incorporated in the British Virgin Islands as an International Business Company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On incorporation, one share was allotted to Oil Officers Limited. On 15 April 2005, one share was transferred to the Company.

(j) **New Power Profits Limited**

On 18 October 2005, New Power Profits Limited was incorporated in the British Virgin Islands as an International Business Company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On incorporation, one share was allotted to Oil Officers Limited. On 3 April 2006, one share was transferred from Oil Officers Limited to Shui On Development (Holding) Limited.

(k) **Sino Wisdom Investments Limited**

On 12 May 2006, Sino Wisdom Investments Limited was incorporated in the British Virgin Islands as a BVI Business Company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 19 June 2006, one share was allotted to Shui On Development (Holding) Limited.

(l) **Tip Profit Limited**

On 18 July 2006, Tip Profit Limited was incorporated in the British Virgin Islands as a BVI Business Company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 31 August 2006, one share was allotted to Shui On Development (Holding) Limited.

(m) **Super Field Limited**

On 25 February 2005, Super Field Limited was incorporated in Hong Kong as a limited company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On incorporation, one subscriber share was allotted to Bosco Nominees Limited.

On 15 April 2005, one share was transferred from Bosco Nominees Limited to Fieldcity Investments Limited.

(n) **China Wealth (H.K.) Limited**

On 4 January 2006, China Wealth (H.K.) Limited was incorporated in Hong Kong as a limited company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On incorporation, one share was allotted to Gold Regal Development Limited. On 4 April 2006, one share was transferred from Gold Regal Development Limited to New Power Profits Limited.

(o) **Join Legend Limited**

On 2 June 2006, Join Legend Limited was incorporated in Hong Kong as a limited company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On incorporation, one share was allotted to Gold Regal Development Limited. On 20 June 2006, one share was transferred from Gold Regal Development Limited to Sino Wisdom Investments Limited.

(p) Citichamp Limited

On 19 July 2006, Citichamp Limited was incorporated in Hong Kong as a limited company with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On incorporation, one share was allotted to Gold Regal Development Limited. On 1 September 2006, one share was transferred from Gold Regal Development Limited to Tip Profit Limited.

3. SHARE REPURCHASE MANDATE

This section includes information relating to the repurchase by us of our shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

A. Relevant Legal and Regulatory Requirements

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) must be approved in advance by a shareholders' ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Pursuant to a resolution passed by the shareholders on 18 September 2006, our directors were granted a general unconditional mandate to repurchase up to 10% of the total nominal amount of our shares to be listed in the Global Offering on the Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of our next annual general meeting, (ii) the date by which our next shareholders' general meeting is required by applicable laws of the Cayman Islands and our articles of association to be held, or (iii) such mandate being revoked or varied by ordinary resolutions of our shareholders in a general meeting (the "Relevant Period").

(ii) *Source of Funds*

Any repurchase of the shares must be funded out of funds legally available for the purpose in accordance with our memorandum of association and our articles of association, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under Cayman Islands law, any repurchases by us may be made out of our profits or out of a fresh issue of shares made for the purpose of the repurchase or, if authorised by our articles of association and subject to the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of our profits or from sums standing to the credit of our share premium account, or if authorised by our articles of associations and subject to the Cayman Islands Companies Law, out of capital.

(iii) *Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange or another stock exchange recognised for this purpose by the SFC under the Code on Share Repurchases is the number of shares representing up to a maximum of 10% of the aggregate nominal value of the company's shares in issue as at the date on which the repurchase mandate is granted. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of Repurchased Securities*

All repurchased securities (whether on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under Cayman Islands law, the Company's repurchased shares shall be treated as cancelled and the amount of the Company's issued Shares shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the Company will not be reduced.

(v) *Suspension of Repurchase*

The Listing Rules prohibit us from repurchasing our shares after a price sensitive development has occurred or is the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), we may not repurchase our shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit us from repurchasing our shares on the Stock Exchange if we have breached the Listing Rules.

(vi) ***Procedural and Reporting Requirements***

As required by the Listing Rules, repurchases of our shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, our annual report must disclose details of our share repurchases made during the year, including a monthly analysis of the number of shares repurchased and the aggregate prices paid.

(vii) ***Connected Parties***

We are prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person." The Listing rules define a "connected person" as any of our or our subsidiaries' directors, chief executives or substantial shareholders or any of our or their associates (as further defined in the Listing Rules). Conversely, the Listing Rules prohibit a connected person from knowingly selling his shares to us on the Stock Exchange.

B. Reasons for Repurchases

The directors believe that it is in our and our shareholders' best interests for the directors to have general authority to execute repurchases of our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per share and/or earnings per Share and will only be made where the directors believe that such repurchases will benefit us and our shareholders.

C. Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our memorandum of association and our articles of association, the Listing Rules and applicable laws and regulations.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our directors are from time to time appropriate for us.

The exercise in full of the current repurchase mandate, on the basis of 4,128,088,044 Shares in issue immediately after the Global Offering, before exercise of the Over-allotment Option and otherwise taking account of the Share Capital Assumptions, could accordingly result in up to 412,808,804 Shares (based on an Offer Price of HK$4.80, being the bottom end of the Offer Price range in this prospectus) being repurchased by our Company during the Relevant Period.

D. General

None of our directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our shares to us or our subsidiaries.

The directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, our memorandum of association and our articles of association of the Company and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of our shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code.

No connected person as defined by the Listing Rules has notified us that he has a present intention to sell his shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

4. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by any member of the Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) an agreement for the sale and purchase of shares and debts dated 31 December 2004 and entered into between Shui On Investment Company Limited as vendor (the "Vendor"), the Company as purchaser (the "Purchaser") and Shui On Company Limited as guarantor (the "Guarantor"), pursuant to which the Vendor agreed to sell or procure the sale of, and the Purchaser agreed to purchase, the shares held by the Vendor and by the Vendor's wholly owned subsidiary, Shui On Properties Limited, in the entire issued share capital of Score High Limited, Smart Silver Limited, Pacific Gain Limited and Bright Power Enterprises Limited (collectively, the "Companies"), and the debts owed by the Companies as at the date thereof, for a consideration of US$115,258,416, and the Guarantor agreed to guarantee the performance of the obligations of the Vendor under the agreement;

(b) a deed of undertakings dated 31 December 2004 and entered into between the Company, Shui On Holdings Limited and Shui On Company Limited pursuant to which Shui On Holdings Limited has irrevocably undertaken to exercise all of its rights under the master agreement dated 29 March 2004 and entered into between the People's Government of Yangpu District, Shanghai and Shui On Holdings Limited and to use all reasonable commercial efforts to procure that the land use rights in relation to an area of approximately 839,000 squares metres in the Yangpu District, Shanghai are granted in favour of Shanghai

Yang Pu Centre Development Company Limited (formerly known as Shanghai Yang Pu University Town Centre Development Company Limited) in accordance with the directions of the Company, and Shui On Company Limited has agreed to guarantee and undertake to the Company as primary obligor the due and punctual performance by Shui On Holdings Limited of all of its undertakings, agreements and obligations contained in the deed;

(c) an agreement to confirm consummation of transactions in State-owned land use rights dated 28 April 2005 and entered into between Super Field Limited and the Wuhan Municipal Land and Resources Administration Bureau pursuant to which the Wuhan Municipal Land and Resources Administration Bureau acknowledged that Super Field Limited had won the public tender for the land use rights in relation to a parcel of land located in the Jiang'an District in Wuhan (Land Lot No.: P(2005)008) and required Super Field Limited to enter into an agreement regarding development and payment for reserved land with the Wuhan Municipal Land Consolidation and Reservation Centre, and to enter into a state-owned land use rights grant contract and complete the relevant land use rights registration procedures;

(d) an agreement regarding development and payment for reserved land dated 10 May 2005 and entered into between Super Field Limited and the Wuhan Municipal Land Consolidation and Reservation Centre in relation to the amount and payment of the purchase price and the delivery of the reserved land located in the Jiang'an District in Wuhan (Land Lot No.: P(2005)008);

(e) a private placement agreement dated 30 September 2005 and entered into between the Company, Shui On Development (Holding) Limited and J.P. Morgan Securities Ltd. in relation to the issuance of 1,750 Class A Units, each unit consisting of US$100,000 principal amount of 8.5% senior notes due 2008 and 1,071 Warrants; and 2,000 Class B Units, each unit consisting of US$100,000 principal amount of 8.5% senior notes due 2008 and 1,000 Warrants;

(f) a trust deed dated 12 October 2005 and entered into between Shui On Development (Holding) Limited and J.P. Morgan Corporate Trustee Services Limited as trustee constituting US$100,000,000 8.5% senior notes A due 2008 and US$275,000,000 8.5% senior notes B due 2008. See the section headed "Notes" above for further details;

(g) a warrant agreement dated 12 October 2005 and entered into between the Company, JPMorgan Chase Bank, N.A. as warrant agent and J.P. Morgan Bank Luxembourg S.A. as registrar in relation to the issuance of 3,874,250 Warrants. See the section headed "Warrants" above for further details;

(h) a joint venture contract dated 8 October 2004 and entered into between Shanghai Baoshan Public Transport Company, Bright Continental Limited and Shanghai Yangpu University Town Property Development Company Limited in relation to the establishment of Shanghai Song Hu Public Traffic Hinge Construction Development Co., Ltd.;

(i) an entrustment loan contract dated 30 December 2005 and entered into between Shanghai Ruichen Property Company Limited, the Industrial and Commercial Bank of China, Shanghai Luwan Branch and Shanghai Shui On Land Limited (now known as Shui On Development Limited) in relation to an entrusted loan of RMB100 million from Shanghai Ruichen Property Company Limited;

(j) a deed dated 30 May 2006 and entered into between Shui On Development (Holding) Limited, Shui On Development Limited (formerly known as Shanghai Shui On Land Limited), Shanghai Ruichen Property Company, Limited and Shui On Investment Company Limited in relation to the entrustment loan above;

(k) a trademark transfer contract dated 11 April 2005 and entered into between Shui On Holdings Limited and the Company pursuant to which Shui On Holdings Limited agreed to transfer the ownership rights in a trademark (registration number 3726978) in the name of Shui On Holdings Limited to the Company;

(l) a registered trademark transfer contract dated 1 September 2005 and entered into between Shui On Holdings Limited and the Company pursuant to which Shui On Holdings Limited agreed to transfer the ownership rights in certain trademarks (registration numbers 3341074, 3670698, 3670715, 3670701 and 3670716) in the name of Shui On Holdings Limited to the Company;

(m) a trademark transfer contract dated 1 September 2005 and entered into between Shui On Holdings Limited and the Company pursuant to which Shui On Holdings Limited agreed to transfer the ownership rights in certain trademarks which were then in the process of being registered (registration numbers 3670699, 3670702, 3670714, 3670695, 3670696, 3670700, 3670733 and 3670703) in the name of Shui On Holdings Limited to the Company;

(n) a trademark licence agreement dated 30 May 2006 and entered into between Shui On Holdings Limited and the Company with regard to the Company's exclusive use in the PRC of the trademarks and . See the section headed "Our Business — Intellectual Property Rights" for more details;

(o) an agreement on transfer of domain names dated 30 May 2006 and entered into between Shui On Properties Limited and Shui On Development Limited (formerly known as Shanghai Shui On Land Limited) pursuant to which Shui On Properties Limited agreed to transfer the ownership and control of certain domain names to Shui On Development Limited;

(p) an agreement on transfer of domain names dated 30 May 2006 and entered into between Shanghai Shui On Property Development Management Co., Ltd. (formerly known as Shanghai Shui On Consulting Company Limited) and Shui On Development Limited (formerly known as Shanghai Shui On Land Limited) pursuant to which Shanghai Shui On Property Development Management Co., Ltd. agreed to transfer the ownership and control of certain domain names to Shui On Development Limited;

(q) an agreement on transfer of domain name dated 30 May 2006 and entered into between Shanghai Ruichen Property Co., Ltd. and Shui On Development Limited (formerly known as Shanghai Shui On Land Limited) pursuant to which Shanghai Ruichen Property Co., Ltd. agreed to transfer the ownership and control of the domain name "ruihong.com.cn" to Shui On Development Limited;

(r) a sale and purchase agreement relating to the sale and purchase of an aggregate of 30 shares of par value US$1.00 each, representing 30% of the issued share capital of Interchina International Limited dated 7 December 2005 and entered into between Equity Millennium Limited, Shun Hing China Investment Limited, Shui On Development (Holding) Limited and the Company pursuant to which Equity Millennium Limited and Shun Hing China Investment Limited sold their 20% and 10% shareholding interests, respectively, in Interchina International Limited to Shui On Development (Holding) Limited for an aggregate consideration of RMB894,240,000;

