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If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Fantasia Holdings Group Co., Limited** 花樣年控股集團有限公司 (the “**Company**”), you should at once hand this circular and the enclosed proxy form to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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花樣年

FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01777)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
ACQUISITION OF 48% INTEREST IN
SHENZHEN FANTASIA INVESTMENT
AND
SUBSCRIPTION OF SHARES**

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



First Shanghai Capital Limited

A letter from the Board is set out on pages 5 to 14 of this circular and a letter from the Independent Board Committee is set out on page 15 of this circular. A letter from First Shanghai, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transactions is set out on pages 16 to 29 of this circular.

4 July 2011

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	15
Letter from First Shanghai	16
Appendix I – Valuation Report	I-1
Appendix II – General Information	II-1

DEFINITIONS

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

“Acquisition”	the acquisition of the entire issued share capital of the Target Company and the Shareholder’s Loan pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 24 June 2011 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Acquisition Consideration”	the sum of HK\$400,000,000 payable by the Purchaser to the Vendor in connection with the Acquisition
“Agreements”	the Acquisition Agreement and the Subscription Agreement
“Board”	the board of Directors
“Company” or “Purchaser”	Fantasia Holdings Group Co., Limited, a company incorporated in the Cayman Islands, the securities of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Fantasia Chengdu Development”	Fantasia (Chengdu) Development Co., Ltd. (花樣年實業發展(成都)有限公司), a limited liability company established in the PRC. Shenzhen Fantasia Investment and Fantasia Investment Holdings Company Limited (香港花樣年投資控股集團有限公司), the Purchaser’s subsidiary, own 65% equity interest and 25% equity interest respectively, the remaining 10% equity interest is owned by Fantasia Group (China) Company Limited (花樣年集團(中國)有限公司)
“Fantasy Pearl”	Fantasy Pearl International Limited, a company incorporated in the British Virgin Islands and holds approximately 65.14% interest in the Company as at the Latest Practicable Date
“First Shanghai”	First Shanghai Capital Limited, a licensed corporation under SFO to carry on type 6 (advising on corporate finance) regulated activity

DEFINITIONS

“General Mandate”	the general mandate to allot and issue Shares granted to the Directors by resolution of the Shareholders passed at the annual general meeting of the Company held on 13 May 2011
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HK HoldCo”	Splendor Sun Holdings Limited (榮日集團有限公司), a company incorporated in Hong Kong and indirectly wholly-owned by the Vendor
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising all the independent non-executive Directors, namely, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan
“Independent Shareholders”	any Shareholders that is not required to abstain from voting at a general meeting to approve the Transactions
“Last Trading Date”	24 June 2011
“Latest Practicable Date”	28 June 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan, for the purposes of this circular
“PRC HoldCo 1”	深圳市瑞禹科技有限公司 (Shenzhen Ruiyu Technology Company Limited) [#] , a company established in the PRC and indirectly wholly-owned by the Vendor
“PRC HoldCo 2”	深圳市百業騰興科技有限公司 (Shenzhen Baiyetengxing Technology Company Limited) [#] , a company established in the PRC and indirectly wholly-owned by the Vendor
“RMB”	Renminbi, the lawful currency of the PRC

[#] for identification purpose only

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“Shares”	the ordinary shares of HK\$0.10 each in the Company
“Shareholders”	holders of the Shares
“Shareholder’s Loan”	approximately RMB160 million, being all amounts, whether principal, interest or otherwise, owing by Target Group to the Vendor as at the date of the Acquisition Agreement
“Shenzhen Fantasia Investment”	深圳市花樣年投資發展有限公司 (Shenzhen Fantasia Investment Development Company Limited) [#] , a company established in the PRC and is owned as to 52% by 花樣年集團(中國)有限公司 (Fantasia Group (China) Company Limited) [#] , being a wholly-owned subsidiary of the Purchaser, and 48% by the PRC HoldCo 2 as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	subscription of the Subscription Shares by the Vendor (or its nominee(s))
“Subscription Agreement”	the subscription agreement dated 24 June 2011 entered into between the Company and the Vendor relating to the Subscription
“Subscription Price”	HK\$400,000,000 payable in cash under the Subscription
“Subscription Shares”	333,333,000 new Shares to be issued and allotted by the Company to the Vendor (or its nominee(s)) pursuant to the Subscription Agreement
“Target Company”	Strong Nova Holdings Limited, a company incorporated in the British Virgin Islands and a subsidiary wholly-owned by the Vendor
“Target Group”	the Target Company, the HK HoldCo, the PRC HoldCo 1, the PRC HoldCo 2, Shenzhen Fantasia Investment and Fantasia Chengdu Development

[#] for identification purpose only

DEFINITIONS

“Transactions”	the Acquisition and the Subscription
“US\$”	U.S. dollar, the lawful currency of United States
“Vendor”	Mr. Yu Shui, being the sole shareholder of the Target Company
“%”	per cent.

For illustration purposes, amounts in RMB in this circular have been translated into HK\$ at a rate of HK\$1.00 = RMB0.85.

LETTER FROM THE BOARD

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FANTASIA

Fantasia Holdings Group Co., Limited
花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01777)

Executive Directors:

Mr. Pan Jun (*Chairman*)

Ms. Zeng Jie, Baby

Mr. Feng Hui Ming

Mr. Chan Sze Hon

Registered Office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent non-executive Directors:

Mr. Ho Man

Mr. Liao Martin Cheung Kong, JP

Mr. Huang Ming

Mr. Xu Quan

Principal place of business

in Hong Kong:

Room 1103

Top Glory Tower

262 Gloucester Road

Causeway Bay

Hong Kong

4 July 2011

To the Shareholders:

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS
ACQUISITION OF 48% INTEREST IN
SHENZHEN FANTASIA INVESTMENT
AND
SUBSCRIPTION OF SHARES

Reference is made to the announcement of the Company dated 24 June 2011 in relation to (1) the acquisition of 48% interest in Shenzhen Fantasia Investment and the Shareholder's Loan; and (2) the subscription of Shares.

The purpose of this circular is to provide you with more information relating to, among other things, further details of the Transactions.

LETTER FROM THE BOARD

I. INTRODUCTION

A. Acquisition Agreement

Date: 24 June 2011

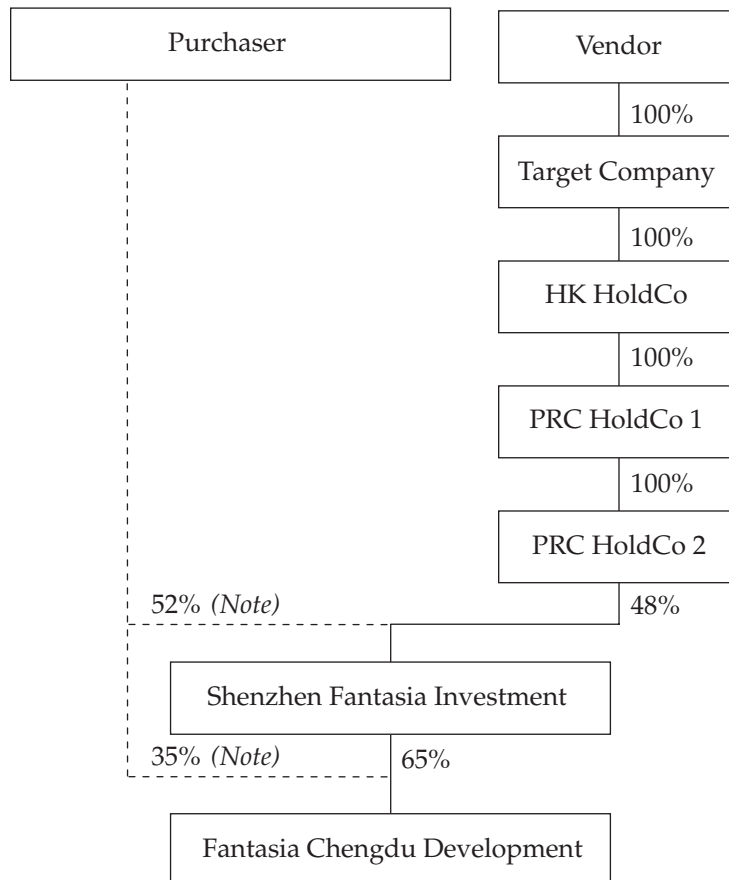
Parties

- (i) The Vendor; and
- (ii) The Purchaser.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued share capital of the Target Company and the Shareholder's Loan. As at the Latest Practicable Date, the Target Company indirectly holds 48% of the registered capital of Shenzhen Fantasia Investment through a number of wholly-owned subsidiaries, namely the HK HoldCo, the PRC HoldCo 1 and the PRC HoldCo 2, and the remaining 52% of the registered capital of Shenzhen Fantasia Investment is indirectly held by the Purchaser.

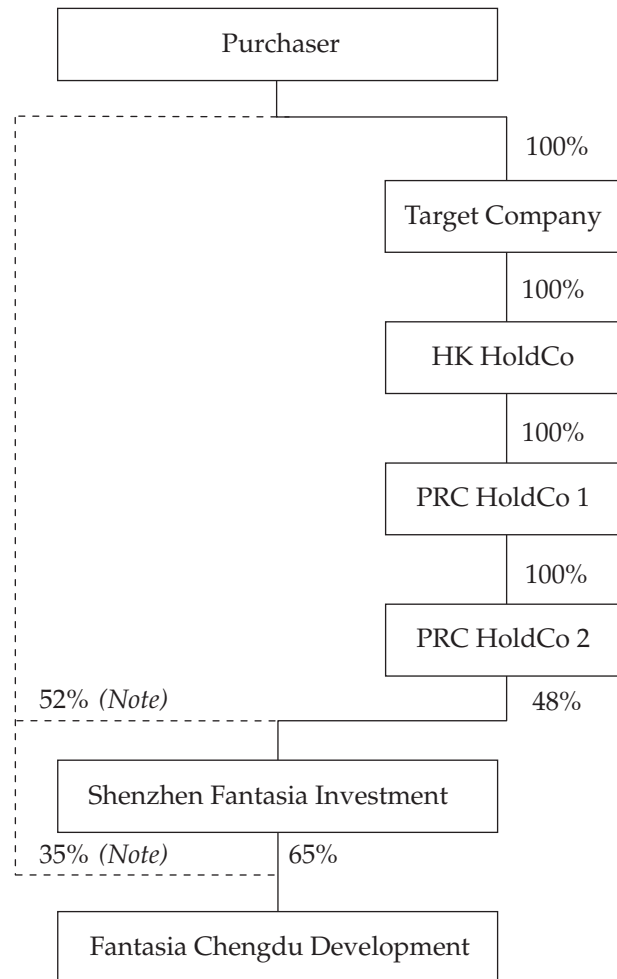
The shareholding structure of Shenzhen Fantasia Investment immediately prior to the Acquisition is as follows:



Note: - - - denotes indirect shareholding.

LETTER FROM THE BOARD

Upon completion of the Acquisition, members of the Target Group including Shenzhen Fantasia Investment will become wholly-owned subsidiaries of the Purchaser. The shareholding structure of Shenzhen Fantasia Investment upon completion of the Acquisition will be as follows:



Note: - - - denotes indirect shareholding.

Shareholder's Loan

Approximately RMB160 million, being all amounts, whether principal, interest or otherwise, owing by the Target Group to the Vendor as at the date of the Acquisition Agreement.