(s) a reorganisation agreement relating to the entire issued share capital of Galore Profits Limited dated 16 December 2005 and entered into between Interchina International Limited and Profitstock Holdings Limited, pursuant to which Interchina International Limited sold its 100% shareholding interest in Galore Profits Limited to Profitstock Holdings Limited for a consideration of US$1.00;

(t) a shareholders agreement relating to Profitstock Holdings Limited dated 16 December 2005 and entered into between Shui On Development (Holding) Limited ("Shui On"), Equity Millennium Limited ("EM"), Shun Hing China Investment Limited ("SHC"), Edward Wong Development Company Limited, Shun Hing Holdings Company Limited and Profitstock Holdings Limited for the purpose of recording the terms and conditions upon which Shui On, EM and SHC are investing in Profitstock Holdings Limited;

(u) a reorganisation agreement relating to the entire issued share capital of Bondwise Profits Limited dated 16 December 2005 and entered into between Interchina International Limited and Globe State Properties Limited, pursuant to which Interchina International Limited sold its 100% shareholding interest in Bondwise Profits Limited to Globe State Properties Limited for a consideration of US$1.00;

(v) a shareholders agreement relating to Globe State Properties Limited dated 16 December 2005 and entered into between Shui On Development (Holding) Limited ("Shui On"), Equity Millennium Limited ("EM"), Shun Hing China Investment Limited ("SHC"), Edward Wong Development Company Limited, Shun Hing Holdings Company Limited and Globe State Properties Limited for the purpose of recording the terms and conditions upon which Shui On, EM and SHC are investing in Globe State Properties Limited;

(w) a deed of non-competition dated 30 May 2006 and entered into between Mr. Lo Hong Sui, Shui On Company Limited and the Company pursuant to which Mr. Lo Hong Sui and Shui On Company Limited have given certain undertakings to the Company, among others, that the Company is to be the flagship company of the Shui On Group for the Shui On Group's property development and investment business in the PRC and concerning the Shui On Group's investment in future property development projects in the PRC. See the section headed "Relationship with the Shui On Group — Non-competition Agreement" for further details;

(x) an option deed dated 30 May 2006 and entered into between Shui On Company Limited and the Company ("Shui On Plaza Option Deed") (as amended by a supplemental deed to the Shui On Plaza Option Deed dated 7 September 2006 and entered into between Shui On Company Limited and the Company) pursuant to which Shui On Company Limited has granted the Company an option to acquire the Shui On Group's entire interest in Shanghai Jiu Hai Rimmer Properties Co., Ltd., which is the owner of Shui On Plaza, 333 Huai Hai Zhong Road, Shanghai. See the section headed "Relationship with the Shui On Group — Options in respect of Shui On Plaza and The Centrepoint" for details;

(y) an option deed in respect of Guangzhou Shui Yung Company Limited dated 30 May 2006 and entered into between Shui On Company Limited and the Company ("Centrepoint Option Deed") (as amended by a supplemental deed to the Centrepoint Option Deed dated 7 September 2006 and entered into between Shui On Company Limited and the Company) pursuant to which Shui On Company Limited has granted the Company an option to acquire the entire interest of Shui On Company Limited and its subsidiaries in Guangzhou Shui Yung Company Limited, which is a wholly-owned subsidiary of Shui On Company Limited and the owner of the property located at 374 Beijing Road, Yuexiu District, Guangzhou (otherwise known as "The Centrepoint"). See the section headed "Relationship with the Shui On Group — Options in respect of Shui On Plaza and The Centrepoint" for details;

(z) a deed of indemnity dated 30 May 2006 and entered into between Shui On Company Limited and the Company pursuant to which Shui On Company Limited agreed to give certain indemnities in respect of litigation and taxation matters in favour of the Company and its subsidiaries referred to in sub-paragraph A of paragraph 7 of this Appendix IX;

(aa) the HSBC Investment Agreement. See the section headed "The HSBC Investment" for further details;

(bb) an amendment agreement dated 31 August 2006 and entered into between the Company, JPMorgan Chase Bank, N.A. and J.P. Morgan Bank Luxembourg S.A. to amend the terms of the Warrants to accelerate conversion;

(cc) a global custody agreement dated 31 August 2006 and entered into between the Company and JPMorgan Chase Bank, N.A. (London Branch) setting out the terms governing custodial, settlement and other services to be provided in connection with the conversion to the Warrants;

(dd) an agreement relating to the sale and purchase of 9.9% of the issued share capital of Score High Limited dated 1 September 2006 and entered into between Shui On Development (Holding) Limited and Winnington Capital Limited pursuant to which Shui On Development (Holding) Limited sold 99 shares in Score High Limited, representing 9.9% of the issued share capital of Score High Limited to Winnington Capital Limited for a consideration of RMB 503,381,555;

(ee) an agreement relating to the sale and purchase of 9.9% of the issued share capital of Score High Limited dated 9 September 2006 and entered into between Shui On Development

(Holding) Limited and Ocean Equity Holdings Limited pursuant to which Shui On Development (Holding) Limited sold 99 shares in Score High Limited, representing 9.9% of the issued share capital of Score High Limited to Ocean Equity Holdings Limited for a consideration of RMB 503,381,555;

(ff) a shareholders' agreement relating to Score High Limited dated 9 September 2006 and entered into between Shui On Development (Holding) Limited, Winnington Capital Limited, Ocean Equity Holdings Limited and Score High Limited for the purpose of recording the terms and conditions upon which Shui On Development (Holding) Limited, Winnington Capital Limited and Ocean Equity Holdings Limited have invested in Score High Limited;

(gg) a call option deed dated 1 September 2006 and entered into between Shui On Investment Company Limited and the Company pursuant to which Shui On Investment Company has granted the Company an option to purchase 9.9% of the issued share capital of Score High Limited from Shui On Investment Company Limited;

(hh) a call option deed dated 9 September 2006 and entered into between Shui On Investment Company Limited and the Company pursuant to which Shui On Investment Company has granted the Company an option to purchase 9.9% of the issued share capital of Score High Limited from Shui On Investment Company Limited; and

(ii) the Hong Kong Underwriting Agreement. See the section headed "Underwriting" for further details.

In addition to these contracts, in connection with the contracts mentioned in paragraphs (dd) and (ee) above, Shui On Investment Company Limited has entered into a put option deed dated 1 September 2006 between Winnington Capital Limited and Shui On Investment Company Limited pursuant to which Shui On Investment Company Limited has granted Winnington Capital Limited an option to sell 9.9% of the issued share capital of Score High Limited to Shui On Investment Company Limited; and a put option deed dated 9 September 2006 between Ocean Equity Holdings Limited and Shui On Investment Company Limited pursuant to which Shui On Investment Company Limited has granted Ocean Equity Holdings Limited an option to sell 9.9% of the issued share capital of Score High Limited to Shui On Investment Company Limited.

B. Agreements for our development projects

Shanghai Taipingqiao master agreement

On 31 December 1996, the Luwan District government entered into a master agreement with Shui On Properties Limited, a subsidiary of the Shui On Group and one of the Shui On Group shareholders of the Company, in relation to the development of the Taipingqiao area in Shanghai. The master agreement was supplemented by a memorandum dated 15 January 1997 and a set of implementing rules for the development and construction of the Taipingqiao area dated 1 March 1997. This master agreement and the master agreement in relation to the Shanghai Knowledge and Innovation Community project entered into between Shui On Holdings Limited, a company within the Shui On Group, and the Yangpu District government are the only master agreements entered into by members of the Shui On Group which did not become subsidiaries of the Company pursuant to the Reorganisation. This master agreement will cease to be relevant to this project once the project has been developed. The Group expects the construction of the Shanghai Taipingqiao project to be fully completed in 2012.

To the extent that land use rights have not yet been granted in respect of lots on the Shanghai Taipingqiao project, the Group is in discussions with the Luwan District government regarding the grant of land use rights. Land grant contracts are entered into pursuant to the master agreement with the project companies which develop the project sites (or their immediate parent companies, if they have not yet been formed) and the Luwan District government or PRC authorities (as the case may be) deal directly with those project companies (or their parent companies). Since the Reorganisation, the project companies and their immediate parent companies are all the Company's subsidiaries and those project companies are the grantees of the land use rights certificates, pursuant to the land grant contracts. Since the master agreement and its supplemental agreements were entered into by Shui On Properties Limited, and not us, on formation of our Group pursuant to the Reorganisation we entered into a deed of undertakings on 29 April 2004 with Shui On Properties Limited and Shui On Company Limited pursuant to which Shui On Properties Limited has irrevocably undertaken to, among other things, exercise all of its remaining rights under the master agreement, including its supplemental agreements, at our direction. Shui On Company Limited agreed to guarantee the performance of the obligations of Shui On Properties Limited under the deed of undertakings. This had the effect that, from that time onwards, the relevant affiliates of Shui On Properties Limited who would benefit from the rights under the master agreement were the Company and its subsidiaries.

The master agreement stipulates that all the land lots in the Taipingqiao area should be developed by an equity joint venture company ("EJV") formed by a company owned by the Luwan District government holding a 5% to 10% interest in the EJV and Shui On Properties Limited "or its affiliates" holding a 90% to 95% interest in the EJV. It therefore acknowledges the affiliates of Shui On Properties Limited, which include the Company as well as the various project companies involved in the development of the Shanghai Taipingqiao project, as the beneficiaries of the legal rights under the master agreement.

In addition, the master agreement, as supplemented, provides, amongst other things, that:

- the construction work shall be completed by the end of 2011;
- the relocation of existing residents shall be carried out by a qualified relocation company or companies appointed by the Luwan District government and shall be completed by the end of 2006;
- costs incurred in connection with the relocation shall be borne by the EJV; and
- we will develop the lots in stages.

Under the Agreement for the Sale and Purchase of Shares, Interest and Debts (the "Taipingqiao Sale and Purchase Agreement") entered into on 18 February 2004 between the Shui On Group and the Company, the Shui On Group is under a contractual duty to procure that the Company obtains the land use rights for the Shanghai Taipingqiao project. If the land use rights were granted to the Shui On Group, the Shui On Group would be obliged to indemnify the Company under the terms of the Taipingqiao Sale and Purchase Agreement.

Those land grant contracts which have been entered into in relation to the Shanghai Taipingqiao project pursuant to the master agreement were entered into before the formation of the Company by project companies which were at that time members of the Shui On Group, including in respect of Lots 109, 112, 110 (Corporate Avenue), 117 (Lakeville Phase I), 114 (Lakeville Phase II), 113, 116, 118, 122-1/2, 122-3, 126 and 127. Following the formation of the Company in 2004, these project companies became subsidiaries of the Company pursuant to the Reorganisation. Therefore, the companies which are parties to the land grant contracts for the Shanghai Taipingqiao project (and those which have obtained land use rights certificates) are now the Company's subsidiaries.

The Company's subsidiaries, as the grantees under the land grant contracts, are currently engaged in discussions with the Luwan District government regarding the supplemental land grant contracts and regarding relocation issues.

Shanghai Taipingqiao Deed of Undertakings

Pursuant to the deed of undertakings dated 29 April 2004 referred to above, Shui On Properties Limited has irrevocably undertaken to:

- exercise all of its rights under the master agreement, as supplemented, at our direction and use all reasonable commercial efforts to procure that the land use rights in relation to the future development projects that are granted to us;

- negotiate with the Luwan District government and the joint venture partners in respect of the future development projects on our behalf and at our direction;

- nominate one of our subsidiaries as the joint venture party for the purposes of entering into contractual arrangements and obtaining land use rights for future development projects; and

- take such other actions or to refrain from taking such actions as we may reasonably direct so as to put us, to the extent commercially practicable, in the same position as if we were the contracting party to the master agreement, as supplemented, for the purposes of undertaking future development projects.

We have undertaken to Shui On Properties Limited that:

- we shall exercise reasonable commercial efforts to procure that the subsidiary nominated to enter into contractual arrangements for future development projects shall, to the extent commercially practicable, perform its contractual obligations; and

- we shall use reasonable commercial efforts to perform our obligations in accordance with the spirit and intent of the master agreement, as supplemented.