Consideration

The total consideration of the Acquisition is HK\$400,000,000 which shall be paid by the Purchaser in cash to the Vendor as follows:

- (i) within two (2) working days upon signing of the Acquisition Agreement, the Purchaser shall make an initial payment of HK\$200,000,000 as deposit; and

LETTER FROM THE BOARD

- (ii) within two (2) working days upon the completion of the Acquisition, the Purchaser shall pay the remaining amount of HK\$200,000,000.

The consideration of the Acquisition was determined based on the net asset value of Shenzhen Fantasia Investment as at 31 December 2010.

Conditions precedent to the Acquisition Agreement

The Acquisition Agreement is conditional upon fulfilment and/or waiver of the following conditions:

- (i) the Purchaser being satisfied with the due diligence results of the Target Group;
- (ii) the Acquisition Agreement and the transactions contemplated thereunder having been approved by the Shareholders in the general meeting of the Company or written approval from Shareholders of the Acquisition Agreement and the transactions contemplated thereunder have been obtained by the Company from Shareholders in lieu of holding a general meeting of the Company in compliance with the Listing Rules;
- (iii) all the representations, warranties and undertakings under the Acquisition Agreement remain true, accurate and not misleading from time to time; and
- (iv) the conditions precedent of the Subscription Agreement (other than any conditions precedent relating to the Acquisition Agreement) having been satisfied or waived in accordance with the terms thereof.

The Purchaser may at its absolute discretion at any time waive any of the conditions, other than the condition (ii) above. If the conditions above are not fulfilled or waived (as the case may be) on or before 31 July 2011 or such other date as the Purchaser and the Vendor may agree in writing, the rights and obligations of the parties under the Acquisition Agreement shall lapse and be of no further effect except for antecedent breach. The deposit of HK\$200,000,000 paid by the Purchaser shall be refunded to the Purchaser (together with any interests accrued thereon).

Completion

Completion of the Acquisition is to take place on the first working day (or such other day as agreed between the Purchaser and the Vendor) following the day on which all the conditions precedent stated in the paragraph headed "Conditions precedent to the Acquisition Agreement" above are fulfilled or waived (as the case may be). As at the date of this circular, the Acquisition has been completed.

LETTER FROM THE BOARD

Upon completion of the Acquisition, the Target Group (including Shenzhen Fantasia Investment) will become wholly-owned subsidiaries of the Purchaser.

Termination

The Purchaser shall have the right to terminate the Acquisition Agreement by written notice to the Vendor upon the occurrence of any of the following events:

- (i) if the Vendor is in breach of its obligations under the Acquisition Agreement; or
- (ii) if any of the warranties provided by the Vendor in the Acquisition Agreement is inaccurate or misleading.

B. Subscription Agreement

Date: 24 June 2011

Parties

- (i) The Company as the issuer; and
- (ii) The Vendor (or its nominee(s)) as the subscriber.

Subscription of Subscription Shares

Pursuant to the Subscription Agreement, the Vendor has conditionally agreed to subscribe for the Subscription Shares at the Subscription Price payable to the Company in cash. The Subscription Shares represent approximately (i) 6.84% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 6.40% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

Consideration

The total consideration for the Subscription is HK\$400,000,000 which shall be paid by the Vendor in cash as follows:

- (i) within two (2) working days upon signing of the Subscription Agreement, the Vendor shall make an initial payment of HK\$200,000,000 as deposit; and
- (ii) within three (3) working days upon signing of the Subscription Agreement, the Vendor shall pay the remaining amount of HK\$200,000,000.

LETTER FROM THE BOARD

In arriving at the Subscription Price, the consideration of the Subscription was determined with reference to (i) the closing price of the Shares on the date of signing of the Subscription Agreement and (ii) the average closing price of the Shares for the five business days immediately preceding the date of signing of the Subscription Agreement.

Conditions precedent to the Subscription Agreement

The Subscription Agreement is conditional upon fulfilment and/or waiver of the following conditions:

- (i) the Subscription Agreement and the transactions contemplated thereunder having been approved by the Shareholders in the general meeting of the Company or written approval of the Subscription Agreement and the transactions contemplated thereunder have been obtained by the Company from Shareholders in lieu of holding a general meeting of the Company in compliance with the Listing Rules;
- (ii) all the representations, warranties and undertakings under the Subscription Agreement remain true, accurate and not misleading from time to time;
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; and
- (iv) the conditions precedent of the Acquisition Agreement (other than any conditions precedent relating to the Subscription Agreement) having been satisfied or waived in accordance with the terms thereof.

The Company may at its absolute discretion at any time waive any of the conditions, other than the conditions (i) and (iii) above. If the conditions above are not fulfilled or waived (as the case may be) on or before 31 July 2011 or such other date as the Company and the Vendor may agree in writing, the rights and obligations of the parties under the Subscription Agreement shall lapse and be of no further effect except for antecedent breach.

Completion

Completion of the Subscription is to take place on the first working day (or such other day as agreed between the Company and the Vendor) following the day on which all the conditions precedent stated in the paragraph headed "Conditions precedent to the Subscription Agreement" above are fulfilled or waived (as the case may be). As at the date of this circular, the Subscription has been completed.

Completion of the Acquisition and the Subscription are inter-conditional.

LETTER FROM THE BOARD

Issue price of the Subscription Shares

The issue price of the Subscription Shares of approximately HK\$1.20 per Subscription Share represents:

- (i) the same as the price of HK\$1.20 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) an approximately 2.56% premium over the average closing price of HK\$1.17 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date; and
- (iii) an approximately 10.40% premium over the audited consolidated net asset value attributable to the Shareholders per Share as at 31 December 2010 of approximately RMB0.924 (approximately HK\$1.087).

The Subscription Shares are to be allotted and issued pursuant to the General Mandate and will rank pari passu in all respects with the Shares then in issue on the relevant allotment date. As at the date of this circular and save as disclosed herein, no Shares have been issued under the General Mandate.

II. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart depicts the effects of the Subscription on the shareholding structure of the Company:

	As at the Latest Practicable Date		Immediately after the completion of the Transactions	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Fantasy Pearl (<i>Note</i>)	3,174,795,000	65.14%	3,174,795,000	60.97%
Vendor (or its nominee(s))	–	–	333,333,000	6.40%
Other public Shareholders	<u>1,699,093,750</u>	<u>34.86%</u>	<u>1,699,093,750</u>	<u>32.63%</u>
Total:	<u><u>4,873,888,750</u></u>	<u><u>100.00%</u></u>	<u><u>5,207,221,750</u></u>	<u><u>100.00%</u></u>

Note: Fantasy Pearl is owned as to 80% by Ice Apex Limited (“Ice Apex”) and 20% by Graceful Star Overseas Limited. Ice Apex is wholly owned by Ms. Zeng Jie, Baby, a Director and the controlling shareholder of the Company. Ice Apex and Ms. Zeng Jie Baby are deemed to be interested in the Shares held by Fantasy Pearl for the purpose of Part XV of the Securities and Futures Ordinance.

LETTER FROM THE BOARD

III. FUND RAISING ACTIVITIES BY THE COMPANY IN THE LAST 12 MONTHS

The Company has not carried out any equity fund raising activities in the past 12 months immediately before the Latest Practicable Date.

IV. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Board believes that the Transactions provide a good opportunity for the Company to consolidate the Company's interest and control in Shenzhen Fantasia Investment so that the Company can manage Shenzhen Fantasia Investment more efficiently and effectively and the performance of Shenzhen Fantasia Investment can be better reflected in the accounts of the Company. The Directors consider that the Transactions (including the basis of the Acquisition Consideration and the Subscription Price) is on normal commercial terms which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

V. INFORMATION ON THE VENDOR AND THE TARGET GROUP

To the best of the Directors' knowledge and belief, the Vendor has no other relationship with the Company save for being a substantial shareholder of Shenzhen Fantasia Investment by holding 48% registered capital therein through the Target Company.

As at the date of the Agreements, the members of the Target Group (save for Shenzhen Fantasia Investment and its subsidiary) are investment holding companies and are neither engaged in any business nor holding any assets other than their 48% equity interest in Shenzhen Fantasia Investment. According to the Vendor, the original purchase cost to the Vendor for the 48% equity interest in Shenzhen Fantasia Investment was approximately HK\$130 million.

As at 30 April 2011, the unaudited net asset value of the Target Company under the accounting principles generally accepted in Hong Kong amounted to approximately US\$50,000 (approximately HK\$390,000).

The Shenzhen Fantasia Investment is principally engaged in property development in the PRC and currently holds 65% equity interest in an investment holding company, Fantasia Chengdu Development. As at the date of this circular, Shenzhen Fantasia Investment has a property development project named "Love Forever" in Shenzhen. Phase II of this project has been completed at the end of June 2011 and Love Forever has a total gross floor area of approximately 63,870.33 square metres upon completion.

According to the unaudited consolidated management accounts of Shenzhen Fantasia Investment prepared under the accounting principles generally accepted in Hong Kong, Shenzhen Fantasia Investment recorded loss before and after tax of approximately RMB9.6 million (approximately HK\$11.3 million) and approximately RMB6.1 million (approximately HK\$7.2 million), respectively during the year ended 31 December 2009. For the year ended 31 December 2010, Shenzhen Fantasia Investment

LETTER FROM THE BOARD

recorded profit before and after tax of approximately RMB331.0 million (approximately HK\$389.4 million) and approximately RMB210.3 million (approximately HK\$247.5 million) respectively. As at 30 April 2011, the unaudited net asset value of Shenzhen Fantasia Investment attributable to its shareholders amounted to approximately RMB720.6 million (approximately HK\$847.7 million). The registered capital of Shenzhen Fantasia Investment is RMB100 million (approximately HK\$117.6 million).

Upon completion of the Acquisition, Shenzhen Fantasia Investment will become an indirect wholly-owned subsidiary of the Company and the results, assets and liabilities of Shenzhen Fantasia Investment will continue to be consolidated into the accounts of the Company.

VI. INFORMATION ON THE COMPANY

The Company is principally engaged in property development in the PRC.

VII. IMPLICATION OF THE LISTING RULES

As the Vendor indirectly holds 48% of the registered capital of Shenzhen Fantasia Investment, the Vendor is a connected person of the Company for the purpose of the Listing Rules, thus the Transactions constitute connected transactions on the part of the Company under the Listing Rules.

As the applicable percentage ratios in respect of the Acquisition and the Subscription are above 5% but below 25%, the Acquisition and the Subscription constitute non-exempt connected transactions of the Company under the Listing Rules and are therefore subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Acquisition also constitutes a discloseable transaction subject to announcement requirement under Chapter 14 of the Listing Rules.

On the basis that (i) no Shareholder is required to abstain from voting if the Company were to convene general meeting for the approval of the Transactions; and (ii) Fantasy Pearl, which holds 3,174,795,000 Shares, representing an aggregate of approximately 65.14% of the issued share capital of the Company as at the Latest Practicable Date, has approved the Transactions in writing in accordance with Rule 14A.43 of the Listing Rules, the Company has applied to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules seeking its confirmation that the written Shareholders' approval provided by Fantasy Pearl shall be accepted in lieu of a general meeting of Shareholders. The Stock Exchange has confirmed to the Company that the written Shareholders' approval provided by Fantasy Pearl are acceptable in lieu of a general meeting of Shareholders. Accordingly, no general meeting will be held. The information contained in this circular is for information only.

LETTER FROM THE BOARD

VIII. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendation to the Independent Shareholders in relation to the Transactions. Your attention is also drawn to the letter of advice from First Shanghai set out on pages 16 to 29 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Transactions and the principal factors and reasons considered by it in formulating its advice.

Your attention is also drawn to the valuation report set out in Appendix I and the additional information set out in the Appendix II to this circular.

Yours faithfully,
By Order of the Board
Pan Jun
Chairman

花 樣 年

FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01777)

4 July 2011

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular (the “Circular”) dated 4 July 2011 despatched to the Shareholders of which this letter forms a part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed to advise the Independent Shareholders on whether the terms and conditions of the Acquisition Agreement and the Subscription Agreement and the connected transactions constituted thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. First Shanghai has been appointed to advise the Independent Board Committee and Independent Shareholders in respect of the terms of the Acquisition Agreement and the Subscription Agreement.

We wish to draw your attention to the letter from the Board set out on pages 5 to 14 of the Circular and the letter from First Shanghai set out on pages 16 to 29 of the Circular.

Having considered the advice given by First Shanghai, we are of the opinion that the terms of the Acquisition Agreement and the Subscription Agreement are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Mr. Ho Man
Mr. Liao Martin Cheung Kong, JP
Mr. Huang Ming
Mr. Xu Quan
Independent Non-executive Directors

LETTER FROM FIRST SHANGHAI

The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders for incorporation into this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

4 July 2011

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

DISCLOSEABLE AND CONNECTED TRANSACTIONS ACQUISITION OF 48% INTEREST IN SHENZHEN FANTASIA INVESTMENT AND SUBSCRIPTION OF SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Transactions contemplated under the Agreements. Details of the Transactions are set out in the circular of the Company dated 4 July 2011 (the “Circular”), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 24 June 2011, (i) the Company and the Vendor entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of the Target Company and the Shareholder’s Loan for an aggregate Acquisition Consideration of HK\$400 million payable by the Company to the Vendor in cash; and (ii) the Company and the Vendor entered into the Subscription Agreement, pursuant to which the Vendor has conditionally agreed to subscribe for the Subscription Shares at an aggregate Subscription Price of HK\$400 million payable by the Vendor to the Company in cash. Upon completion of the Acquisition, Shenzhen Fantasia Investment, a company indirectly owned as to 52% by the Company and as to 48% by the Target Company, will transform from a non wholly-owned subsidiary to a wholly-owned subsidiary of the Company. Completion of the Acquisition and the Subscription are inter-conditional.

LETTER FROM FIRST SHANGHAI

As the Vendor holds 48% of the registered capital of Shenzhen Fantasia Investment, the Vendor is a connected person of the Company and the Transactions constitute connected transactions on the part of the Company under the Listing Rules. As disclosed in the letter from the Board, on the basis that (i) no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Transactions; and (ii) Fantasy Pearl, which holds approximately 65% of the issued share capital of the Company as at the Latest Practicable Date, has approved the Transactions in writing in accordance with Rule 14A.43 of the Listing Rules, the Company has applied to the Stock Exchange and the Stock Exchange has confirmed to the Company that the written Shareholders' approval provided by Fantasy Pearl are acceptable in lieu of a general meeting of Shareholders. Accordingly, no general meeting will be held.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan, has been established to advise the Independent Shareholders in respect of the Transactions. We, First Shanghai Capital Limited, have been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in this regard.

In putting forth our opinion and recommendations, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continue to be true up to the date of the Circular. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group or the Target Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations, we have taken into account the following principal factors and reasons:

1. Background to and reasons for the entering into of the Agreements

Information on the Company

The Company is principally engaged in property development in the PRC. As disclosed in the annual report of the Company for the year ended 31 December 2010 (the “2010 Annual Report”), approximately 97% of the turnover of the Group was contributed by developing and selling of properties in the PRC for the year ended 31 December 2010.

The Group recorded turnover of approximately RMB4,471 million for the year ended 31 December 2010, representing an annual growth of approximately 82%, which was mainly driven by the increase in revenue from property development due to the increase in total gross floor area and average selling price of properties sold to its customers. The Group achieved profit attributable to Shareholders of approximately RMB807 million for the year ended 31 December 2010, representing an annual growth of approximately 116%, which was mainly due to the increase in properties sold and recognised during the year. As at 31 December 2010, the Group had net assets attributable to Shareholders of approximately RMB4,502 million and planned gross floor area of attributable land bank was approximately 14 million square metres.

Information on the Vendor and Shenzhen Fantasia Investment

The Vendor directly holds the entire issued share capital of the Target Company. The Target Company is an investment holding company interested in 48% of the registered capital of Shenzhen Fantasia Investment, which in turn owns 65% equity interests in Fantasia Chengdu Development. We understand from the management of the Group that, save for the Shareholder’s Loan owing by the HK HoldCo to the Vendor that will be assigned to the Company upon completion of the Acquisition, the only principal asset of the Target Company is its interests in Shenzhen Fantasia Investment and Fantasia Chengdu Development (collectively, the “**Shenzhen Fantasia Investment Group**”), which are the only operating subsidiaries within the Target Group.

Shenzhen Fantasia Investment is principally engaged in property development in the PRC. According to the prospectus of the Company dated 12 November 2009, Shenzhen Fantasia Investment was involved in a variety of property development projects, which included the development of, *inter alia*, Shenzhen Love Forever (深圳花郡) (“**Love Forever**”), Shenzhen My Place (深圳花好園), Hailrun Complex (喜年中心), Shenzhen Endless Blue (深圳碧雲天) and Shenzhen Pair Life (深圳錦上花). As disclosed in the letter from the Board, the construction of Phase II of Love Forever has been completed at the end of June 2011 and

LETTER FROM FIRST SHANGHAI

Love Forever has a total gross floor area of approximately 63,870 square metres upon completion. On the other hand, Fantasia Chengdu Development is primarily involved in the holding and leasing of several car parking spaces and residential units in Chengdu. As detailed in the valuation report prepared by Jones Lang LaSalle Sallmanns Limited (the “**Independent Valuer**”) contained in Appendix I to the Circular (the “**Valuation Report**”), the property interests held by Shenzhen Fantasia Investment Group (the “**Properties**”) as at 30 April 2011 were classified into four categories depending on their nature, namely (i) property interests held and occupied, which included office units in Shenzhen currently used as offices of the Group; (ii) property interest held for sale, which included several residential units in Shenzhen; (iii) property interest held for investment, which primarily included office units, retail units, residential units and car parking spaces in Shenzhen and Chengdu; and (iv) property interest held under development, which included the construction of Phase II of Love Forever.

According to the unaudited management accounts of Shenzhen Fantasia Investment Group as prepared under the accounting principles generally accepted in Hong Kong, Shenzhen Fantasia Investment Group recorded net loss of approximately RMB6 million for the year ended 31 December 2009 and recorded net profit of approximately RMB210 million for the year ended 31 December 2010. We understand from the management of the Group that the significant improvement in the earnings of Shenzhen Fantasia Investment Group was primarily due to the increase in properties sold and recognised in the PRC during the year ended 31 December 2010. Set out in the table below is the breakdown of the unaudited financial position of Shenzhen Fantasia Investment Group as at 30 April 2011 as prepared under the accounting principles generally accepted in Hong Kong.

	As at 30 April 2011 <i>(in RMB million)</i>
Non-current assets	656
Current assets	1,481
Total assets	2,137
Non-current liabilities	433
Current liabilities	960
Total liabilities	1,393
Net assets attributable to shareholders	721
Minority interests	23
Net assets	744

As shown in the above table, net assets attributable to shareholders of Shenzhen Fantasia Investment Group amounted to approximately RMB721 million as at 30 April 2011 (the “**2011 NAV**”). We note that non-current assets primarily comprised investment properties of approximately RMB627 million. We understand

LETTER FROM FIRST SHANGHAI

from the management of the Group that current assets mainly comprised amount due from group companies of approximately RMB1,178 million, primarily being funds generated by Shenzhen Fantasia Investment Group that were transferred to other members of the Group for their usage, and inventories of approximately RMB166 million. We also note that non-current liabilities primarily comprised long term bank loan of approximately RMB346 million and deferred tax liabilities of approximately RMB87 million. We further note that current liabilities primarily comprised deposit received on sales of properties of approximately RMB840 million and tax liabilities of approximately RMB55 million.

Reasons for the entering into of the Agreements

We note from the 2010 Annual Report that the development strategy of the Group include but not limited to the consolidation of matured companies, expansion of the market share of all branch companies and systematization of the business development capability of all branch companies. As mentioned in the letter from the Board, the Board believes that the Transactions provide a good opportunity for the Company to consolidate its interest and control in Shenzhen Fantasia Investment Group so that the Company can manage Shenzhen Fantasia Investment Group more efficiently and effectively and the performance of Shenzhen Fantasia Investment Group can be better reflected in the accounts of the Group. Details of the recent financial performance of Shenzhen Fantasia Investment Group are disclosed in the paragraph above. As such, we understand from the management of the Group that the Transactions as a whole is in line with the business development strategy of the Group that can consolidate its interest and control in Shenzhen Fantasia Investment Group.

In respect of the performance of the PRC property industry, we note from the 2010 Annual Report that the development of the PRC property market is expected to revert to a stable development trend in 2011 as the country normalizes its monetary policy. Further, we have reviewed relevant information published on the website of National Bureau of Statistics of China and noted that the total sale of commercialized buildings in the PRC grew from approximately RMB2,083 billion in 2006 to approximately RMB5,248 billion in 2010, representing a compound annual growth rate of approximately 26% during the period.

Upon completion of the Acquisition, Shenzhen Fantasia Investment, a company indirectly owned as to 52% by the Company and as to 48% by the Target Company, will transform from a non wholly-owned subsidiary to a wholly-owned subsidiary of the Company. We understand from the management of the Group that the completion of the Acquisition is inter-conditional to the completion of the Subscription and the Acquisition Consideration equals the Subscription Price. As such, the cash resources of the Group can be preserved upon the completion of the Subscription and the Acquisition. We have been further advised by the management of the Group that the structure and terms of the Agreements were arrived at and agreed on after arm's length negotiation between the Group and the Vendor.

LETTER FROM FIRST SHANGHAI

We also understood from the management of the Group that alternative deal structures had also been considered to fund the Acquisition Consideration, which included the utilisation of internal cash resources, raising of new bank loans and arrangement of a rights issue or open offer. Nonetheless, we further understood from the management of the Group that (i) the utilisation of internal cash resources would drain the liquidity of the Group, where such cash resources might instead be better utilised for other business development needs; (ii) the raising of new bank loans would generate financing costs and adversely impact the gearing position of the Group; and (iii) the arrangement of a rights issue or open offer would incur substantial costs, such as commission to underwriters, and may take considerable time to complete. Hence, we concur with the management of the Group that the current structure of financing the Acquisition Consideration by way of the Subscription is viable and acceptable.

Having considered in particular (i) the principal business and strategic rationale of the Group; (ii) the principal business and financial performance of Shenzhen Fantasia Investment Group; (iii) the growth of the PRC property industry; (iv) the Transactions allow the Company to consolidate its interest and control in Shenzhen Fantasia Investment Group whilst preserving the cash resources of the Group; and (v) the terms of the Agreements are fair and reasonable as discussed below, we are of the view that the Transactions are in the ordinary and usual course of business of the Company and the entering into of the Transactions is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Agreements

(i) *Principal terms of the Acquisition Agreement*

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire the entire issued share capital of the Target Company and the Shareholder's Loan from the Vendor at the Acquisition Consideration of HK\$400 million in cash, HK\$200 million of which (the "**Deposit**") would be settled within two working days upon signing of the Acquisition Agreement and the balance would be settled within two working days upon completion of the Acquisition. The completion of the Acquisition is inter-conditional to the completion of the Subscription. Further, as detailed in the letter from the Board, the Deposit together with any interests accrued thereon would be refunded to the Company should the Acquisition lapse.