Shanghai Rui Hong Xin Cheng

Shanghai Rui Hong Xin Cheng Co. Ltd. was established in July 2001 to develop the Shanghai Rui Hong Xin Cheng project. The joint venture's constitutional documents and approval documents provide, amongst other things, that:

- the purpose of the project is to develop the old districts of Hongzhen and Xingang and to construct foreign-invested residential properties for sale domestically to create a high-quality residential community in Shanghai;

- the company shall develop, construct and operate the properties, lease and sell properties, manage and operate ancillary services and facilities (for commercial, retail, services and entertainment uses), and perform property management services; and

- the relocation should be undertaken in phases and should be completed within eight to ten years.

There is no master agreement for the Shanghai Rui Hong Xin Cheng project, for which all the land grant contracts were entered into at the outset and, accordingly, there was no need to enter into a separate master agreement. The Group has obtained land use rights certificates in respect of the whole of the Shanghai Rui Hong Xin Cheng project.

Shanghai Knowledge and Innovation Community master agreement

On 29 March 2004, the Yangpu District government entered into a master agreement with Shui On Holdings Limited, a subsidiary of the Shui On Group, in relation to the development of the Shanghai Knowledge and Innovation Community project. This master agreement and the master agreement in relation to the Shanghai Taipingqiao project entered into between Shui On Properties Limited, a company within the Shui On Group, and the Luwan District government are the only master agreements entered into by members of the Shui On Group which did not become subsidiaries of the Company pursuant to the Reorganisation. This master agreement will cease to be relevant to this project once the project has been developed. The Group expects the construction of the Shanghai Knowledge and Innovation project to be fully completed in 2010.

To the extent that land use rights have not yet been granted in respect of lots on the Shanghai Knowledge and Innovation Community project, the Group is in discussions with the Yangpu District government regarding the grant of land use rights. Land grant contracts are entered into pursuant to the master agreement with the project companies which develop the project sites (or their immediate parent companies, if they have not yet been formed) and the Yangpu District government or PRC authorities (as the case may be) deal directly with those project companies (or their parent companies). Since the Reorganisation, the project companies and their immediate parent companies are all the Company's subsidiaries and those project companies are the grantees of the land use rights certificates, pursuant to the land grant contracts. Since the master agreement was entered into by Shui On Holdings Limited, and not by us, on 31 December 2004 on formation of our Group pursuant to the Reorganisation, we entered into a deed of undertakings with Shui On Holdings Limited and Shui On Company Limited pursuant to which Shui On Holdings Limited has irrevocably undertaken to, among other things, exercise all of its remaining rights under the master agreement at our direction. Shui On Company Limited agreed to guarantee the performance of the obligations by Shui On Holdings Limited under the deed of undertakings.

The master agreement provides, amongst other things, that:

- Shanghai Yang Pu Knowledge Innovation Zone Investment and Development Co., Ltd. and Bright Continental Limited will establish a project company in the form of an equity joint venture company, named Shanghai Yang Pu Centre Development Co., Ltd., in which they have 30% and 70% of the equity interests, respectively, to develop the Shanghai Knowledge and Innovation Community project in stages;

- Phase 1 of the project is planned to take 14 months. The joint venture company shall simultaneously prepare for the commencement of Lot 149 and complete the construction of the public facilities for the Live and Work Area and the Hub Area, and, if proper conditions are available, complete part of the Technology Park in 2007. The project is scheduled to be completed in 2010;

- the land delivered to the joint venture company shall be levelled land;

- costs incurred in connection with the relocation shall be borne by the joint venture company; and

- Shui On Holdings Limited shall undertake the overall planning and design of the parcel of land on the eastern side of the Jiangwan Stadium and the buildings thereon and shall assist the Municipal Sports Bureau to select qualified contractors for the renovation and management of the Jiangwan Stadium and the parcel to its east.

As in the case of the master agreement in relation to Shanghai Taipingqiao project, the rights under this master agreement have been exercised by Shanghai Yangpu Centre Development Co., Ltd., the project company involved in the development, which is now a subsidiary of the Company. The Group holds a 70% interest in Shanghai Yangpu Centre Development Co., Ltd. and the remaining 30% interest is held by Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd., an affiliated entity of the Yangpu District government.

Shanghai Knowledge and Innovation Community deed of undertakings

Pursuant to the deed of undertakings dated 31 December 2004 referred to above, Shui On Holdings Limited has irrevocably undertaken to:

- exercise all of its rights under the master agreement at our direction and use all reasonable commercial efforts to procure that the land use rights in relation to the Shanghai Knowledge and Innovation Community project, except for the two plots of land as granted pursuant to two land grant contracts dated 29 March 2004, are granted in favour of Shanghai Yang Pu Centre Development Co., Ltd., one of our joint venture companies;

- negotiate with the Yangpu District government in respect of the development of the Shanghai Knowledge and Innovation Community project (except for the two plots of land referred to above) pursuant to the master agreement on our behalf and at our direction;

- negotiate and agree with the Yangpu District government in respect of the land grant fees payable for the development of the public transport centre and the high-tech science park zone within the project on our behalf and at our direction within a reasonable time after our acquisition of the project; and

- take such other actions and refrain from such actions as we may reasonably direct so as to put us, to the extent commercially practicable, in the same position as if we were the contracting party to the master agreement.

We have undertaken to Shui On Holdings Limited that:

- we shall exercise reasonable commercial efforts to procure that Shanghai Yang Pu Centre Development Co., Ltd., the joint venture company nominated to enter into contractual arrangements for future development projects shall, to the extent commercially practicable, perform its contractual obligations, including the entry into land grant contracts for the two plots referred to above;

- we shall use reasonable commercial efforts to perform our obligations in accordance with the spirit and intent of the master agreement; and

- we shall use reasonable commercial efforts to undertake the overall planning and design of the land parcel to the east of the Jiangwan Stadium in accordance with the spirit and intent of the master agreement, and to assist the District Sports Bureau in appointing appropriate enterprises to repair, renovate and maintain such land parcel and the Jiangwan Stadium.

Chongqing Tiandi master agreement

On 19 August 2003, the Yuzhong District government entered into a master agreement with Grand Hope Limited, then a member of the Shui On Group, in relation to the development of the Chongqing Tiandi project. Grand Hope Limited became part of the Group pursuant to the Reorganisation.

Under the master agreement:

- relocation of existing residents will be completed within four years and the whole development will be completed within 12 years;
- the development, construction, operation and property management of the project shall be carried out by an equity joint venture company established by Grand Hope Limited holding a 99% equity interest and a state-owned enterprise designated by the Yuzhong District government holding a 1% equity interest;
- land grant fees and relocation costs in excess of the joint venture company's registered capital shall be paid in installments by Grand Hope Limited or the joint venture company;
- the Yuzhong District government has undertaken to use its best efforts to complete the relocation of existing residents within four years;
- Grand Hope Limited shall procure the joint venture company to engage professional services to prepare a detailed planning proposal for approval by the relevant planning authorities and to implement the planning proposal as approved;
- the Yuzhong District government may terminate the master agreement if any of the following events occurs:
    - Grand Hope Limited or the joint venture company fails to pay relocation costs which in aggregate exceed RMB50 million;
    - Grand Hope Limited or the joint venture company fails to commence the development of the project before 31 December 2003 or fails to carry out the development in accordance with the master plan as approved by the government;
    - Grand Hope Limited or the joint venture company transfers, leases, mortgages or gifts the land use rights in a manner not contemplated by the master agreement; or
    - Grand Hope Limited fails to contribute the registered capital of the joint venture company in accordance with the joint venture contract.

- Grand Hope Limited may terminate the master agreement if any of the following events occurs:
    - the Yuzhong District government fails to perform its obligations for relocation and such failure causes Grand Hope Limited or the joint venture company to be unable to complete the project; or
    - the Yuzhong District government refuses to liaise with the relevant land authority for the land grant after Grand Hope Limited has paid the land grant fees and relocation costs in full.
- either party may terminate the master agreement by written notice if any of the following events occurs:
    - the other party does not perform or materially breaches its obligations;
    - Grand Hope Limited or the joint venture company becomes bankrupt, is liquidated, or is unable to repay its debts;
    - an event of force majeure lasts more than six months and the parties fail to reach a resolution; and
    - a material term of the master agreement is determined void by a PRC court and the voidance defeats the purposes of the master agreement.

Wuhan Hankou Tiandi tender documents

On 28 April 2005, we won the bid for the development of the Hankou Tiandi site in Wuhan and entered into an Agreement to Confirm Consummation of Transactions in State-Owned Land-Use Rights with the Wuhan Municipal Land and Resources Administration Bureau. On 10 May 2005, our wholly owned subsidiary, Super Field Limited, entered into an Agreement Regarding Development and Payment for Reserved Land with the Wuhan Municipal Land Consolidation and Reservation Centre.

These tender documents provide, amongst other things, that:

- Site A shall be delivered to us by 30 June 2006 and Site B shall be delivered to us by December 31, 2008;
- we will enter into land grant contracts with the Wuhan Municipal Land and Resources Administration Bureau within 30 days from the delivery of each Site;
- the construction shall commence within eight months from delivery of each Site and complete within six years from delivery of each Site; and
- we will construct a high school on Site B according to the requirements of the Wuhan Municipal education authority at our cost and deliver the school to the education authority after completion.

There is no master agreement for the Wuhan Hankou Tiandi project. The Group is in the process of negotiating the relevant land grant contracts.

Hangzhou Xihu Tiandi

We established Hangzhou Xihu Tiandi Management Co., Ltd., our cooperative joint venture in cooperation with Hangzhou Scenic Garden Development Corporation Ltd., in March 2003 to engage in the development of Phase 1 of the Hangzhou Xihu Tiandi project. The joint venture's constitutional documents, approval documents and feasibility study provide, amongst other things, that:

- the purpose of the project is to create a high-quality leisure venue for Chinese and overseas tourists to promote the economic development of the Hangzhou travel industry by creating a concept similar to Shanghai Xintiandi;
- the commercial properties will include:
    - food and beverage — Chinese, Japanese, South East Asian, European and fusion cuisine;
    - coffee shops and tea houses;
    - retail shops;
    - arts and culture — galleries, book shops, ceramics and arts and crafts;
    - leisure — music venues and other leisure and entertainment venues; and
    - events and promotions.

Hangzhou Xihu Tiandi Properties Co., Ltd. is our project company in charge of the development of Phase 2 of Hangzhou Xihu Tiandi. The land grant contract in respect of the land required for development of Phase 2 of Hangzhou Xihu Tiandi provides, dated 3 February 2004 amongst other things, that:

- a site surrounded by Zicheng Lane to the east, Xihu Boulevard to the south, Nanshang Road to the west and Kaiyun Road to the north in Hangzhou is granted to us for a term of 50 years;
- the use of the land includes public facilities, commercial use, office use, tourism and hotel and serviced apartments;
- the development is intended to preserve the historical buildings and structures; and
- the development must satisfy environmental protection standards and greenery requirements.

There is no master agreement for the Hangzhou Xihu Tiandi project. As above, the Group entered into a land grant contract for a portion of the land through a tender process in 2004 and obtained the right to use and develop the remaining portion of the land through a lease and a cooperative arrangement with a local partner.

C. Our joint venture arrangements

Our joint venture partners

Each of our joint venture partners in China is an associated enterprise of the local district government in the area where the development project is located. We have established subsidiaries in Hong Kong, Mauritius and the British Virgin Islands to enter into the relevant joint venture contracts with our joint venture partners in China.

Capital contributions

Except for Hangzhou Scenic Garden Development Corporation Ltd., our cooperative joint venture partner of Hangzhou Xihu Tiandi Management Co., Ltd., which contributed the operating rights of the buildings at Phase 1 of the Hangzhou Xihu Tiandi project as its capital contribution, our other joint venture partners make their capital contributions in cash in amounts proportionate with their percentage of equity interests specified in the relevant joint venture contracts.

In addition, the Chinese joint venture partners are generally responsible for, among other things, the following:

- assisting the project companies in applying for relevant government approvals and permits for the establishment and operation of the project companies; and
- liaising among the joint venture partners, the project companies and the relevant government authorities to ensure smooth operation of the project companies and the relevant development projects.

Apart from making cash contributions in accordance with the percentage of our equity interest in the relevant joint ventures, we are generally required to:

- prepare application documents for the establishment of the project companies, including, among others, feasibility studies, joint venture contracts and articles of association;
- establish financial reporting and accounting systems in accordance with international standards; and
- assist the project companies to obtain financing necessary for their operations and relevant development projects.

Profit sharing and assets distribution

Except for Hangzhou Scenic Garden Development Corporation Ltd. and 上海新天地廣場商業有限公司, our joint venture partners of Hangzhou Xihu Tiandi Management Co., Ltd, and Shanghai Rui Zhen Food & Beverage Co., Ltd., respectively, our joint venture partners are generally entitled to share distributable profits according to their respective percentage of ownership specified in the relevant joint venture contract.

Hangzhou Scenic Garden Development Corporation Ltd., our joint venture partner of Hangzhou Xihu Tiandi Management Co., Ltd., is entitled to a fixed annual distributable profit, or 50% of the total annual distributable profit if it exceeds a certain amount.

Shanghai Xintiandi Plaza Co., Ltd., our joint venture partner of Shanghai Rui Zhen Food & Beverage Co., Ltd., is entitled to a fixed after-tax payment annually, which is equivalent to 10% of its capital contribution (i.e. US$21,000).

Upon the expiration of all the equity joint venture contracts (including any extension thereof), the joint venture parties will generally share the proceeds from the liquidation of the relevant project companies according to their respective percentage of ownership.

Board representation and management

The board of directors of each joint venture is the highest decision-making authority of each of our joint ventures. In general, the board of directors of our joint ventures consists of three to seven directors, and the voting power to appoint the directors correspond to the respective percentage of ownership of the joint venture partners.

Except for Shanghai Song Hu Public Traffic Hinge Construction Development Co., Ltd., in which we have a minority interest of 25% and therefore have the right to appoint only one out of the five directors on the board, we have majority interests in all of our other joint ventures and appoint the chairman of each of these joint ventures.

The general managers and, in some cases, one or more deputy general managers are in charge of day-to-day operation and management of our joint ventures. We appoint the general manager of each joint venture except for Shanghai Song Hu Public Traffic Hinge Construction Development Co., Ltd., for which we appoint one out of two deputy general managers.

Term of operation and termination

Our joint ventures have a term of operation ranging from 20 to 70 years commencing from the date of establishment of the joint venture, subject to extension upon the unanimous consent of its board of directors and approval by the original examination and approval authorities.

Each of our joint ventures may be terminated upon the unanimous consent of its board of directors and the approval of the original approval authority.

Except for Hangzhou Xihu Tiandi Management Company Limited, Shanghai Rui Hong Xin Cheng Co., Ltd. and Shanghai Rui Zhen Food & Beverage Co., Ltd., each of our joint ventures may be terminated by either party if any of the following events occurs:

- the other party to the joint venture materially breaches the joint venture contract and fails to rectify the breach within 90 days or causes the joint venture to be inoperable or unable to achieve its business goals, as the case may be;
- the joint venture or either party to the joint venture becomes insolvent, is under liquidation or dissolution proceedings, ceases operation, or is unable to repay its debts when due;
- an event of force majeure lasts more than three or six months, as the case may be, and the parties to the joint venture fail to reach a fair resolution; or
- any other events as set out in the relevant PRC laws and regulations.

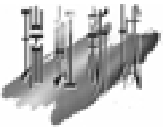
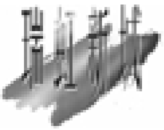
Hangzhou Xihu Tiandi Management Company Limited and Shanghai Rui Hong Xin Cheng Co., Ltd. may be terminated by either party to the joint venture if the other party materially breaches the joint venture contract or the articles of association, and such breach causes the joint venture to be inoperable or unable to achieve its business goals.

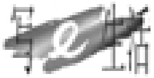
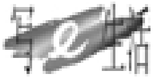
Shanghai Rui Zhen Food & Beverage Co., Ltd. may be terminated by either party to the joint venture if the other party materially breaches the joint venture contract and fails to rectify the breach within 30 days.

D. Our intellectual property rights

(a) Trademarks

(i) As at the Latest Practicable Date, the Company owned or had registered (as the case may be) the following trademarks in the PRC:

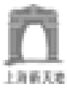
Trademark	Registration No.	Class	Products or Services covered	Expiry Date
	1448987	36	Leasing of immovable properties; immovable intermediaries; management of immovable assets; management of apartments; leasing of apartments; accommodation agencies; leasing of offices (immovable properties); immovable property agencies; brokers	20 September 2010
	1460873	19	Non-metallic buildings; non-metallic skating courses; aquariums (construction); non-metallic swimming pools; non-metallic bicycle parking equipment; non-metallic mini baths	20 October 2010

Trademark	Registration No.	Class	Products or Services covered	Expiry Date
	1687646	42	Restaurants; fast food restaurants; bars; indoor decoration design; exhibition equipment; medical clinics; beauty shops; non-trading professional consultation; housekeeping; hair salons	20 December 2011
	1735831	41	Education; game organising (education or entertainment); libraries for profit; sporting games organising; cinema equipment; fitness clubs; museum equipment (performance and exhibition); entertainment; arranging and organising of meetings; club services (education or entertainment)	20 March 2012
	1679978	36	Leasing of immovable properties; immovable property agencies; accommodation agencies; management of immovable properties; leasing of offices (immovable properties); management of apartments; leasing of apartments; property management; brokers; rent collection	6 December 2011
	1692816	19	Floor board; gypsum; cement; cement board; ceramic tile; non-metallic construction materials; non-metallic buildings; construction glass; non-metallic construction painting materials; stone, concrete or marble artworks	6 January 2012
乐 富	1764902	36	Leasing of offices (immovable properties); leasing of immovable properties; immovable property agencies; management of immovable properties; valuation of immovable properties; immovable intermediaries; leasing of apartments; management of apartments; accommodation agencies; accommodation (apartment)	6 May 2012

Trademark	Registration No.	Class	Products or Services covered	Expiry Date
LOFT	1960743	36	Leasing of offices (immovable properties); leasing of immovable properties; immovable property agencies; management of immovable properties; valuation of immovable properties; immovable intermediaries; leasing of apartments; management of apartments; accommodation agencies; accommodation (apartment)	27 November 2012
The Loft	1691710	36	Leasing of immovable properties; immovable property agencies; accommodation agencies; valuation of immovable properties; management of immovable properties; management of apartments; leasing of apartments; accommodation (apartment), leasing of offices (immovable properties)	27 December 2011
	1716851	19	Non-metallic buildings	20 February 2012
	1559997	36	Leasing of immovable properties; brokers; property management; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; leasing of immovable properties; leasing of offices (immovable properties)	20 April 2011
	1583941	42	Hotels; exhibition equipment; beauty shops; restaurants; fast food restaurants; bars; teahouses; medical clinics; hair salons; photography	6 June 2011
	1567925	41	Education; cultural and entertainment activities; club services (entertainment or education); night clubs; training; amusement parks; entertainment; party planning (entertainment); fitness clubs; museum equipment (performance and exhibition)	6 May 2011

Trademark	Registration No.	Class	Products or Services covered	Expiry Date
	3411518	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; leasing of apartments; property management; entrusted management; sale of immovable properties	6 November 2014
八八新天地	3418090	43	Hotels; restaurants; fast food restaurants; bars; teahouses; party planning and preparation; cafeterias leasing of movable houses; cocktail party services; beadhouses	13 November 2014
八八新天地	3418091	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; leasing of apartments; property management; entrusted management; sale of immovable properties	13 November 2014
	3341072	33	Mint wine; ratafia (alcohol); cider; alcohol (liqueur); cocktail; wine; brandy; clear wine; yellow wine; rice wine	27 October 2013
	3341074	32	Non-alcoholic fruit juice; fruit juice; mineral water; water (drinks); vegetable juice (drinks); non-alcoholic drinks; coke; milk tea (not made mainly of milk); yogurt drinks; whey drinks	20 March 2014
Xintiandi	3341073	33	Mint wine; ratafia (alcohol,; cider; alcohol (liqueur); cocktail; wine; brandy; clear wine; yellow wine; rice wine	27 October 2013
	3362307	33	Mint wine; ratafia (alcohol); cider; alcohol (liqueur); cocktail; wine; brandy; clear wine; yellow wine; rice wine	20 November 2013

Trademark	Registration No.	Class	Products or Services covered	Expiry Date
上海新天地	3189281	41	Education; performance organising (shows); training; cultural and entertainment activities; clubs services (entertainment or education); nightclubs; amusement parks; entertainment; fitness clubs; provision of museum equipment (performance and exhibition)	27 July 2015
	3670698	6	Metallic key chains, ordinary metallic key rings; metallic works; metallic medals; ordinary metallic artworks; bronze works (artworks); metallic sign boards; ordinary metallic wallets	6 March 2015
	3670701	16	Stationery; paper; printed matter; pictures; packaging paper; indoor plants (simulated animals or gardens); stationery (except furniture); ink; drawing instruments; stationery or household glue	13 July 2015
	3670699	14	Clocks; watches; watch chains; alarm clocks; electronic calendars; watch boxes (gifts); precious metal tableware; precious metal tea sets; pins (jewelry); key rings (small ornaments or short-chain ornaments)	27 August 2015
	3670703	21	Non-precious metal kitchen utensils; non-precious metal household or kitchen containers; non-precious metal tableware (excluding knives, forks and spoons), daily glass matters (including glasses, plates, pots and jars), china, porcelain, pottery or glass artworks; non-precious metal tea set; daily enamel or plastic utensils (including pots, bowls and glasses); glasscontainers; drinking utensils	20 September 2015
XINTIANDI	3670715	6	Metallic key chains, ordinary metallic key rings; metallic works; metallic medals; ordinary metallic artworks; bronze works (artworks); metallic sign boards; ordinary metallic wallets	6 March 2015

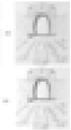
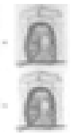
Trademark	Registration No.	Class	Products or Services covered	Expiry Date
XINTIANDI	3670716	16	Stationery; paper; printed matter; pictures; packaging paper; indoor plants (simulated animals or gardens); stationery (except furniture); ink; drawing instruments; stationery or household glue	13 July 2015
XINTIANDI	3670695	14	Clocks; watches; watch chains; alarm clocks; electronic calendars; watch boxes (gifts); precious metal tableware; precious metal tea sets; pins (jewelry); key rings (small ornaments or short-chain ornaments)	27 August 2015
新天地	3670733	14	Clocks; watches; watch chains; alarm clocks; electronic calendars; watch boxes (gifts); watchbands; talking alarm clocks; stop watches; time measurement machines	27 August 2015
优贤生活	3726978	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; leasing of apartments; property management; entrusted management; apartment sales	6 February 2016
 上海新天地	3189280	43	Hotels; restaurants; fast food restaurants; bars; teahouses; party planning and preparation; cafeteria; leasing of movable houses; cocktail party services; beadhouses	6 November 2015
	3670702	18	Wallets; shopping bags; suitcases; knapsacks; traveling bags; handbags; leather case or leather board cases; umbrellas; umbrella covers	27 January 2016
XINTIANDI	3670696	18	Wallets; shopping bags; suitcases; knapsacks; traveling bags; handbags; leather cases; or leather board cases; umbrellas; umbrella covers	6 February 2016

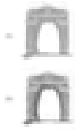
Trademark	Registration No.	Class	Products or Services covered	Expiry Date
XINTIANDI	3670714	21	Non-precious metal kitchen utensils; non-precious metal household or kitchen containers; non-precious metal tableware (excluding knives, forks and spoons), daily glass matters (including glasses, plates, pots and jars), china, porcelain, pottery or glass artworks; non-precious metal tea set; daily enamel or plastic utensils (including pots, bowl and glasses); glass container; drinking utensils	20 November 2015
上海新天地	3189282	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; leasing of apartments; property management; entrusted management; sale of immovable properties	6 June 2016

(ii) As at the Latest Practicable Date, the Company owned or had registered (as the case may be) the following trademarks in Hong Kong:

Trademark	Trademark No.	Class	Products or Services covered	Date of Registration	Expiry Date
Xintiandi	300479025	36	Real estate affairs; apartment house management, financial evaluation (insurance, banking, real estate), real estate agencies, real estate appraisal, real estate brokers, leasing of real estate, real estate management, rent collection, rental of offices (real estate), renting of apartments, renting of flats; trusteeship, brokerage, fund investment	18 August 2005	17 August 2015

Trademark	Trademark No.	Class	Products or Services covered	Date of Registration	Expiry Date
Xintiandi	300479025	37	Construction; building construction; building construction supervision, building of fair stalls and shops, building insulating, building sealing, cleaning of building, construction engineering; rental of construction equipment; demolition of building; harbour construction; lift installation and repair; machinery installation, maintenance and repair; masonry; pipeline construction and maintenance; plastering, scaffolding and under-water construction, upholstering, extraction (mining)	18 August 2005	17 August 2015
翠湖 天地	300478990	37	Construction; building construction; building construction supervision, building of fair stalls and shops, building insulating, building sealing, cleaning of building, construction engineering; rental of construction equipment; demolition of building; harbour construction; lift installation and repair; machinery installation, maintenance and repair; masonry; pipeline construction and maintenance; plastering, scaffolding and under-water construction, upholstering, extraction (mining)	18 August 2005	17 August 2015
(A)  (B) 	300479061	33	Alcoholic beverages (except beers), wine, peppermint liqueurs, fruit extracts (alcoholic), spirits (beverages), cocktails	18 August 2005	17 August 2015