We are advised by the management of the Group that the consideration was determined primarily after taking into account the net assets attributable to shareholders of Shenzhen Fantasia Investment Group as at 31 December 2010 (the "**2010 NAV**"), which amounted to approximately RMB735 million as at 31 December 2010. Given that (i) the Shareholder's Loan owing by the HK HoldCo to the Vendor will be assigned to the Company upon completion of the Acquisition; and (ii) the only principal asset of the Target Group is its interests in Shenzhen Fantasia Investment Group, we consider that the net asset value of Shenzhen Fantasia Investment Group is an appropriate reference to determine the Acquisition

LETTER FROM FIRST SHANGHAI

Consideration. As such, in our course of assessing the fairness and reasonableness of the Acquisition Consideration, we have also made reference to the 2011 NAV as at 30 April 2011, which has taken into account the information in the Valuation Report and therefore better reflects the latest financial position of Shenzhen Fantasia Investment Group.

We also understand from the management of the Group that the Properties are the principal assets of Shenzhen Fantasia Investment Group and the valuation results of the Properties as contained in the Valuation Report had been relied on in the course of the Group to arrive at the unaudited 2011 NAV. Hence, we have assessed the principal methodology of and principal basis and assumptions adopted in the Valuation Report and we have reviewed and discussed with the Independent Valuer, where we noted that the Independent Valuer has primarily adopted (i) the direct comparison approach for properties held and occupied, held for sale or held under development by making reference principally to comparable sales evidence as available in the relevant market; and (ii) the income approach for properties held for investment by making reference principally to the rental income of the properties derived from existing leases or achievable in the existing market to value the Properties, which as understood from the Independent Valuer, are normal approaches in establishing the market value of the Properties. During the course of our discussion with the Independent Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal methodology of and principal basis and assumptions adopted in the Valuation Report. Further, we note from the 2010 Annual Report that significant accounting policies of the Group include, *inter alia*, (i) land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and impairment losses, if any; (ii) completed properties and properties under development for sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value; and (iii) investment properties, which are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes, are initially measured at cost and subsequently measured at their fair values. We understand from the management of the Group that the 2011 NAV has been arrived at in accordance with the accounting policies of the Group with reference to the valuation results in the Valuation Report.

In assessing the fairness and reasonableness of the Acquisition Consideration, we have identified, to the best of our endeavours, companies listed on the main board of the Stock Exchange and comparable to Shenzhen Fantasia Investment Group (the “**Comparable Companies**”), which are (i) principally engaged in property development in the PRC; and (ii) with market capitalisation of less than HK\$2,500 million as at the Latest Practicable Date provided that the Acquisition Consideration for the 48% interests in Shenzhen Fantasia Investment amounted to HK\$400 million. Independent Shareholders should note that the comparison with Comparables Companies are only for general reference purposes given that the particulars of the business and financial aspects and prospects of the Comparable Companies may not be exactly identical to those of Shenzhen Fantasia Investment Group. Set out in the table below is the price to book value ratio (the “**P/B Ratio**”)

LETTER FROM FIRST SHANGHAI

and the price to earnings ratio (the “P/E Ratio”) of the Comparable Companies based on information extracted from the website of the Stock Exchange.

Company name (Stock code)	P/B Ratio ⁽¹⁾ (times)	P/E Ratio ⁽²⁾ (times)
New Heritage Holdings Ltd. (95 HK)	0.35	16.99
Shenyang Public Utility Holdings Company Limited (747 HK)	1.23	21.82
Chuang’s China Investments Limited (298 HK)	0.37	13.30
Skyframe Realty (Holdings) Limited (59 HK)	0.53	1.03
Hong Long Holdings Limited (1383 HK)	0.44	20.86
Coastal Greenland Limited (1124 HK)	0.34	5.46
Frasers Property (China) Limited (535 HK)	0.62	6.64
Hengli Properties Development (Group) Limited (169 HK)	5.24	net loss
Lai Fung Holdings Limited (1125 HK)	0.29	7.37
Tian Shan Development Holding Ltd. (2118 HK)	1.76	9.97
	Max ⁽³⁾ :	1.76 21.82
	Mean ⁽³⁾ :	0.66 11.49
	Median ⁽³⁾ :	0.44 9.97
	Min ⁽³⁾ :	0.29 1.03

The Acquisition Consideration

— based on the 2010 NAV	0.96 ⁽⁴⁾	3.36 ⁽⁶⁾
— based on the 2011 NAV	0.98 ⁽⁵⁾	3.36 ⁽⁶⁾

Notes:

- (1) The P/B Ratio is derived from dividing the market capitalisation (based on the number of shares as disclosed in the latest monthly return and share price as at the Latest Practicable Date) by net asset attributable to shareholders as disclosed in the latest published financial statement.
- (2) The P/E Ratio is derived from dividing the market capitalisation (based on the number of shares as disclosed in the latest monthly return and share price as at the Latest Practicable Date) by profit attributable to shareholders for the latest full financial year.
- (3) The calculation of the statistics have excluded the P/B Ratio and P/E Ratio of Hengli Properties Development (Group) Limited because it has an extreme P/B Ratio and recorded net loss for the latest full financial year.
- (4) The P/B Ratio of the Acquisition Consideration is derived from dividing the Acquisition Consideration of HK\$400 million by the 2010 NAV attributable to the Target Company of approximately RMB353 million (equivalent to approximately HK\$415 million) as at 31 December 2010.
- (5) The P/B Ratio of the Acquisition Consideration is derived from dividing the Acquisition Consideration of HK\$400 million by the 2011 NAV attributable to the Target Company of approximately RMB346 million (equivalent to approximately HK\$407 million) as at 30 April 2011.

LETTER FROM FIRST SHANGHAI

- (6) The P/E Ratio of the Acquisition Consideration is derived from dividing the Acquisition Consideration of HK\$400 million by the profit attributable to the Target Company of approximately RMB101 million (equivalent to approximately HK\$119 million) for the year ended 31 December 2010.
- (7) Unless otherwise specified, currencies used in deriving information in the above table are converted on the basis of RMB0.85 = HK\$1 for illustrative purposes.

Based on the above table, we note that the P/B Ratio of the Acquisition Consideration, calculated based on both the 2010 NAV as at 31 December 2010 and the 2011 NAV as at 30 April 2011, is above the mean but is still well within the range of the P/B Ratio of the Comparable Companies after the exclusion of the extreme value. Further, we note that the P/E Ratio of the Acquisition Consideration is below the mean and within the range of the P/E Ratio of the Comparable Companies. As such, we are of the view that the basis of determining the Acquisition Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Taking into account the above principal factors, in particular the P/B and the P/E Ratio of the Acquisition Consideration are within the range of those of the Comparable Companies, and having further considered that (i) the Acquisition Consideration equals the Subscription Price; and (ii) the cash resources of the Group can be preserved upon completion of the Subscription and the Acquisition which are inter-conditional, we concur with the view of the Directors that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Principal terms of the Subscription Agreement

Pursuant to the Subscription Agreement, the Vendor has conditionally agreed to subscribe for the Subscription Shares of 333,333,000 Shares at the subscription price of approximately HK\$1.20 per Share (the "**Subscription Share Price**"). The Subscription Price of HK\$400 million, being the same amount as the Acquisition Consideration, shall be paid by the Vendor to the Company. We also note that HK\$200 million of the Subscription Price, being the same amount as the Deposit in connection with the Acquisition Consideration, would be settled within two working days upon signing of the Subscription Agreement and the balance would be settled within three working days upon signing of the Subscription Agreement. The completion of the Subscription is inter-conditional to the completion of the Acquisition.

The Subscription Shares represent approximately (i) 6.84% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 6.40% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscription Shares will be allotted and issued pursuant to the General Mandate and will rank *pari passu* in all respects with the Shares then in issue on the relevant allotment date.

LETTER FROM FIRST SHANGHAI

In order to assess the fairness and reasonableness of the Subscription Share Price of approximately HK\$1.20, we have reviewed the recent closing price of the Shares quoted on the Stock Exchange and the 2010 Annual Report, where we noted that the Subscription Share Price generally represents a premium over the recent closing prices of the Shares and the net asset value of the Group. In particular, the Subscription Share Price:

- (i) represents a premium of approximately 0.84% over the closing price per Share as quoted on the Stock Exchange on the Latest Practicable Date of HK\$1.190;
- (ii) equals the closing price per Share as quoted on the Stock Exchange on the Last Trading Date of HK\$1.200;
- (iii) represents a premium of approximately 3.09% over the average of the closing price per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date of approximately HK\$1.164;
- (iv) represents a premium of approximately 2.56% over the average of the closing price per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Date of approximately HK\$1.170;
- (v) represents a discount of approximately 0.41% to the average of the closing price per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Date of approximately HK\$1.205; and
- (vi) represents a premium of approximately 10.40% over the audited consolidated net asset value attributable to equity holders of the Company per Share as at 31 December 2010 of approximately RMB0.924 (equivalent to approximately HK\$1.087).

LETTER FROM FIRST SHANGHAI

We have also further reviewed the monthly trading volume of the Shares on the Stock Exchange from May 2010 up to the Latest Practicable Date (the “**Review Period**”) and noted that the trading volume of the Shares was generally thin during the Review Period given that (i) the average daily trading volume of the Shares to the average total issued Shares were all below 0.50%; and (ii) the average daily trading volume of the Shares to the average public float were mainly below 1.00%. Details of the information on the trading volume of the Shares during the Review Period are set out as follows:

	Total monthly trading volume of the Shares <i>(million Shares)</i>	Average daily trading volume of the Shares during the month <i>(million Shares)</i>	% of average daily trading volume of the Shares to the average total issued Shares	% of average daily trading volume of the Shares to average public float
2010				
May	226.30	11.31	0.23%	0.97%
June	283.44	13.50	0.28%	1.15%
July	412.65	19.65	0.40%	1.59%
August	417.97	19.00	0.39%	1.16%
September	320.53	15.26	0.31%	0.93%
October	348.00	17.40	0.36%	1.06%
November	505.20	22.96	0.47%	1.40%
December	124.91	5.68	0.12%	0.35%
2011				
January	141.05	6.72	0.14%	0.41%
February	115.67	6.43	0.13%	0.39%
March	129.97	5.65	0.12%	0.34%
April	98.17	5.45	0.11%	0.33%
May	51.40	2.57	0.05%	0.16%
June (<i>up to the Latest Practicable Date</i>)	57.63	3.03	0.06%	0.18%

Source: Bloomberg

LETTER FROM FIRST SHANGHAI

Taking into account the above principal factors, including (i) the Subscription Share Price generally represents a premium over the recent closing prices of the Shares and the net asset value of the Group; (ii) the generally thin trading volume of the Shares; and (iii) the Subscription Price equals the Acquisition Consideration such that the cash resources of the Group can be preserved upon completion of the Subscription and the Acquisition which are inter-conditional, we concur with the view of the Directors that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible effects of the Transactions

(i) *Financial effects of the Transactions*

(a) Net profit

As disclosed in the 2010 Annual Report, the Group achieved profit attributable to Shareholders of approximately RMB807 million for the year ended 31 December 2010. As disclosed in the letter from the Board, Shenzhen Fantasia Investment Group recorded net profit attributable to shareholders of approximately RMB210 million for the year ended 31 December 2010. We are advised that the completion of the Subscription will not have any material impact to the earnings of the Group. On the other hand, upon completion of the Acquisition, Shenzhen Fantasia Investment will transform from a non wholly-owned subsidiary to a wholly-owned subsidiary of the Company and we are given to understand that the further consolidation of interest and control in Shenzhen Fantasia Investment Group will better reflect the performance of Shenzhen Fantasia Investment Group in the accounts of the Group.