Trademark	Trademark No.	Class	Products or Services covered	Date of Registration	Expiry Date
	300479052	33	Alcoholic beverages (except beers), wine, peppermint liqueurs, fruit extracts (alcoholic), spirits (beverages), cocktails	18 August 2005	17 August 2015
	300479043	33	Alcoholic beverages (except beers), wine, peppermint liqueurs, fruit extracts (alcoholic), spirits (beverages), cocktails	18 August 2005	17 August 2015
	300479034	33	Alcoholic beverages (except beers), wine, peppermint liqueurs, fruit extracts (alcoholic), spirits (beverages), cocktails	18 August 2005	17 August 2015
	300479016	36	Real estate affairs; apartment house management, financial evaluation (insurance, banking, real estate), real estate agencies, real estate appraisal, real estate brokers, leasing of real estate, real estate management, rent collection, rental of offices (real estate), renting of apartments, renting of flats; trusteeship, brokerage, fund investment	18 August 2005	17 August 2015

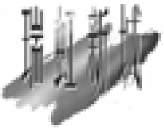
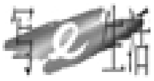
Trademark	Trademark No.	Class	Products or Services covered	Date of Registration	Expiry Date
	300479016	37	Construction; building construction; building construction supervision, building of fair stalls and shops, building insulating, building sealing, cleaning of building, construction engineering; rental of construction equipment; demolition of building; harbour construction; lift installation and repair; machinery installation, maintenance and repair; masonry; pipeline construction and maintenance; plastering, scaffolding and under-water construction, upholstering, extraction (mining)	18 August 2005	17 August 2015
上海新天地	300479007	36	Real estate affairs; apartment house management, financial evaluation (insurance, banking, real estate), real estate agencies, real estate appraisal, real estate brokers, leasing of real estate, real estate management, rent collection, rental of offices (real estate), renting of apartments, renting of flats; trusteeship, brokerage, fund investment	18 August 2005	17 August 2015

Trademark	Trademark No.	Class	Products or Services covered	Date of Registration	Expiry Date
上海新天地	300479007	37	Construction; building construction; building construction supervision, building of fair stalls and shops, building insulating, building sealing, cleaning of building, construction engineering; rental of construction equipment; demolition of building; harbour construction; lift installation and repair; machinery installation, maintenance and repair; masonry; pipeline construction and maintenance; plastering, scaffolding and under-water construction, upholstering, extraction (mining)	18 August 2005	17 August 2015
瑞安	300479070	36	Real estate affairs; apartment house management, financial evaluation (insurance, banking, real estate), real estate agencies, real estate appraisal, real estate brokers, leasing of real estate, real estate management, rent collection, rental of offices (real estate), renting of apartments, renting of flats; trusteeship, brokerage, fund investment	18 August 2005	17 August 2015

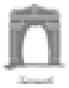
Trademark	Trademark No.	Class	Products or Services covered	Date of Registration	Expiry Date
瑞安	300479070	37	Construction; building construction; building construction supervision, building of fair stalls and shops, building insulating, building sealing, cleaning of building, construction engineering; rental of construction equipment; demolition of building; harbour construction; lift installation and repair; machinery installation, maintenance and repair; masonry; pipeline construction and maintenance; plastering, scaffolding and under-water construction, upholstering, extraction (mining)	18 August 2005	17 August 2015
(A) (B)	300478981	36	Real estate affairs; apartment house management, financial evaluation (insurance, banking, real estate), real estate agencies, real estate appraisal, real estate brokers, leasing of real estate, real estate management, rent collection, rental of offices (real estate), renting of apartments, renting of flats; trusteeship, brokerage, fund investment	18 August 2005	17 August 2015

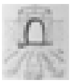
Trademark	Trademark No.	Class	Products or Services covered	Date of Registration	Expiry Date
(A)  (B) 	300478981	37	Construction; building construction; building construction supervision, building of fair stalls and shops, building insulating, building sealing, cleaning of building, construction engineering; rental of construction equipment; demolition of building; harbour construction; lift installation and repair; machinery installation, maintenance and repair; masonry; pipeline construction and maintenance; plastering, scaffolding and under-water construction, upholstering, extraction (mining)	18 August 2005	17 August 2015

(iii) As at the Latest Practicable Date, the Company had applied for registration of the following trademarks in the PRC:

Trademark	Application No.	Class	Products or Services covered	Date of Application
	4604884	37	Supervision of building construction; construction; construction of residential buildings; mining; indoor renovation; installation and repair of heating equipment; installation, maintenance and repair of machines; installation and repair of kitchen utilities; installation and repair of elevators; installation and repair of entertainment and sporting equipment	15 April 2005
	4604883	37	Supervision of building construction; construction; construction of residential buildings; mining; indoor renovation; installation and repair of heating equipment; installation, maintenance and repair of machines; installation and repair of kitchen utilities; installation and repair of elevators; installation and repair of entertainment and sporting equipment	15 April 2005

Trademark	Application No.	Class	Products or Services covered	Date of Application
乐 富	4604882	37	Supervision of building construction; construction; construction of residential buildings; mining; indoor renovation; installation and repair of heating equipment; installation, maintenance and repair of machines; installation and repair of kitchen utilities; installation and repair of elevators; installation and repair of entertainment and sporting equipment	15 April 2005
The Loft	4604880	37	Supervision of building construction; construction; construction of residential buildings; mining; indoor renovation; installation and repair of heating equipment; installation, maintenance and repair of machines; installation and repair of kitchen utilities; installation and repair of elevators; installation and repair of entertainment and sporting equipment	15 April 2005
LOFT	4604881	37	Supervision of building construction; construction; construction of residential buildings; mining; indoor renovation; installation and repair of heating equipment; installation, maintenance and repair of machines; installation and repair of kitchen utilities; installation and repair of elevators; installation and repair of entertainment and sporting equipment	15 April 2005
上海新天地	4604877	37	Supervision of building construction; construction; construction of residential buildings; mining; indoor renovation; installation and repair of heating equipment; installation, maintenance and repair of machines; installation and repair of kitchen utilities; installation and repair of elevators; installation and repair of entertainment and sporting equipment	15 April 2005

Trademark	Application No.	Class	Products or Services covered	Date of Application
优质生活	4604878	37	Supervision of building construction; construction; construction of residential buildings; mining; indoor renovation; installation and repair of heating equipment; installation, maintenance and repair of machines; installation and repair of kitchen utilities; installation and repair of elevators; installation and repair of entertainment and sporting equipment	15 April 2005
	4604879	37	Supervision of building construction; construction; construction of residential buildings; mining; indoor renovation; installation and repair of heating equipment; installation, maintenance and repair of machines; installation and repair of kitchen utilities; installation and repair of elevators; installation and repair of entertainment and sporting equipment	15 April 2005
翠湖 天地 THE LAKEVILLE	4910635	37	Supervision of building construction; construction; construction of residential buildings; mining; indoor renovation; installation and repair of heating equipment; installation, maintenance and repair of machines; installation and repair of kitchen utilities; installation and repair of elevators; installation and repair of entertainment and sporting equipment	23 September 2005
Tian Di	4322493	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; leasing of apartments; property management; entrusted management; apartment sales	22 Oct 2004
	3411517	43	Hotels; restaurants; fast food restaurants; bars; teahouses; party planning and preparation; cafeteria; leasing of movable houses; cocktail party services; beadhouses	20 December 2002
新天地	3670697	33	Mint wine; ratafia (alcohol); cider; alcohol, (liqueur); cocktail; wine; brandy; clear wine; yellow wine; rice wine	12 August 2003

Trademark	Application No.	Class	Products or Services covered	Date of Application
	3670694	33	Mint wine; ratafia (alcohol); cider; alcohol, (liqueur); cocktail; wine; brandy; clear wine; yellow wine; rice wine	12 August 2003
	4856315	33	Mint wine; ratafia (alcohol); cider; alcohol (liqueur); cocktail; wine; brandy; clear wine; wine (beverages); rice wine	25 August 2005
	4856318	33	Mint wine; ratafia (alcohol); cider; alcohol, (liqueur); cocktail; wine; brandy; clear wine; wine (beverages); rice wine	25 August 2005
	4856317	33	Mint wine; ratafia (alcohol); cider; alcohol (liqueur); cocktail; wine; brandy; clear wine; wine (beverages); rice wine	25 August 2005
	4856316	33	Mint wine; ratafia (alcohol); cider; alcohol (liqueur); cocktail; wine; brandy; clear wine; wine (beverages); rice wine	25 August 2005
SHUI ON	4846233	42	Engineering; research and development (for others); urban planning; quality control; testing of materials; packaging design; architecture; architecture consultation; construction mapping; indoor decoration design; development of construction projects	19 August 2005
	4889218	6	Metallic key chains, ordinary metallic key rings; metallic works; metallic medals; ordinary metallic artworks; bronze works (artworks); metallic sign boards; ordinary metallic wallets	12 September 2005
	4889216	43	Hotels; restaurants; leasing of counter; bars; teahouses; party planning and preparation; cafeteria; leasing of movable houses; cocktail party services; beadhouses	12 September 2005
	4889217	16	Stationery; paper; printed matter; pictures; packaging paper; indoor plants (simulated animals or gardens); stationery (except furniture); ink; drawing instruments; stationery or household glue	12 September 2005

Trademark	Application No.	Class	Products or Services covered	Date of Application
	4889215	14	Clocks; watches; watch chains; alarm clocks; electronic calendars; watch boxes (gifts); precious metal tableware; precious metal tea sets; pins (jewelry); key rings (small ornaments or short-chain ornaments)	12 September 2005
	4846234	42	Engineering; research and development (for others); urban planning; quality control; testing of materials; packaging design; architecture; architecture consultation; construction mapping; indoor decoration design; development of construction projects	19 August 2005
	5200179	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; capital investments; property management; entrusted management; apartment sales	9 March 2006
	5200180	43	Hotels; restaurants; leasing of counter; bars; teahouses; party planning and preparation; cafeteria; leasing of movable houses; cocktail party services; beadhouses	9 March 2006
	5200181	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; capital investments; property management; entrusted management; apartment sales	9 March 2006
CORPORATE AVENUE	5200182	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; capital investments; property management; entrusted management; apartment sales	9 March 2006

Trademark	Application No.	Class	Products or Services covered	Date of Application
[illegible]	5200183	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; capital investments; property management; entrusted management; apartment sales	9 March 2006
[illegible]	5200184	42	Engineering; computer software design; urban planning; quality control; testing of materials; packaging design; creating and maintaining web site for others; computer system design; maintenance of computer software; indoor decoration design; development of construction projects	9 March 2006
[illegible]	5200185	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; capital investments; property management; entrusted management; apartment sales	9 March 2006
[illegible]	5200186	41	Education; performance organising (shows); training; providing on-line electronic publications not downloadable; club services (entertainment and education); nightclubs; entertainment; fitness clubs; arranging and conducting of conferences; production of shows	9 March 2006
[illegible]	5200187	43	Hotels; restaurants; leasing of counter; bars; teahouses; party planning and preparation; cafeteria; leasing of movable houses; cocktail party services; beadhouses	9 March 2006
[illegible]	5200188	42	Engineering; computer software design; urban planning; quality control; testing of materials; packaging design; creating and maintaining web site for others; computer system design; maintenance of computer software; indoor decoration design; development of construction projects	9 March 2006

Trademark	Application No.	Class	Products or Services covered	Date of Application
[illegible] Villa du Lac [illegible]	5200189	43	Hotels; restaurants; leasing of counter; bars; teahouses; party planning and preparation; cafeteria; leasing of movable houses; cocktail party services; beadhouses	9 March 2006
[illegible] Villa du Lac [illegible]	5200190	43	Hotels; restaurants; leasing of counter; bars; teahouses; party planning and preparation; cafeteria; leasing of movable houses; cocktail party services; beadhouses	9 March 2006
[illegible] Villa du Lac [illegible]	5200191	41	Education; performance organising (shows); training; providing on-line electronic publications not downloadable; club services (entertainment and education); nightclubs; entertainment; fitness clubs; arranging and conducting of conferences; production of shows	9 March 2006
88 XINTIANDI 新天地	5200192	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; capital investments; property management; entrusted management; apartment sales	9 March 2006
88 XINTIANDI	5200193	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; capital investments; property management; entrusted management; apartment sales	9 March 2006
汉口天地 Hankou Tiandi	5200590	36	Leasing of immovable properties; immovable property agencies; immovable property intermediaries; valuation of immovable properties; management of immovable properties; brokers; capital investments; property management; entrusted management; apartment sales	9 March 2006