(b) Net assets

As disclosed in the 2010 Annual Report, the Group achieved net assets attributable to Shareholders of approximately RMB4,502 million as at 31 December 2010. As disclosed in the letter from the Board, Shenzhen Fantasia Investment Group recorded unaudited net asset value attributable to shareholders of approximately RMB721 million as at 30 April 2011. We are advised that the completion of the Subscription is expected to have positive effects to the net asset value of the Group via the issue of the Subscription Shares. On the other hand, upon completion of the Acquisition, Shenzhen Fantasia Investment will transform from a non wholly-owned subsidiary to a wholly-owned subsidiary of the Company and we are given to understand that the further consolidation of interest and control in Shenzhen Fantasia Investment Group will better reflect the performance of Shenzhen Fantasia Investment Group in the accounts of the Group. In addition, under the accounting policies of the Group as disclosed in the 2010 Annual Report, changes in the ownership interests of the Group in its subsidiaries that do not result in the Group losing control over such subsidiaries are accounted for as

LETTER FROM FIRST SHANGHAI

equity transactions and we understand from the management of the Group that the Group would recognise an increase in reserve should the carrying amount of the attributable net assets of Shenzhen Fantasia Investment Group exceed the Acquisition Consideration upon completion of the Acquisition. We have been further advised that the Shareholder's Loan owing by the HK HoldCo to the Vendor will be assigned to the Company upon completion of the Acquisition, therefore the Shareholder's Loan is not expected to have any material impact to the consolidated accounts of the Company upon completion of the Acquisition.

(c) Working capital and gearing

As disclosed in the 2010 Annual Report, the Group had bank balances and cash (excluding restricted bank deposits) of approximately RMB2,371 million and had gearing ratio, as measured by net debt (being aggregated bank borrowings and senior notes net of bank balances and cash and restricted cash) over equity attributable to Shareholders, of approximately 69% as at 31 December 2010. We understand from the management of the Group that the Subscription Price equals the Acquisition Consideration, hence the completion of the Subscription and the Acquisition, which are inter-conditional, is not expected to have any material adverse impact to the working capital and gearing of the Group.

(ii) *Dilution effects of the Transactions*

Upon completion of the Subscription, which is inter-conditional to the completion of the Acquisition, the Company will issue 333,333,000 new Shares to the Vendor (or its nominee(s)), representing approximately 6.84% of the issued Share capital of the Company and approximately 6.40% of the enlarged issued Share capital of the Company. The following table sets out the shareholding structure of the Company as at the Latest Practicable Date; and (ii) immediately after the completion of the Transactions:

	As at the Latest Practicable Date		Immediately after the completion of the Transactions	
	<i>No. of Shares</i>	%	<i>No. of Shares</i>	%
Fantasy Pearl (<i>Note</i>)	3,174,795,000	65.14%	3,174,795,000	60.97%
Vendor (or its nominee(s))	–	–	333,333,000	6.40%
Other public Shareholders	<u>1,699,093,750</u>	<u>34.86%</u>	<u>1,699,093,750</u>	<u>32.63%</u>
Total:	<u><u>4,873,888,750</u></u>	<u><u>100.00%</u></u>	<u><u>5,207,221,750</u></u>	<u><u>100.00%</u></u>

LETTER FROM FIRST SHANGHAI

Note:

Fantasy Pearl is owned as to 80% by Ice Apex Limited (“**Ice Apex**”) and 20% by Graceful Star Overseas Limited. Ice Apex is wholly owned by Ms. Zeng Jie, Baby, a Director and the controlling shareholder of the Company. Ice Apex and Ms. Zeng Jie, Baby are deemed to be interested in the Shares held by Fantasy Pearl for the purpose of Part XV of the Securities and Futures Ordinance.

As illustrated in the table above, the shareholding of the public Shareholders would be slightly diluted from approximately 34.86% to 32.63%, representing a decrease of approximately 2.23%. Having considered (i) the cash resources of the Group can be preserved upon completion of the Acquisition and Subscription which are inter-conditional; and (ii) the reasons for the entering into of the Acquisition as discussed above, we are of the view that the slight dilution of the shareholding of the public Shareholders is acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We also consider the Transactions are in the ordinary and usual course of business of the Company and the entering into of the Transactions is in the interests of the Company and the Shareholders as a whole.

The Stock Exchange has confirmed to the Company that the written Shareholders’ approval provided by Fantasy Pearl for the purpose of approving the Transactions are acceptable in lieu of a general meeting of Shareholders, therefore no general meeting will be held pursuant to Rule 14A.43 of the Listing Rules. If a general meeting of the Shareholders were to be held for the purpose of considering and, if thought fit, approving the Transactions, we would advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to approve the Transactions.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Eric Lee

Deputy Managing Director

Fanny Lee

Deputy Managing Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 April 2011 of the property interests of Shenzhen Fantasia Investment and Fantasia Chengdu Development.



Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

4 July 2011

The Board of Directors
Fantasia Holdings Group Co., Limited
Room 1103, 11th Floor
Top Glory Tower
262 Gloucester Road
Causeway Bay, Hong Kong

Dear Sirs,

Pursuant to a sale and purchase agreement dated 24 June 2011 (the "Acquisition Agreement") entered into between Fantasia Holdings Group Co., Limited (the "Company") and Mr. Yu Shui (the "Vendor"), being the sole shareholder of Strong Nova Holdings Limited (the "Target Company"), the Company agreed to acquire the entire issued share capital of the Target Company and the loan owing by the Target Group (as defined below) to the Vendor as at the date of the Acquisition Agreement for an aggregate consideration of HK\$400,000,000.

As at the date of valuation (as defined below), the Target Company indirectly holds 48% of the registered capital of Shenzhen Fantasia Investment Development Company Limited ("Shenzhen Fantasia Investment") through a number of wholly-owned subsidiaries, namely Splendor Sun Holdings Limited, Shenzhen Ruiyu Technology Company Limited and Shenzhen Baiyetengxing Technology Company Limited (together with Shenzhen Fantasia Investment and Fantasia Chengdu Development as defined below defined as the "Target Group"), and the remaining 52% of the registered capital of Shenzhen Fantasia Investment is indirectly held by the Company. Shenzhen Fantasia Investment is principally engaged in property development in the PRC and currently holds 65% equity interest in a company named Fantasia (Chengdu) Development Co., Ltd. ("Fantasia Chengdu Development").

As at the date of valuation, the members of the Target Group (save for Shenzhen Fantasia Investment and Fantasia Chengdu Development) are investment holding companies and are neither engaged in any business nor holding any assets other than their 48% equity interest in Shenzhen Fantasia Investment.

In accordance with your instructions to value the properties in which Shenzhen Fantasia Investment and Fantasia Chengdu Development have interests in the People's

Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 April 2011 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interest in Group I which is held and occupied by Shenzhen Fantasia Investment and the property interests in Group II which are held by Shenzhen Fantasia Investment for sale by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have valued the property interests in Group III by income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

In valuing the property interest in Group IV which is currently under development, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by Shenzhen Fantasia Investment. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees expected to be incurred for completing the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

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

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by Shenzhen Fantasia Investment and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Commerce & Finance Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by Shenzhen Fantasia Investment. We have also sought confirmation from Shenzhen Fantasia Investment that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of

Jones Lang LaSalle Sallmanns Limited

Paul L. Brown

*B.Sc. FRICS FHKIS
Chief Valuation Adviser*

Eddie T.W. Yiu

*MRICS MHKIS RPS (GP)
Associate Director*

Notes: Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong and the United Kingdom as well as relevant experience in the Asia-Pacific region.

Eddie T.W. Yiu is a Chartered Surveyor who has 17 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interest owned and occupied by Shenzhen Fantasia Investment in the PRC

No.	Property	Capital value in existing state as at 30 April 2011 RMB
1.	Units 401, 2701 and 2801 of Hailrun Complex No. 6021 Shennan Boulevard Futian District Shenzhen City Guangdong Province The PRC	135,762,000
Sub-total:		<u>135,762,000</u>

Group II – Property interests held for sale by Shenzhen Fantasia Investment in the PRC

No.	Property	Capital value in existing state as at 30 April 2011 RMB
2.	Units A-9A, B-25J and B-32C of Pair Life located at Wenjindu Luohu District Shenzhen City Guangdong Province The PRC	2,324,000
3.	Units 2A, 23G and 24G of Self Life located at the junction of Fuhua Road and Binhe Road Futian District Shenzhen City Guangdong Province The PRC	3,316,000

No.	Property	Capital value in existing state as at 30 April 2011 RMB
4.	Units G-3M, G-3L, G-3A to G-3C, G-3O, G-3P, H-7K and F-16F of Huajun Garden of Love Forever located at the junction of Baoan Avenue and Yulv Road Baoan District Shenzhen City Guangdong Province The PRC	6,720,000
Sub-total:		<u>12,360,000</u>

**Group III – Property interests held for investment by Shenzhen Fantasia Investment
and Fantasia Chengdu Development in the PRC**

No.	Property	Capital value in existing state as at 30 April 2011 RMB
5.	Units 218, 219, 221 to 225, 227 and 228 of Fairy Land located at Renmin North Road Luohu District Shenzhen City Guangdong Province The PRC	3,640,000
6.	Units 101 and 148 and 200 car parking spaces of My Place located at Xiasha Village South Binhe Road Futian District Shenzhen City Guangdong Province The PRC	277,442,000

No.	Property	Capital value in existing state as at 30 April 2011 RMB
7.	Unit 16B of Jinfeng Mansion located at Shangbu South Road Futian District Shenzhen City Guangdong Province The PRC	5,448,000
8.	Unit 110 and 191 car parking spaces of Pair Life located at Wenjindu Luohu District Shenzhen City Guangdong Province The PRC	31,773,000
9.	Units 24H, 24J, 24K, 24L, a community club (Unit 101) and 100 car parking spaces of Self Life located at the junction of Fuhua Road and Binhe Road Futian District Shenzhen City Guangdong Province The PRC	34,059,000
10.	Units 105 to 108 and 200 car parking spaces of Hailrun Complex No. 6021 Shennan Boulevard Futian District Shenzhen City Guangdong Province The PRC	42,418,000
11.	177 car parking spaces of Endless Blue located at the northern side of North Ring Road Xiameilin Futian District Shenzhen City Guangdong Province The PRC	13,048,000

No.	Property	Capital value in existing state as at 30 April 2011 RMB
12.	72 retail units and 527 car parking spaces of Huajun Garden of Love Forever located at the junction of Baoan Avenue and Yulv Road Baoan District Shenzhen City Guangdong Province The PRC	174,317,000
13.	165 car parking spaces of Human Art Wisdom No. 33 Ximianqiao Street Wuhou District Chengdu City Sichuan Province The PRC	15,936,000
Sub-total:		<u>598,081,000</u>

**Group IV – Property interest held under development by Shenzhen Fantasia Investment
in the PRC as at the date of valuation**

No.	Property	Capital value in existing state as at 30 April 2011 RMB
14.	Huaxiang Garden of Love Forever located at the junction of Baoan Avenue and Yulv Road Baoan District Shenzhen City Guangdong Province The PRC	1,058,673,000
Sub-total:		<u>1,058,673,000</u>
Grand total:		<u><u>1,804,876,000</u></u>

VALUATION CERTIFICATE

Group I – Property interest owned and occupied by Shenzhen Fantasia Investment in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
1.	Units 401, 2701 and 2801 of Hailrun Complex No. 6021 Shennan Boulevard Futian District Shenzhen City Guangdong Province The PRC	<p>The property comprises 3 office units of a 28-storey commercial office building known as Hailrun Complex completed in 2003.</p> <p>The property has a total gross floor area of approximately 4,080.43 sq.m.</p> <p>The land use rights of the property have been granted for a term of 50 years commencing from 25 March 2001 and expiring on 24 March 2051 for commercial office use.</p>	The property is currently occupied by Shenzhen Fantasia Investment for office purpose.	135,762,000

Notes:

1. Pursuant to 3 Real Estate Title Certificates – Shen Fang Di Zi Di Nos. 3000207748, 3000207750 and 3000207752, 3 office units with a total gross floor area of approximately 4,080.43 sq.m. are owned by Shenzhen Fantasia Investment. The relevant land use rights of the property have been granted to Shenzhen Fantasia Investment for a term of 50 years commencing from 25 March 2001 and expiring on 24 March 2051 for commercial office use.
2. Pursuant to a Mortgage Contract of Maximum Amount, the property is subject to a mortgage in favour of Shanghai Pudong Development Bank Co., Ltd. Shenzhen Branch (the “Bank”), as a security to guarantee the principal obligation under a financing agreement (No. ED790009000434) entered into between the Bank and Shenzhen Fantasia Investment for a maximum amount of RMB22,432,110 with the security term from 29 April 2009 to 29 April 2012.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Shenzhen Fantasia Investment has legally obtained the Real Estate Title Certificates of the property and therefore legally holds the ownership rights of the property;
 - b. Shenzhen Fantasia Investment has the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of the property without paying any additional land use rights premium (except taxes);
 - c. The property is subject to a mortgage which has been registered. Shenzhen Fantasia Investment cannot transfer the property during the mortgage period without obtaining the mortgagee’s consent unless the transferee of the property has paid off the loan and redeemed the mortgage for Shenzhen Fantasia Investment; and
 - d. Except for the aforesaid mortgage, the property is neither subject to any restrictions arising from any other mortgage, sequestration or any third party’s rights nor involved in any litigation or arbitration.

VALUATION CERTIFICATE

Group II – Property interests held for sale by Shenzhen Fantasia Investment in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
2.	Units A-9A, B-25J and B-32C of Pair Life located at Wenjindu Luohu District Shenzhen City Guangdong Province The PRC	<p>The property comprises 3 residential units on Levels 9, 25 and 32 of two 33-storey buildings within a residential project known as Pair Life completed in 2003.</p> <p>The property has a total gross floor area of approximately 136.32 sq.m.</p> <p>The land use rights of the property have been granted for a term of 70 years commencing from 13 September 1999 and expiring on 12 September 2069 for residential and commercial uses.</p>	Units B-25J and B-32C of the property are currently rented to various tenants for residential purpose, whilst Unit A-9A of the property is currently vacant.	2,324,000

Notes:

- Pursuant to 3 Real Estate Title Certificates – Shen Fang Di Zi Nos. 2000398692, 2000399775 and 2000389965, 3 residential units with a total gross floor area of approximately 136.32 sq.m. are owned by Shenzhen Fantasia Investment. The relevant land use rights of the property have been granted to Shenzhen Fantasia Investment for a term of 70 years commencing from 13 September 1999 and expiring on 12 September 2069 for residential and commercial uses.
- According to a Building Service Trust Agreement (房屋委託服務協議書), Unit B-25J of the property with a gross floor area of approximately 48.52 sq.m. is rented to Shenzhen Caizhijia Real Estate Planning Co., Ltd. (深圳彩之家房地產策劃有限公司), for a term of 1 year commencing from 1 October 2010 and expiring on 30 September 2011 at a monthly rent of RMB1,900, exclusive of management fees, water and electricity charges.
- According to a Tenancy Agreement, Unit B-32C of the property with a gross floor area of approximately 48.57 sq.m. is rented to an independent third party for a term of 1 year commencing from 10 February 2008 and expiring on 10 February 2009 at a monthly rent of RMB2,000 exclusive of management fees, water and electricity charges and other outgoings.

As advised by Shenzhen Fantasia Investment, the Tenancy Agreement in respect of Unit B-32C has not been renewed upon its expiration; however, such unit is still currently leased and occupied by the same lessee with payment of the same rent as before and Shenzhen Fantasia Investment intends to renew the Tenancy Agreement for a further term of 1 year.

- We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - Shenzhen Fantasia Investment has legally obtained the Real Estate Title Certificates of the property and legally holds the ownership rights of the property;

- b. Shenzhen Fantasia Investment has the rights to use, occupy, lease, transfer, mortgage or otherwise dispose of the property in accordance with the relevant PRC laws without paying any additional land use rights premium (except taxes);
- c. The property is neither subject to any restrictions arising from any mortgage, sequestration or any third party's rights nor involved in any litigation or arbitration; and
- d. The Building Service Trust Agreement mentioned in note 2 is legal, valid and legally binding on the contracted parties and its terms do not contravene the relevant PRC laws and regulations.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
3.	Units 2A, 23G and 24G of Self Life located at the junction of Fuhua Road and Binhe Road Futian District Shenzhen City Guangdong Province The PRC	<p>The property comprises 3 residential units on Levels 2, 23 and 24 of a 24-storey residential building known as Self Life completed in 2004.</p> <p>The property has a total gross floor area of approximately 171.71 sq.m.</p> <p>The land use rights of the property have been granted for a term of 70 years commencing from 10 March 2003 and expiring on 9 March 2073 for residential use.</p>	The property is currently vacant.	3,316,000

Notes:

1. Pursuant to 3 Real Estate Title Certificates – Shen Fang Di Zi Nos. 3000413117, 3000413119 and 3000413120, 3 residential units with a total gross floor area of approximately 171.71 sq.m. are owned by Shenzhen Fantasia Investment. The relevant land use rights of the property have been granted to Shenzhen Fantasia Investment for a term of 70 years commencing from 10 March 2003 and expiring on 9 March 2073 for residential use.
2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Shenzhen Fantasia Investment has legally obtained the Real Estate Title Certificates of the property and legally holds the ownership rights of the property;
 - b. Shenzhen Fantasia Investment has the rights to use, occupy, lease, transfer, mortgage or otherwise dispose of the property in accordance with the relevant PRC laws without paying any additional land use rights premium (except taxes); and
 - c. The property is neither subject to any restrictions arising from any other mortgage, sequestration or any third party's rights nor involved in any litigation or arbitration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
4.	Units G-3M, G-3L, G-3A to G-3C, G-3O, G-3P, H-7K and F-16F of Huajun Garden of Love Forever located at the junction of Baoan Avenue and Yulv Road Baoan District Shenzhen City Guangdong Province The PRC	<p>The property comprises 9 residential units on Levels 3, 7 and 16 of three 20 to 27-storey residential buildings within a residential project known as Huajun Garden of Love Forever completed in 2010.</p> <p>The property has a total gross floor area of approximately 355.45 sq.m.</p> <p>The land use rights of the property have been granted for a term of 70 years expiring on 10 September 2078 for residential use.</p>	The property is currently vacant.	6,720,000

Notes:

1. Pursuant to a Land Use Rights Grant Contract – Shen Di He Zi (2008) No. 4047 dated 11 September 2008, the land use rights of a parcel of land with a site area of approximately 12,197.06 sq.m. were contracted to be granted to Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng Joint-Stock Company ("Shenzhen Xin'an Yufeng") for a term of 70 years expiring on 10 September 2078 for residential use at a consideration of RMB9,544,606, inclusive of land use rights premium, land development fee and municipal facilities fee.
2. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 5000345563, the land use rights of a parcel of land with a site area of approximately 12,197.06 sq.m., on which Huajun Garden of Love Forever is located, have been granted to Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng for a term of 70 years expiring on 10 September 2078 for residential use.
3. Pursuant to a Construction Work Planning Permit – Shen Gui Jian Xu Zi No. BA-2008-0171 in favour of Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng, Huajun Garden of Love Forever with a total gross floor area of approximately 68,465.94 sq.m. have been approved for construction.
4. Pursuant to a Construction Work Commencement Permit – No. 44030020080454001 in favour of Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng, permission by the relevant local authority has been given to commence the construction work.
5. Pursuant to a Real Estate Pre-Sale Permit – Shen Fang Xu Zi (2009) Baoan No. 021 in favour of Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng, Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng are entitled to sell portions of Huajun Garden of Love Forever with a total gross floor area of approximately 51,106.07 sq.m. (including this property) to purchasers.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Land Use Rights Grant Contract as mentioned in note 1 is legal, valid and binding. The land grant fees have been fully paid up by Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng in accordance with the aforesaid contract;

- b. Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng have legally obtained the relevant Real Estate Title Certificate of the land use rights of the property and therefore legally own the land use rights of the property. The aforesaid Real Estate Title Certificate is legal and valid and is confirmed and protected by the PRC laws;
- c. The land use rights of the property are neither subject to any restrictions arising from any mortgage, sequestration or any third party's rights nor involved in any litigation or arbitration;
- d. In the process of developing the property, Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng have obtained all the necessary approvals, permits and certificates in accordance with the relevant PRC and local laws or regulations, which include but are not limited to the Real Estate Title Certificate, Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit, Real Estate Pre-Sale Permit and Construction Work Completion and Inspection Certificate/Table;
- e. Shenzhen Fantasia Investment legally and solely holds the ownership rights of the property and there is no legal impediment for Shenzhen Fantasia Investment to obtain the relevant Building Ownership Certificate or Real Estate Title Certificate of the property in accordance with the relevant PRC laws; and
- f. Shenzhen Fantasia Investment has the rights to use, transfer, mortgage or otherwise dispose of the property in accordance with the relevant PRC laws.