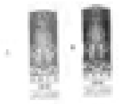
Trademark	Application No.	Class	Products or Services covered	Date of Application
Xintiandi	5200591	42	Development of construction projects; computer software design; architecture consultation; construction mapping; testing of materials; packaging design; creating and maintaining web site for others; computer system design; maintenance of computer system; indoor decoration design	9 March 2006
上海新天地	5200592	42	Development of construction projects; computer software design; architecture consultation; construction mapping; testing of materials; packaging design; creating and maintaining web site for others; computer system design; maintenance of computer system; indoor decoration design	9 March 2006
	5112017	36	Leasing of real estate; Housing agents; Real estate brokers; Real estate agencies; Real estate brokers; Real estate appraisal; Real estate management; Brokerage; Fund investments; Factoring; Trusteeship; Sale of immovable properties	11 January 2006
	5112016	37	Building construction supervision; Checking engineering; Construction; Demolition of buildings; Building of fair stalls and shops; Buildings (Cleaning of interior); Indoor renovation; Cleaning of buildings(exterior surface); Painting, interior and exterior; Masonry	11 January 2006
	5112015	42	Engineering; Software design (Computer); Urban planning; Quality control; Testing (Material); Packaging design; Creating and maintaining web sites for others; Computer system design; Maintenance of computer software; Design of interior décor; Development of construction projects	11 January 2006
[illegible]	5200194	6	Metallic key chains; Ordinary metallic key rings; Metallic works; Metallic medals; Ordinary metallic artworks; Bronze works (artworks); Metalic sign boards; Ordinary metallic wallets	9 March 2006

Trademark	Application No.	Class	Products or Services covered	Date of Application
与鲨共舞	5200195	14	Clocks; Watches; Watches chains; Alarm clocks; Electronic calendars; Watch boxes (gifts); Precious metal tableware; Precious metal tea sets; Pins (Jewelry); Key rings (small ornaments or short-chain ornaments)	9 March 2006
与鲨共舞	5200196	21	Non-precious metal kitchen utensils; Non-precious metal household or kitchen containers; Non-precious metal tableware (excluding knives, forks and spoons); Daily glass matters (including glasses, plates, pots and jars); China; Porcelain; Pottery or glass artworks; Non-precious metal tea set; Daily enamel or plastic utensils(including pots, bowls and glasses); Glass containers; Drinking utensils	9 March 2006
与鲨共舞	5200197	36	Leasing of real estate; Housing agents; Real estate brokers; Real estate agencies; Real estate brokers; Real estate appraisal; Real estate management; Brokerage; Fund investments; Factoring; Trusteeship; Sale of immovable properties	9 March 2006
与鲨共舞	5200599	43	Hotels; Restaurant; Accommodation bureaux hotels, boarding houses; Bars; Teahouse; Party planning and preparation; Cafeterias; Leasing of movable house; Cocktail party services; Beadhouses	9 March 2006
与鲨共舞	5200598	41	Education; Game organising (education or entertainment); Educational services; Libraries for profit; Club services(education or entertainment); Discotheque services; Entertainment; Health club services; Arranging and conducting of conferences;	9 March 2006
Dancing with the sharks	5200198	6	Metallic key chains; Ordinary metallic key rings; Metallic works; Metallic medals; Ordinary metallic artworks; Bronze works (artworks); Metalic sign boards; Ordinary metallic wallets	9 March 2006

Trademark	Application No.	Class	Products or Services covered	Date of Application
Dancing with the sharks	5200597	14	Clocks; Watches; Watches chains; Alarm clocks; Electronic calendars; Watch boxes (gifts); Precious metal tableware; Precious metal tea sets; Pins (Jewelry); Key rings(small ornaments or short-chain ornaments)	9 March 2006
Dancing with the sharks	5200596	21	Non-precious metal kitchen utensils; Non-precious metal household or kitchen containers; Non-precious metal tableware (excluding knives, forks and spoons); Daily glass matters (including glasses, plates, pots and jars); China; Porcelain; Pottery or glass artworks; Non-precious metal tea set; Daily enamel or plastic utensils (including pots, bowls and glasses); Glass containers; Drinking utensils	9 March 2006
Dancing with the sharks	5200595	36	Leasing of real estate; Housing agents; Real estate brokers; Real estate agencies; Real estate brokers; Real estate appraisal; Real estate management; Brokerage; Fund investments; Factoring; Trusteeship; Sale of immovable properties	9 March 2006
Dancing with the sharks	5200594	43	Hotels; Restaurant; Accommodation bureaux hotels, boarding houses; Bars; Teahouse; Party planning and preparation; Cafeterias; Leasing of movable house; Cocktail party services; Beadhouses	9 March 2006
Dancing with the sharks	5200593	41	Education; Game organising (education or entertainment); Educational services; Libraries for profit; Club services (education or entertainment); Discotheque services; Entertainment; Health club services; Arranging and conducting of conferences	9 March 2006

(iv) As at the Latest Practicable Date, the Company had applied for registration of the following trademarks in Hong Kong:

Trademark	Application No.	Class	Products or Services covered	Date of Application
瑞安房地產 SHUI ON LAND	300592164	36	Real estate affairs; apartment house management, financial evaluation (insurance, banking, real estate), real estate agencies, real estate appraisal, real estate brokers, leasing of real estate, real estate management, rent collection, rental of offices (real estate), renting of apartments, renting of flats; trusteeship, brokerage, fund investment	3 March 2006
瑞安房地產 SHUI ON LAND	300592164	37	Construction; building construction; building construction supervision, building of fair stalls and shops, building insulating, building sealing, cleaning of building, construction engineering; rental of construction equipment; demolition of building; harbour construction; lift installation and repair; machinery installation, maintenance and repair; masonry; pipeline construction and maintenance; plastering, scaffolding and under-water construction, upholstering, extraction (mining)	3 March 2006
	300592146	36	Real estate affairs; apartment house management, financial evaluation (insurance, banking, real estate), real estate agencies, real estate appraisal, real estate brokers, leasing of real estate, real estate management, rent collection, rental of offices (real estate), renting of apartments, renting of flats; trusteeship, brokerage, fund investment	3 March 2006

Trademark	Application No.	Class	Products or Services covered	Date of Application
	300592146	37	Construction; building construction; building construction supervision, building of fair stalls and shops, building insulating, building sealing, cleaning of building, construction engineering; rental of construction equipment; demolition of building; harbour construction; lift installation and repair; machinery installation, maintenance and repair; masonry; pipeline construction and maintenance; plastering, scaffolding and under-water construction, upholstering, extraction (mining)	3 March 2006
	300592137	36	Real estate affairs; apartment house management, financial evaluation (insurance, banking, real estate), real estate agencies, real estate appraisal, real estate brokers, leasing of real estate, real estate management, rent collection, rental of offices (real estate), renting of apartments, renting of flats; trusteeship, brokerage, fund investment	3 March 2006
	300592173	36	Real estate affairs; apartment house management, financial evaluation (insurance, banking, real estate), real estate agencies, real estate appraisal, real estate brokers, leasing of real estate, real estate management, rent collection, rental of offices (real estate), renting of apartments, renting of flats; trusteeship, brokerage, fund investment	3 March 2006
	300592155	36	Real estate affairs; apartment house management, financial evaluation (insurance, banking, real estate), real estate agencies, real estate appraisal, real estate brokers, leasing of real estate, real estate management, rent collection, rental of offices (real estate), renting of apartments, renting of flats; trusteeship, brokerage, fund investment	3 March 2006

(b) **Domain Names**

As at the Latest Practicable Date, the Group had registered the following domain names:

Registrant	Domain Name	Date of Registration	Expiry Date
Shui On Land Limited (瑞安房地產有限公司)	xintiandi.com	14 March 2006	16 April 2008
Shui On Land Limited (瑞安房地產有限公司)	88xintiandi.cn	14 March 2006	12 April 2008
Shui On Land Limited (瑞安房地產有限公司)	rainbowcity.cn	14 March 2006	12 April 2008
Shui On Land Limited (瑞安房地產有限公司)	rhxc.cn	14 March 2006	24 May 2008
Shui On Land Limited (瑞安房地產有限公司)	shanghaixintiandi.cn	14 March 2006	12 April 2008
Shui On Land Limited (瑞安房地產有限公司)	shanghai-xtd.cn	14 March 2006	12 April 2008
Shui On Land Limited (瑞安房地產有限公司)	shuion.cn	14 March 2006	12 April 2008
Shui On Land Limited (瑞安房地產有限公司)	shuion-xtd.cn	14 March 2006	12 April 2008
Shui On Land Limited (瑞安房地產有限公司)	xintiandi.cn	28 March 2006	15 April 2008
Shui On Land Limited (瑞安房地產有限公司)	xtd-shanghai.cn	14 March 2006	12 April 2008
Shui On Land Limited (瑞安房地產有限公司)	ruihong.cn	14 March 2006	24 May 2008
Shui On Land Limited (瑞安房地產有限公司)	xintiandi.sh.cn	2 March 2006	25 May 2008
Shui On Land Limited (瑞安房地產有限公司)	xintiandi.tw.cn	2 March 2006	25 May 2008
Shui On Land Limited (瑞安房地產有限公司)	xihutiandi.com	20 March 2006	14 April 2008
Shui On Land Limited (瑞安房地產有限公司)	xihutiandi.com.cn	14 March 2006	14 April 2008
Shui On Land Limited (瑞安房地產有限公司)	kic-sh.com	14 December 2005	14 December 2007

Registrant	Domain Name	Date of Registration	Expiry Date
Shui On Land Limited (瑞安房地產有限公司)	whtiandi.com	14 December 2005	14 December 2007
Shui On Land Limited (瑞安房地產有限公司)	wuhantiandi.com	14 December 2005	14 December 2007
Shui On Land Limited (瑞安房地產有限公司)	lakeville-regency.com	14 March 2005	14 March 2007
Shui On Land Limited (瑞安房地產有限公司)	lakevilleregency.com	14 March 2005	14 March 2007
Shui On Land Limited (瑞安房地產有限公司)	regency-lakeville.com	14 March 2005	14 March 2007
Shui On Land Limited (瑞安房地產有限公司)	regencylakeville.com	14 March 2005	14 March 2007
Shui On Land Limited (瑞安房地產有限公司)	lakeville.com.cn	14 March 2006	13 April 2008
Shui On Land Limited (瑞安房地產有限公司)	regencylakeville.cn	20 January 2005	20 January 2007
Shui On Land Limited (瑞安房地產有限公司)	regency-lakeville.cn	20 January 2005	20 January 2007
Shui On Land Limited (瑞安房地產有限公司)	theregency.com.cn	20 January 2005	20 January 2007
Shui On Land Limited (瑞安房地產有限公司)	lakeville-regency.cn	20 January 2005	20 January 2007
Shui On Land Limited (瑞安房地產有限公司)	lakevilleregency.cn	20 January 2005	20 January 2007
Shui On Land Limited (瑞安房地產有限公司)	chongqingtiandi.com.cn	23 November 2004	23 November 2006
Shui On Land Limited (瑞安房地產有限公司)	chongqingtiandi.cn	23 November 2004	23 November 2006
Shui On Land Limited (瑞安房地產有限公司)	cqtiandi.cn	23 November 2004	23 November 2006
Shui On Land Limited (瑞安房地產有限公司)	cqtiandi.com.cn	23 November 2004	23 November 2006
Shui On Land Limited (瑞安房地產有限公司)	lakeville.cn	23 November 2004	23 November 2006