VALUATION CERTIFICATE

Group III – Property interests held for investment by Shenzhen Fantasia Investment and Fantasia Chengdu Development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
5.	Units 218, 219, 221 to 225, 227 and 228 of Fairy Land located at Renmin North Road Luohu District Shenzhen City Guangdong Province The PRC	<p>The property comprises 9 retail units on Level 2 of a 27-storey residential and commercial building known as Fairy Land completed in 2001.</p> <p>The property has a total gross floor area of approximately 385.45 sq.m.</p> <p>The land use rights of the property have been granted for a term of 70 years commencing from 3 November 1999 and expiring on 2 November 2069 for residential and commercial uses.</p>	The property is currently rented to a connected party of Shenzhen Fantasia Investment for commercial purpose.	3,640,000

Notes:

1. Pursuant to 9 Real Estate Title Certificates – Shen Fang Di Zi Di Nos. 2000261091 to 2000261097, 2000261099 and 2000261100, 9 retail units with a total gross floor area of approximately 385.45 sq.m. are owned by Shenzhen Fantasia Investment. The relevant land use rights of the property have been granted to Shenzhen Fantasia Investment for a term of 70 years commencing from 3 November 1999 for residential and commercial uses.
2. According to a Building Enhanced Value Program Service Agreement and a Supplementary Agreement (together as the “Agreements”), the property with a total gross floor area of approximately 385.45 sq.m. was rented to Shenzhen Colour Life Network Services Co., Ltd. (深圳市彩生活網絡服務有限公司), a subsidiary of the Company, for a term of 5 years commencing from 1 June 2009 and expiring on 31 May 2014 at a monthly rent of RMB6,745.38, exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Shenzhen Fantasia Investment has legally obtained the relevant title certificates of the property and therefore legally holds the ownership rights of the property;
 - b. Shenzhen Fantasia Investment has the rights to use, lease, transfer, mortgage or otherwise dispose of the property in accordance with the PRC laws without paying any additional land use rights premium (except taxes);
 - c. The property is neither subject to any restrictions arising from any other mortgage, sequestration or any third party’s rights nor involved in any litigation or arbitration; and
 - d. The Agreements mentioned in note 2 are legal, valid and legally binding on the contracted parties and its terms do not contravene the relevant PRC laws and regulations.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
6.	Units 101 and 148 and 200 car parking spaces of My Place located at Xiasha Village South Binhe Road Futian District Shenzhen City Guangdong Province The PRC	<p>The property comprises 2 retail units on Level 1 of a 32-storey residential and commercial building and 200 car parking spaces within a residential project known as My Place completed in 2005.</p> <p>The 2 retail units of the property have a total gross floor area of approximately 11,100.07 sq.m.</p> <p>The land use rights of the retail units of the property have been granted for a term of 70 years commencing from 22 September 2003 and expiring on 21 September 2073 for residential and commercial uses.</p>	<p>The property is currently rented to various independent third parties for commercial and car parking purposes.</p> <p>As advised by Shenzhen Fantasia Investment, the tenancies with respect to the car parking spaces are on short-term basis.</p>	277,442,000

Notes:

1. Pursuant to 2 Real Estate Title Certificates – Shen Fang Di Zi Di Nos. 3000383916 and 3000383917, 2 retail units of the property with a total gross floor area of approximately 11,100.07 sq.m. are owned by Shenzhen Fantasia Investment. The relevant land use rights have been granted to Shenzhen Fantasia Investment for a term of 70 years commencing from 22 September 2003 and expiring on 21 September 2073 for residential and commercial uses.
2. According to a Tenancy Agreement, the 2 retail units of the property are rented to Shirble Department Store Chain Co., Ltd. (an independent third party), for a term of 18 years commencing from 15 December 2005 at a monthly rent of RMB476,902, exclusive of management fees, water and electricity charges. The rent will be increased by 2% annually from 16 August 2009 and thereafter.
3. As advised by Shenzhen Fantasia Investment, the 200 car parking spaces of the property are subject to various short-term tenancies.
4. Pursuant to a Mortgage Contract, the 2 retail units of the property with a total gross floor area of approximately 11,100.07 sq.m. are subject to a mortgage in favour of Hua Xia Bank Co., Ltd. Shenzhen Branch (the "Bank"), as security to guarantee the principal under a loan contract (No. SZ211024080006) entered into between the Bank and Shenzhen Fantasia Investment for an amount of RMB100,000,000 with the security term from 27 September 2008 to 27 September 2016.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Shenzhen Fantasia Investment has legally obtained the relevant title certificates of the 2 retail units of the property and therefore legally holds the ownership rights of such retail units;

- b. Shenzhen Fantasia Investment has the rights to use, lease, transfer, mortgage or otherwise dispose of the aforesaid retail units in accordance with the PRC laws without paying any additional land use rights premium (except taxes);
- c. No title registration is provided by the relevant authorities up to the date of valuation with regard to the car parking spaces in Shenzhen City, which objectively restricts Shenzhen Fantasia Investment from transferring the ownership rights of the car parking spaces in accordance with the PRC Real Rights Law. However, Shenzhen Fantasia Investment legally holds the ownership rights of the car parking spaces of this property in accordance with the PRC Real Rights Law owing to the following reasons:
 - (i) The car parking spaces have been constructed in accordance with the local planning provisions and the relevant Construction Work Planning Inspection Certificate has been obtained by Shenzhen Fantasia Investment; and
 - (ii) The ownership rights of the car parking spaces have been contracted to be vested in Shenzhen Fantasia Investment rather than apportioned as common area according to the Real Estate Sales and Purchase Contracts entered into between Shenzhen Fantasia Investment and the purchasers.
- d. Shenzhen Fantasia Investment should observe the stipulation as prescribed by the PRC Real Rights Law to firstly meet the requirements of the owners of the building in exercising Shenzhen Fantasia Investment's ownership rights of the car parking spaces;
- e. Shenzhen Fantasia Investment is restricted from transferring their ownership rights of the car parking spaces. However, Shenzhen Fantasia Investment has the rights to lease the car parking spaces to obtain rental income and transfer the earning rights to obtain profits;
- f. For the 2 retail units mentioned in note 4 which are subject to mortgage, Shenzhen Fantasia Investment cannot transfer them during the mortgage period without obtaining the mortgagee's consent unless the transferee of such retail units has paid off the loan and redeemed the mortgage for Shenzhen Fantasia Investment. Moreover, the existing lease of such retail units mentioned in note 2 is not binding on the registered mortgage;
- g. Except for the aforesaid mortgage, the property is neither subject to any restrictions arising from any other mortgage, sequestration or any third party's rights nor involved in any litigation or arbitration; and
- h. The Tenancy Agreement mentioned in note 2 is legal, valid and legally binding on the contracted parties and its terms do not contravene the relevant PRC laws and regulations.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
7.	Unit 16B of Jinfeng Mansion located at Shangbu South Road Futian District Shenzhen City Guangdong Province The PRC	<p>The property comprises an office unit on Level 16 of a 28-storey commercial building known as Jinfeng Mansion completed in 1996.</p> <p>The property has a gross floor area of approximately 450.21 sq.m.</p> <p>The land use rights of the property have been granted for a term of 50 years commencing from 28 May 1994 and expiring on 27 May 2044 for commercial and financial uses.</p>	The property is currently rented to an independent third party for office purpose.	5,448,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 3000003945, an office unit with a gross floor area of approximately 450.21 sq.m. is owned by Shenzhen Xingyan Investment Development Co., Ltd. (深圳市星彥投資發展有限公司, “Shenzhen Xingyan”). The relevant land use rights of the property with an apportioned site area of approximately 24.9 sq.m. have been granted to Shenzhen Xingyan for a term of 50 years commencing from 28 May 1994 and expiring on 27 May 2044 for commercial and financial uses.
2. Shenzhen Xingyan is the former name of Shenzhen Fantasia Investment.
3. According to a Tenancy Agreement and a Supplementary Agreement, the property is rented to Shenzhen Yingwang Science and Technology Co., Ltd. (深圳市穎網科技有限公司), an independent third party, for a term of 3 years commencing from 1 October 2010 and expiring on 31 December 2012 at a monthly rent of RMB20,259.45, exclusive of management fees, water and electricity charges.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Shenzhen Fantasia Investment has legally obtained the relevant title certificate of the property and therefore legally holds the ownership rights of the property;
 - b. Shenzhen Fantasia Investment has the rights to use, lease, transfer, mortgage or otherwise dispose of the property in accordance with the PRC laws without paying any additional land use rights premium (except taxes);
 - c. The property is neither subject to any restrictions arising from any mortgage, sequestration or any third party’s rights nor involved in any litigation or arbitration; and
 - d. The Tenancy Agreement and Supplementary Agreement mentioned in note 2 are legal, valid and legally binding on the contracted parties and their terms do not contravene the relevant PRC laws and regulations.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
8.	Unit 110 and 191 car parking spaces of Pair Life located at Wenjindu Luohu District Shenzhen City Guangdong Province The PRC	<p>The property comprises a retail unit on Level 1 and 191 car parking spaces within a residential project known as Pair Life completed in 2003.</p> <p>The retail unit of the property has a gross floor area of approximately 1,234.93 sq.m.</p> <p>The land use rights of the retail unit of the property have been granted for a term of 70 years commencing from 13 September 1999 and expiring on 12 September 2069 for residential and commercial uses.</p>	<p>The property is currently rented to various independent third parties for commercial and car parking purposes.</p> <p>As advised by Shenzhen Fantasia Investment, the tenancies with respect to the car parking spaces are on short-term basis.</p>	31,773,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 2000288247, the retail unit of the property with a gross floor area of approximately 1,234.93 sq.m. is owned by Shenzhen Fantasia Investment. The relevant land use rights have been granted to Shenzhen Fantasia Investment for a term of 70 years commencing from 13 September 1999 and expiring on 12 September 2069 for residential and commercial uses.
2. According to a Tenancy Agreement and a Supplementary Agreement, the retail unit of the property is rented to Shenzhen Huarun Wanjia Supermarket Co., Ltd. (“深圳華潤萬家超級市場有限公司”, an independent third party), for a term commencing from 28 July 2009 and expiring on 27 November 2019 at a monthly rent of RMB35,615.4 inclusive of management fees but exclusive of water and electricity charges. The rent will be increased by 6% on 23 November 2011 and thereafter by 3% every two years.
3. As advised by Shenzhen Fantasia Investment, the 191 car parking spaces of the property are subject to various short-term tenancies.
4. Pursuant to a Mortgage Contract of Maximum Amount, the retail unit of the property with a gross floor area of approximately 1,234.93 sq.m. is subject to a mortgage in favour of Shanghai Pudong Development Bank Co., Ltd. Shenzhen Branch (the “Bank”), as security to guarantee the principal obligation under a financing agreement (No. ED790009000433) entered into between the Bank and Shenzhen Fantasia Investment for a maximum amount of RMB80,000,000 with the security term from 29 April 2009 to 29 April 2012.
5. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Shenzhen Fantasia Investment has legally obtained the relevant title certificate of the retail unit of the property and therefore legally holds the ownership rights of such retail unit;
 - b. Shenzhen Fantasia Investment has the rights to use, lease, transfer, mortgage or otherwise dispose of the aforesaid retail unit in accordance with the PRC laws without paying any additional land use rights premium (except taxes);

- c. No title registration is provided by the relevant authorities up to the date of valuation with regard to the car parking spaces in Shenzhen City, which objectively restricts Shenzhen Fantasia Investment from transferring the ownership rights of the car parking spaces in accordance with the PRC Real Rights Law. However, Shenzhen Fantasia Investment legally holds the ownership rights of the car parking spaces of this property in accordance with the PRC Real Rights Law owing to the following reasons:
- (i) The car parking spaces have been constructed in accordance with the local planning provisions and the relevant Construction Work Planning Inspection Certificate has been obtained by Shenzhen Fantasia Investment; and
 - (ii) The ownership rights of the car parking spaces have been contracted to be vested in Shenzhen Fantasia Investment rather than apportioned as common area according to the Real Estate Sales and Purchase Contracts entered into between Shenzhen Fantasia Investment and the purchasers.
- d. Shenzhen Fantasia Investment should observe the stipulation as prescribed by the PRC Real Rights Law to firstly meet the requirements of the owners of the building in exercising Shenzhen Fantasia Investment's ownership rights of the car parking spaces;
- e. Shenzhen Fantasia Investment is restricted from transferring their ownership rights of the car parking spaces. However, Shenzhen Fantasia Investment has the rights to lease the car parking spaces to obtain rental income and transfer the earning rights to obtain profits;
- f. The retail unit of the property is subject to mortgage which has been registered. Shenzhen Fantasia Investment cannot transfer it during the mortgage period without obtaining the mortgagee's consent unless the transferee of such retail unit has paid off the loan and redeemed the mortgage for Shenzhen Fantasia Investment. Moreover, the existing lease of the retail unit mentioned in note 2 is not binding on the registered mortgage;
- g. Except for the aforesaid mortgage, the property is neither subject to any restrictions arising from any other mortgage, sequestration or any third party's rights nor involved in any litigation or arbitration; and
- h. The Tenancy Agreement mentioned in note 2 is legal, valid and legally binding on the contracted parties and its terms do not contravene the relevant PRC laws and regulations.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
9.	Units 24H, 24J, 24K, 24L, a community club (Unit 101) and 100 car parking spaces of Self Life located at the junction of Fuhua Road and Binhe Road Futian District Shenzhen City Guangdong Province The PRC	<p>The property comprises 4 residential units, a community club and 100 car parking spaces of a 24-storey residential building known as Self Life completed in 2004.</p> <p>The 4 residential units of the property have a total gross floor area of approximately 230.74 sq.m.</p> <p>The community club of the property has a gross floor area of approximately 1,252.3 sq.m.</p> <p>The land use rights of the residential units and community club of the property have been granted for a term of 70 years commencing from 10 March 2003 and expiring on 9 March 2073 for residential use.</p>	<p>The property is currently rented to various independent third parties and a connected party for inn operation, community club and car parking purposes.</p> <p>As advised by Shenzhen Fantasia Investment, the tenancies with respect to the car parking spaces are on short-term basis.</p>	34,059,000