Registrant	Domain Name	Date of Registration	Expiry Date
Shui On Land Limited (瑞安房地產有限公司)	chuangzhitiandi.cn	12 October 2004	12 October 2006
Shui On Land Limited (瑞安房地產有限公司)	chuangzhitiandi.com.cn	12 October 2004	12 October 2006
Shui On Land Limited (瑞安房地產有限公司)	cztiandi.cn	12 October 2004	12 October 2006
Shui On Land Limited (瑞安房地產有限公司)	cztiandi.com.cn	12 October 2004	12 October 2006
Shui On Land Limited (瑞安房地產有限公司)	xihutiandi.net	20 March 2006	14 April 2008
Shui On Land Limited (瑞安房地產有限公司)	xtd-shuion.cn	22 March 2006	12 April 2008
Shui On Land Limited (瑞安房地產有限公司)	rhxc.com.cn	14 March 2006	13 April 2008
Shui On Land Limited (瑞安房地產有限公司)	xintiandi.com.cn	14 March 2006	28 September 2008
Shui On Land Limited (瑞安房地產有限公司)	shuion.com.cn	14 March 2006	13 October 2008
Shui On Land Limited (瑞安房地產有限公司)	88xintiandi.com.cn	14 March 2006	25 September 2008
Shui On Land Limited (瑞安房地產有限公司)	重庆天地.中国 重庆天地.cn	23 November 2004	23 November 2006
Shui On Land Limited (瑞安房地產有限公司)	重庆天地.com	1 December 2004	1 December 2006
Shui On Land Limited (瑞安房地產有限公司)	创智天地.中国 创智天地.cn	12 October 2004	12 October 2006
Shui On Land Limited (瑞安房地產有限公司)	重庆天地.公司	23 November 2004	23 November 2006
Shui On Land Limited (瑞安房地產有限公司)	创智天地.公司	12 October 2004	12 October 2006
Shui On Development Limited (上海瑞安房地產發展有限公司)	kic.net.cn	14 December 2005	14 December 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	kic-sh.com.cn	14 December 2005	14 December 2007

Registrant	Domain Name	Date of Registration	Expiry Date
Shui On Development Limited (上海瑞安房地產發展有限公司)	whtiandi.com.cn	14 December 2005	14 December 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	whtiandi.cn	14 December 2005	14 December 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	wuhantiandi.com.cn	14 December 2005	14 December 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	wuhantiandi.cn	14 December 2005	14 December 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	ykic.cn	13 July 2005	13 July 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	thelakeville.com	14 July 2005	14 July 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	thelakeville.com.cn	14 July 2005	14 July 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	thelakeville.cn	14 July 2005	14 July 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	lakeregency.com	14 July 2005	14 July 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	lakeregency.com.cn	14 July 2005	14 July 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	lakeregency.cn	14 July 2005	14 July 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	lakevilleregency.com.cn	14 July 2005	14 July 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	ykic.com.cn	13 July 2005	13 July 2007
Shanghai Bai-Xing Properties Co., Ltd. (上海柏興房地產有限公司)	shanghai-xtd.com.cn	13 October 2003	13 October 2006
Shui On Development Limited (上海瑞安房地產發展有限公司)	88xintiandi.com	5 September 2002	5 September 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	ruihong.com.cn	13 October 2003	13 October 2006
Shui On Development Limited (上海瑞安房地產發展有限公司)	shuionclub.com	12 February 2003	12 February 2007

Registrant	Domain Name	Date of Registration	Expiry Date
Shui On Development Limited (上海瑞安房地產發展有限公司)	ruihong.com	17 September 1999	17 September 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	corporateavenue.com	12 February 2003	12 February 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	shanghaixintiandi.com.cn	7 July 2003	7 July 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	corporate-avenue.com	12 February 2003	12 February 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	corporate-avenue.com.cn	12 February 2003	12 February 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	corporateavenue.com.cn	12 February 2003	12 February 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	shuiondevelopment.cn	28 September 2004	28 September 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	shuionland.cn	28 September 2004	28 September 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞安发展.中国 瑞安发展.cn	28 September 2004	28 September 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞安房地产发展.中国 瑞安房地产发展.cn	28 September 2004	28 September 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞安地产.中国 瑞安地产.cn	28 September 2004	28 September 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞安地产.com	12 February 2003	11 February 2007
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海新天地.公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海新天地.中国 上海新天地.cn	28 September 2004	28 September 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞安地产.公司	28 September 2004	28 September 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞安房地产发展.公司	28 September 2004	28 September 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞安发展.公司 瑞安发展.公司.cn	28 September 2004	28 September 2008

Registrant	Domain Name	Date of Registration	Expiry Date
Shui On Development Limited (上海瑞安房地產發展有限公司)	新天地 .公司	28 September 2004	28 September 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞安 -上海 .中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞安 -上海 .公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞虹 .中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞虹 . 公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞虹 -上海 .中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞虹 -上海 .公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞虹新城 .公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞虹新城 -上海 .中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	瑞虹新城 -上海 .公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海 -瑞安 .中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海 -瑞安 .公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海 -瑞虹 .公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海 -瑞虹 .中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海 -瑞虹新城 .中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海 -瑞虹新城 .公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海 -新天地 .中国	5 January 2001	15 June 2008

Registrant	**Domain Name**	**Date of Registration**	**Expiry Date**
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海-新天地.公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海-新天地广场.中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海-新天地广场.公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海瑞安.中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海瑞安.公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海瑞虹.公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海瑞虹. 中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海瑞虹新城. 中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海瑞虹新城.公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海新天地广场.中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	上海新天地广场.公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	新天地-上海.公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	新天地-上海.中国	5 January 2001	15 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	新天地广场.公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	新天地广场-上海.公司	2 June 2005	2 June 2008
Shui On Development Limited (上海瑞安房地產發展有限公司)	新天地广场-上海.中国	5 January 2001	15 June 2008
Shui On Land Limited (瑞安房地產有限公司)	shuionland.com	7 June 2006	12 July 2008

Registrant	Domain Name	Date of Registration	Expiry Date
Shui On Land Limited (瑞安房地產有限公司)	shuiondevelopment.com	7 June 2006	12 July 2008
Shui On Land Limited (瑞安房地產有限公司)	shuiondevelopment.com.cn	5 July 2006	19 July 2009
Shui On Land Limited (瑞安房地產有限公司)	shuionland.com.cn	5 July 2006	19 July 2009
Shui On Land Limited (瑞安房地產有限公司)	ruianland.com.cn	7 July 2006	19 July 2009
Shui On Land Limited (瑞安房地產有限公司)	vincentlo.com	24 May 2006	20 July 2007

Information contained in the above websites does not form part of this prospectus. Save as disclosed above, there are no other trademarks or other intellectual property rights which are material in relation to the business of our Company.

5. DISCLOSURE OF INTERESTS

A. Interests of directors in our share capital

Immediately following completion of the Global Offering, before exercise of the Over-allotment Option and otherwise based on the Share Capital Assumptions and an Offer Price of HK$4.80, being the bottom of the proposed Offer Price range), the interests or short positions of the directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or are deemed to have taken under such provisions of the SFO) once the Shares are listed, or will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange once the Shares are listed, will be as follows:

(a) *Shares of the Company*

Name of director	Nature of interest	Total number of Shares	Approximate percentage of interest in the Company[(2)]
Mr. Vincent H.S. Lo............................	Beneficial[(1)]	2,250,827,272[(1)]	54.5%

Notes:

(1) The shares held in the Company by the Shui On Group are held by subsidiaries of Shui On Company Limited ("SOCL"), which is owned by the Bosrich Unit Trust. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Vincent H.S. Lo is a discretionary beneficiary. Accordingly, he is deemed to be interested in those Shares. Mr. Lo is also deemed to be interested in Shares held by NRI Limited, a wholly owned subsidiary of SOCAM for the reasons set out in the note to the table in paragraph (b) below.

(2) Based on the number of Shares expected to be in issue immediately following completion of the Global Offering and taking into account the full issuance of bonus shares to Shui On Investment Company Limited.

(b) *Ordinary shares of SOCAM*

Name of director	**Nature of interest**	**Total number of ordinary shares**	**Approximate percentage of interest in SOCAM**
Mr. Vincent H.S. Lo	Beneficial(1)	183,183,000	66.5%
Mr. Wilfred Y.W. Wong	Personal	620,000	0.2%
Dr. William K.L. Fung	Personal	682,000	0.3%

Notes:

(1) The 183,183,000 shares are held as to 166,148,000 shares and 17,035,000 shares by the ultimate holding company, SOCL and Shui On Finance Company Limited, respectively, which is an indirect wholly-owned subsidiary of SOCL. SOCL is owned by the Bosrich Unit Trust. The units of the Bosrich Unit Trust are the property of a discretionary trust of which Mr. Vincent H.S. Lo is a discretionary beneficiary. Accordingly, Mr. Vincent H.S. Lo is deemed to be interested in such shares.

The Company has been notified by Mr. Vincent H.S. Lo, Mr. Wilfred Y.W. Wong and Mr. Louis Wong of late notifications under the Securities (Disclosure of Interests) Ordinance ("SDIO") in respect of certain grants of call options made over SOCAM shares on 27 August 2002 by SOCL, a member of the Shui On Group. These call options formed part of the individuals' executive remuneration arrangements and were granted effectively by Mr. Lo over SOCAM shares in respect of which he has personal interests.

The board of directors and the remuneration committee of SOCAM were aware of these grants, which were documented by external legal advisors. The lack of notification in accordance with the SDIO was discovered as part of a recent internal review of SOCAM's and SOCL's records of statutory filings. Notifications reflecting the correct position as at 21 August 2006 have now been filed with the Securities and Futures Commission and steps are being taken by the parties to rectify all previous notifications.

B. Substantial shareholders

Information on the persons, not being directors or the chief executive of the Company, who will have, immediately following completion of the Global Offering (and assuming the Warrants are all exercised in full and taking into account the conversion of Preference Shares and the issue of Shares to the HSBC Investor at the Offer Price based on an Offer Price of HK$4.80, being the bottom of the proposed Offer Price range), an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other member of the Group will be as follows:

Name	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding**(3)
Shui On Investment Company Limited(1)	Corporate	564,131,948	13.7%
Shui On Properties Limited(1)	Corporate	940,000,000	22.8%
NRI Limited(2)	Corporate	746,695,324	18.1%

Notes:

(1) A member of the Shui On Group.

(2) A wholly owned subsidiary of SOCAM.

(3) Based on the number of Shares expected to be in issue immediately following completion of the Global Offering and taking into account the full issuance of bonus shares to Shui On Investment Company Limited.

Name of shareholder	**Name of Group member**	**Approximate percentage of shareholding**
Equity Millennium Limited	Bondwise Profits Limited	20%
	Cititop Pacific Limited	20%
	Galore Profits Limited	20%
	Globe State Properties Limited	20%
	Oriental Gain Limited	20%
	Profitstock Holdings Limited	20%
	Shanghai Jing-Fu Property Co., Ltd.	19.8%
	Shanghai Lakeville Properties Co., Ltd.	19.8%
Shun Hing China Investment Limited	Bondwise Profits Limited	10%
	Cititop Pacific Limited	10%
	Galore Profits Limited	10%
	Globe State Properties Limited	10%
	Oriental Gain Limited	10%
	Profitstock Holdings Limited	10%
	Shanghai Jing-Fu Property Co., Ltd.	9.9%
	Shanghai Lakeville Properties Co., Ltd.	9.9%
Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd.	Shanghai Yangpu Centre Development Co., Ltd.	30%

C. Particulars of service contracts

Mr. Wilfred Y.W. Wong and Mr. William T. Addison have each entered into a service contract with the Company subject to termination by three months' written notice from either party.

Each of the independent non-executive directors has entered into an appointment letter with the Company for a term of three years (from 29 May 2006 for all independent non-executive directors other than Sir John Bond and Dr. Edgar Cheng, and from 7 September 2006 for Sir John Bond and Dr. Edgar Cheng) subject to termination by notice from the director at any time, or by the Company in accordance with our Articles of Association.

None of the directors has or is proposed to have a service contract with us other than a contract expiring or determinable by us within one year without the payment of compensation (other than statutory compensation).

D. Directors' remuneration

During each of the years ended 31 December 2003, 2004 and 2005 and the three months ended 31 March 2006, no directors' fees were paid by us to the directors. During each of the years ended 31 December 2003, 2004 and 2005 and the three months ended 31 March 2006, the aggregate of the directors' remuneration (including fees, salaries, housing allowances, other allowances and benefits in kind) paid by us to our directors was approximately nil, RMB15.4 million, RMB22.7 million and RMB3.6 million, respectively.

It is estimated that an aggregate of approximately RMB17.7 million, including benefits and contributions, but excluding discretionary bonus, will be paid by us to our directors as remuneration in respect of the year ending 31 December 2006, according to the present arrangements.

E. Personal guarantees

Our directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to us.

F. Agency fees or commission received

Except as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any of our capital within the two years ended on the date of this prospectus.

G. Related party transactions

During the two years preceding the date of this prospectus, we were engaged in related party transactions as described under the section headed "Our Business — Connected Transactions" and in the Accountants' Report set out in Appendix I under the section headed "Notes to the Financial Information — 41. Related Party Transactions".

6. DISCLAIMERS

Save as disclosed in this prospectus:

(a) none of the directors or chief executive of our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our shares are listed;

(b) none of the directors nor any of the parties listed in the paragraph headed "Qualification of experts" in this Appendix is interested in the promotion of the Company, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of the directors nor any of the parties listed in the paragraph headed "Qualification of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(d) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and save as disclosed in the sections entitled "The HSBC Investment" none of the parties listed in the paragraph headed "Qualification of experts" in this Appendix:

  (i) is interested legally or beneficially in any of our shares or any shares in any of our subsidiaries; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribed for our securities;

(e) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of this Global Offering or related transactions mentioned in this prospectus; and

(f) so far as is known to the directors, except for Mr. Vincent H.S. Lo, who is deemed to be interested in approximately 66.5% of the ordinary shares of SOCAM, whose subsidiary, Shanghai Shui On Construction Co Ltd, is one of our five largest contractors, none of the directors, their respective associates (as defined in the Listing Rules) or shareholders who are interested in 5% or more of the issued share capital of the Company has any interest in our five largest suppliers or our five largest customers.

7. OTHER INFORMATION

A. Litigation and tax indemnity and estate duty

Under the deed of indemnity (being a material contract referred to in the paragraph headed "Summary of material contracts" of this Appendix IX) Shui On Company Limited has undertaken to us that, conditional on Listing, it will indemnify and keep our Group indemnified against (a) any losses arising from any third party litigation, arbitration or administrative proceedings brought against any member of our Group in respect of acts or omissions by our Group before the Listing Date, (b) any and all tax liabilities (including for estate duty) falling on any member of our Group which might be payable by us as a consequence of any event occurring, or in respect of, any income, profits or gains earned, accrued or received on or before the Listing Date, and (c) any LAT liability under PRC law in relation to sales or presales of properties during the year ending 31 December 2006 to the extent not provided for in the profit forecast as described in the section "Appendix III — Profit Forecast" provided no claims may be brought against Shui On Company Limited for such LAT liability after the expiry of one month from the date of the signature of the auditor's report in respect of the audited consolidated financial statements of our Group as at 31 December 2006 and for the year ending 31 December 2006.

Shui On Company Limited will not, however, be liable under the deed of indemnity for litigation or taxation in certain circumstances including where (a) a provision or reserve has been made for such litigation or taxation in the audited accounts of our Group as at 31 December 2005, (b) the claim would not have arisen but for a voluntary act carried out by us after the Listing Date, (c) the claim is disclosed in this Prospectus, or (d) our Group fails to act in accordance with the reasonable request of Shui On Company Limited in relation to the handling of the claim. In addition, Shui On Company Limited will not be liable under the deed of indemnity for taxation claims to the extent that (a) a provision or reserve in the audited accounts of our Group as at 31 December 2005 is determined to be excessive, or (b) the taxation liability or the increase in tax liability arises as a result of an increase in rates of taxation or change in law made after the Listing Date with retrospective effect.

The liability of Shui On Company Limited under the deed of indemnity will terminate after the expiry of 7 years from the date of the deed of indemnity.

The directors have been advised that no material liability for estate duty is likely to fall upon the Company or any of its subsidiaries in the Cayman Islands, Hong Kong, the British Virgin Islands, Mauritius, or the PRC, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

B. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

Deutsche Bank has declared pursuant to Rule 3A.08 of the Listing Rules that it is independent pursuant to Rule 3A.07 of the Listing Rules. HSBC has declared pursuant to Rule 3A.08 of the Listing

Rules that it is not independent pursuant to Rule 3A.07 of the Listing Rules because Dr. William Kwok Lun Fung, who is an independent non-executive director of HSBC, is also a director of the Company, and is a connected person of the Company. Accordingly, HSBC is not independent of the Company pursuant to Rule 3A.07(3) of the Listing Rules. JPMorgan has declared pursuant to Rule 3A.08 that it is independent under Rule 3A.07 of the Listing Rules notwithstanding that it has ongoing investment banking and financial services business with the Shui On Group and SOCAM, including (i) holding US$15 million in principal amount of Notes (issued by Shui On Development (Holding) Limited with 150,000 Warrants (issued by our Company) and (ii) participation in a consortium (of which SOCAM is also a member) in a structured investment in an unfinished office building in Dalian (iii) participation in a joint venture with SOCAM in developing the Huapu Building in Beijing. JPMorgan is also engaged in continuing discussions which may lead to further transactions with SOCAM. After taking into account JPMorgan's ongoing investment banking and financial services business with the Shui On Group and SOCAM, and having considered the circumstances in which a sponsor will be considered not to be independent under Rule 3A.07 of the Listing Rules and the various tests to be applied in considering independence, JPMorgan is satisfied that it is independent from us.

C. Expenses

Our estimated preliminary expenses are approximately HK$44,184.9 and have been paid by the Company.

D. Qualification of experts

The qualifications of the experts who have given opinions or advice which are contained in this prospectus are as follows:

Name	Qualification
Deutsche Bank AG, Hong Kong Branch	Deemed registered institution under the SFO registered for type 1 (dealing in securities), type 4 (advising in securities), and type 6 (advising on corporate finance) regulated activities as defined under the SFO. It is also a licenced bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
The Hongkong and Shanghai Banking Corporation Limited	The Hongkong and Shanghai Banking Corporation Limited is a registered institution under the Securities and Futures Ordinance to carry on type 1 (Dealing in Securities), type 4 (Advising on Securities), type 6 (Advising on Corporate Finance) and type 9 (Asset Management) regulated activities and is also a licensed bank under the Banking Ordinance

Name	Qualification
J.P. Morgan Securities (Asia Pacific) Limited	Licenced to conduct type 1 (dealing in securities), type 4 (advising in securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Knight Frank Petty Limited	Property valuer
CB Richard Ellis	Market researcher
Walkers	Cayman Islands legal advisers
Jin Mao Law Firm	PRC legal advisers

Save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as disclosed in the sections of this prospectus entitled "The HSBC Investment" none of the above experts has any shareholding in any member of the Group or has any right to subscribe for or nominate persons to subscribe for securities in any member of the Group.

E. Consents of experts

Each of the Joint Sponsors, Deloitte Touche Tohmatsu as our independent auditors, Knight Frank Petty Limited as our property valuer, CB Richard Ellis as our market researcher, Walkers as our legal advisers on Cayman Islands law and Jin Mao Law Firm as our legal advisers on PRC law, has given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

F. No material adverse change

Our directors believe that there has been no material adverse change in our financial or trading position since 31 March 2006, being the date to which our latest audited consolidated financial statements were made up.

G. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

H. Litigation

Save as disclosed in the section entitled "Our Business — Legal Proceedings", no member of our Group is engaged in any litigation or arbitration or claims of material importance and no litigation, arbitration or claim of material importance is known to the directors to be pending or threatened by or against any member of the Group.

I. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(e) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to the underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company;

(f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(g) we have no outstanding convertible debt securities.

J. Particulars of the Selling Shareholders

The particulars of the Selling Shareholders are as follows:

Name	Registered Address/Address	Number of Shares to be sold
Asia Real Estate Income Fund SICAV	9 Avenue Guillaume L-1651 Luxembourg	258,048,235
Co-Investment Limited Partnership V (SOL)	P.O. Box 309GT Ugland House South Church Street Grand Cayman Cayman Islands	60,553,064

Name	Registered Address/Address	Number of Shares to be sold
Ocean Equity Holdings Limited	P.O. Box 957, Offshore Incorporations Centre Road Town, Tortola British Virgin Islands	153,196,260
MetroProp (China)	4/F, Les Cascades Edith Cavell Street Port Louis Republic of Mauritius	70,000,000
Standard Chartered Bank (Hong Kong) Limited	32/F, 4-4A, Des Voeux Road Central Hong Kong	41,717,347
Jebsen and Company Limited	28-31/F Caroline Centre 28 Yun Ping Road Causeway Bay Hong Kong	16,231,094
Shanghai Hope International Limited	Scotia Centre, 4/F, P.O. Box 2804 George Town, Grand Cayman Cayman Islands	3,000,000

K. Exemptions from the Companies Ordinance

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Paragraph 34(4) of Part II of the Third Schedule to the Companies Ordinance requires that if a company has produced more than one valuation report regarding any of the company's interests in land or buildings within 6 months before the issue of the prospectus then all other such reports shall be included in the prospectus.

A valuation report was prepared of the Group's property interests on 31 March 2006. This report was prepared in connection with the Company's prospectus dated 12 June 2006. On 15 June 2006, the Company announced that it had decided to postpone the global offering of the Company's shares contemplated at that time.

On 30 June 2006, a second valuation report was prepared in connection with this prospectus. Both the March 2006 and June 2006 reports are substantially identical in their content, except for the actual valuations placed on the properties described in them. Therefore, the Company has applied to the Securities and Futures Commission for an exemption from the requirement to include the full valuation report as of 31 March 2006 in this prospectus in strict compliance with the requirements contained in paragraph 34(4) of Part II of the Third Schedule to the Companies Ordinance, on the grounds that strict compliance would be irrelevant and unduly burdensome. The Securities and Futures Commission has granted an exemption under section 342A of the Companies Ordinance on the following conditions:

- the inclusion in the valuation report in Appendix IV of this prospectus, of an additional column showing the value attributed to the Group's property interests as at 31 March 2006 to inform investors of the relative valuations;
- the full valuation report as at 31 March 2006 is made available to the public for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix X to this prospectus; and
- this prospectus must set out particulars of this exemption.

L. **Compliance Advisers**

We will appoint Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and J.P. Morgan Securities (Asia Pacific) Limited as our joint compliance advisers (the "Compliance Advisers"), upon listing in compliance with Rule 3A.19 of the Listing Rules.

We expect to enter into a compliance advisers' agreement with the Compliance Advisers, the material terms of which we expect to be as follows:

(a) our Company will appoint the Compliance Advisers as its compliance advisers for the purposes of Rule 3A.19 of the Listing Rules for a period commencing on the date on which our shares are listed on the Stock Exchange and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the financial year ending 31 December 2007, or until the agreement is terminated, whichever is earlier;

(b) the Compliance Advisers shall provide us with services, including guidance and advice as to compliance with the requirements of the Listing Rules and other applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange;

(c) we will agree to indemnify each Compliance Adviser for certain actions against and losses incurred by such Compliance Adviser arising out of or in connection with the performance by the such Compliance Adviser of its duties under the agreement, except where the loss occurs as a result of the gross negligence, fraud, or wilful default of the relevant Compliance Adviser;

(d) we may terminate the appointment of any of the Compliance Advisers only if the relevant Compliance Adviser's work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to the Compliance Adviser. Each Compliance Adviser will have the right to terminate its appointment as compliance adviser by service of not less than one month's notice to us and the other parties to the compliance advisers' agreement.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- Copies of the **white**, **yellow** and **pink** Application Forms;
- The written consents referred to in the section entitled "Other Information — E. Consents of experts" in Appendix IX;
- Details of our Selling Shareholders, including their addresses and other information required by Section 342C of the Hong Kong Companies Ordinance; and
- Copies of the material contracts referred to in the section entitled "Further Information About Our Business — A. Summary of material contracts" in Appendix IX.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including 4 October 2006, being the date which is 14 days from the date of this prospectus:

- Our memorandum of association and our articles of association;
- The Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I;
- The audited combined financial statements prepared for the companies comprising the Group for the three years ended 31 December 2005 and the three months ended 31 March 2006 (or for the period since their respective dates of incorporation where it is shorter (if any));
- The letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II;
- The letters from Deloitte Touche Tohmatsu and the Joint Sponsors relating to the profit forecast of our Company, the texts of which are set out in Appendix III;
- The letter with summary of values and valuation certificate relating to our property interests prepared by Knight Frank Petty Limited as at 31 March 2006;
- The letter with summary of values and valuation certificate relating to our property interests prepared by Knight Frank Petty Limited as at the Valuation Date, the text of which is set out in Appendix IV;

- The letter from Walkers summarising the constitution of our company and certain aspects of the Cayman Islands Companies Law;

- The Cayman Islands Companies Law;

- The PRC legal opinions issued by Jin Mao Law Firm, our legal advisers on PRC law, dated 20 September 2006 in respect of, amongst other things, general matters, property interests and taxation matters of our Company and certain of our subsidiaries;

- The material contracts referred to under the section entitled "Further Information About Our Business — A. Summary of material contracts" in Appendix IX;

- The written consents referred to in the section entitled "Other Information — E. Consents of experts" in Appendix IX; and

- Statements of particulars of our Selling Shareholders.

瑞安房地產
SHUI ON LAND