Notes:

- Pursuant to 5 Real Estate Title Certificates – Shen Fang Di Zi Di Nos. 3000413118 and 3000352645 to 3000352648, 4 residential units and a community club with a total gross floor area of approximately 1,483.04 sq.m. are owned by Shenzhen Fantasia Investment. The relevant land use rights have been granted to Shenzhen Fantasia Investment for a term of 70 years commencing from 10 March 2003 and expiring on 9 March 2073 for residential use.
- According to a Tenancy Agreement, the community club of the property is rented to Shenzhen Xifuhui Private Community Club Management Co., Ltd. (深圳喜福會私人會所管理有限公司), a connected party of the Company, for a term of 5 years expiring on 31 December 2012 at a monthly rent of RMB25,046, exclusive of management fees, water and electricity charges.
- According to a Tenancy Agreement, the 4 residential units of the property are rented to Shenzhen Xusheng Haopaite Hotel and Apartment Management Co., Ltd. (深圳市旭盛豪派特酒店公寓管理有限公司), an independent third party, for a term commencing from 8 January 2009 and expiring on 7 May 2012 at a monthly rent of RMB15,000 exclusive of management fees, water and electricity charges for the first 4 months. The rent will be increased by 5% annually from 8 May 2009 and thereafter.
- As advised by Shenzhen Fantasia Investment, the 100 car parking spaces of the property are subject to various short-term tenancies.

5. Pursuant to a Mortgage Contract of Maximum Amount, the community club of the property with a gross floor area of approximately 1,252.3 sq.m. is subject to a mortgage in favour of Shanghai Pudong Development Bank Co., Ltd. Shenzhen Branch (the "Bank"), as security to guarantee the principal obligation under a financing agreement (No. ED790009000434) entered into between the Bank and Shenzhen Fantasia Investment for a maximum amount of RMB22,432,110 with the security term from 29 April 2009 to 29 April 2012.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Shenzhen Fantasia Investment has legally obtained the relevant title certificates of the 4 residential units and the community club of the property and therefore legally holds the ownership rights of such residential units and community club;
 - b. Shenzhen Fantasia Investment has the rights to use, lease, transfer, mortgage or otherwise dispose of the aforesaid residential units and community club in accordance with the PRC laws without paying any additional land use rights premium (except taxes);
 - c. No title registration is provided by the relevant authorities up to the date of valuation with regard to the car parking spaces in Shenzhen City, which objectively restricts Shenzhen Fantasia Investment from transferring the ownership rights of the car parking spaces in accordance with the PRC Real Rights Law. However, Shenzhen Fantasia Investment legally holds the ownership rights of the car parking spaces of this property in accordance with the PRC Real Rights Law owing to the following reasons:
 - (i) The car parking spaces have been constructed in accordance with the local planning provisions and the relevant Construction Work Planning Inspection Certificate has been obtained by Shenzhen Fantasia Investment; and
 - (ii) The ownership rights of the car parking spaces have been contracted to be vested in Shenzhen Fantasia Investment rather than apportioned as common area according to the Real Estate Sales and Purchase Contracts entered into between Shenzhen Fantasia Investment and the purchasers.
 - d. Shenzhen Fantasia Investment should observe the stipulation as prescribed by the PRC Real Rights Law to firstly meet the requirements of the owners of the building in exercising Shenzhen Fantasia Investment's ownership rights of the car parking spaces;
 - e. Shenzhen Fantasia Investment is restricted from transferring their ownership rights of the car parking spaces. However, Shenzhen Fantasia Investment has the rights to lease the car parking spaces to obtain rental income and transfer the earning rights to obtain profits;
 - f. The community club of the property is subject to mortgage which has been registered. Shenzhen Fantasia Investment cannot transfer it during the mortgage period without obtaining the mortgagee's consent unless the transferee of the community club has paid off the loan and redeemed the mortgage for Shenzhen Fantasia Investment. Moreover, the existing lease of the community club mentioned in note 2 is not binding on the registered mortgage;
 - g. Except for the aforesaid mortgage, the property is neither subject to any restrictions arising from any other mortgage, sequestration or any third party's rights nor involved in any litigation or arbitration; and
 - h. The Tenancy Agreements mentioned in notes 2 and 3 are legal, valid and legally binding on the contracted parties and their terms do not contravene the relevant PRC laws and regulations.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
10.	Units 105 to 108 and 200 car parking spaces of Hailrun Complex No. 6021 Shennan Boulevard Futian District Shenzhen City Guangdong Province The PRC	<p>The property comprises 4 retail units and 200 car parking spaces of a 28-storey commercial office building known as Hailrun Complex completed in 2003.</p> <p>The 4 retail units of the property have a total gross floor area of approximately 42.91 sq.m.</p> <p>The land use rights of the retail units of the property have been granted for a term of 50 years commencing from 25 March 2001 and expiring on 24 March 2051 for commercial and office uses.</p>	<p>The property is rented to various independent third parties for commercial and car parking purposes, except for Units 105, 106 and 108 with a total gross floor area of approximately 32.47 sq.m. which are currently vacant.</p> <p>As advised by Shenzhen Fantasia Investment, the tenancies with respect to the car parking spaces are on short-term basis.</p>	42,418,000

Notes:

1. Pursuant to 4 Real Estate Title Certificates – Shen Fang Di Zi Di Nos. 3000216859, 3000216860, 3000216862 and 3000216863, 4 retail units with a total gross floor area of approximately 42.91 sq.m. are owned by Shenzhen Fantasia Investment. The relevant land use rights have been granted to Shenzhen Fantasia Investment for a term of 50 years commencing from 25 March 2001 and expiring on 24 March 2051 for commercial and office uses.
2. According to a Tenancy Agreement, Unit 107 of the property with a gross floor area of approximately 10.44 sq.m. is rented to Shenzhen Futian All-weather Express Flower Shop (深圳市福田区全天候速递花店), an independent third party, for a term of 1 year commencing from 1 January 2011 and expiring on 31 December 2011 at a monthly rent of RMB2,000 exclusive of management fees, water and electricity charges.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Shenzhen Fantasia Investment has legally obtained the relevant title certificates of the 4 retail units of the property and therefore legally holds the ownership rights of such retail units;
 - b. Shenzhen Fantasia Investment has the rights to use, lease, transfer, mortgage or otherwise dispose of the aforesaid retail units in accordance with the PRC laws without paying any additional land use rights premium (except taxes);

- c. No title registration is provided by the relevant authorities up to the date of valuation with regard to the car parking spaces in Shenzhen City, which objectively restricts Shenzhen Fantasia Investment from transferring the ownership rights of the car parking spaces in accordance with the PRC Real Rights Law. However, Shenzhen Fantasia Investment legally holds the ownership rights of the car parking spaces of this property in accordance with the PRC Real Rights Law owing to the following reasons:
- (i) The car parking spaces have been constructed in accordance with the local planning provisions and the relevant Construction Work Planning Inspection Certificate has been obtained by Shenzhen Fantasia Investment; and
 - (ii) The ownership rights of the car parking spaces have been contracted to be vested in Shenzhen Fantasia Investment rather than apportioned as common area according to the Real Estate Sales and Purchase Contracts entered into between Shenzhen Fantasia Investment and the purchasers.
- d. Shenzhen Fantasia Investment should observe the stipulation as prescribed by the PRC Real Rights Law to firstly meet the requirements of the owners of the building in exercising Shenzhen Fantasia Investment's ownership rights of the car parking spaces;
- e. Shenzhen Fantasia Investment is restricted from transferring their ownership rights of the car parking spaces. However, Shenzhen Fantasia Investment has the rights to lease the car parking spaces to obtain rental income and transfer the earning rights to obtain profits;
- f. The property is neither subject to any restrictions arising from any mortgage, sequestration or any third party's rights nor involved in any litigation or arbitration; and
- g. The Tenancy Agreement mentioned in note 2 is legal, valid and legally binding on the contracted parties and its terms do not contravene the relevant PRC laws and regulations.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
11.	177 car parking spaces of Endless Blue located at the northern side of North Ring Road Xiameilin Futian District Shenzhen City Guangdong Province The PRC	The property comprises 177 car parking spaces within a residential development known as Endless Blue completed in 1999.	The property is currently rented to various independent third parties for car parking purpose. As advised by Shenzhen Fantasia Investment, the tenancies with respect to the property are on short-term basis.	13,048,000

Notes:

1. As advised by Shenzhen Fantasia Investment, the property is subject to various short-term tenancies.
2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. No title registration is provided by the relevant authorities up to the date of valuation with regard to the car parking spaces in Shenzhen City, which objectively restricts Shenzhen Fantasia Investment from transferring the ownership rights of the car parking spaces in accordance with the PRC Real Rights Law. However, Shenzhen Fantasia Investment legally holds the ownership rights of the car parking spaces of this property in accordance with the PRC Real Rights Law owing to the following reasons:
 - (i) The car parking spaces have been constructed in accordance with the local planning provisions and the relevant Construction Work Planning Inspection Certificate has been obtained by Shenzhen Fantasia Investment; and
 - (ii) The ownership rights of the car parking spaces have been contracted to be vested in Shenzhen Fantasia Investment rather than apportioned as common area according to the Real Estate Sales and Purchase Contracts entered into between Shenzhen Fantasia Investment and the purchasers.
 - b. Shenzhen Fantasia Investment should observe the stipulation as prescribed by the PRC Real Rights Law to firstly meet the requirements of the owners of the building in exercising Shenzhen Fantasia Investment's ownership rights of the car parking spaces;
 - c. Shenzhen Fantasia Investment is restricted from transferring their ownership rights of the car parking spaces. However, Shenzhen Fantasia Investment has the rights to lease the car parking spaces to obtain rental income and transfer the earning rights to obtain profits; and
 - d. The property is neither subject to any restrictions arising from any mortgage, sequestration or any third party's rights nor involved in any litigation or arbitration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
12.	72 retail units and 527 car parking spaces of Huajun Garden of Love Forever located at the junction of Baoan Avenue and Yulv Road Baoan District Shenzhen City Guangdong Province The PRC	<p>The property comprises 72 retail units on the ground floor and 527 car parking spaces (which comprise 293 standard car parking spaces and 234 mechanical car parking spaces) within a residential project known as Huajun Garden of Love Forever completed in 2010.</p> <p>The 72 retail units of the property have a total gross floor area of approximately 4,070.06 sq.m.</p> <p>The land use rights of the property have been granted for a term of 70 years expiring on 10 September 2078 for residential use.</p>	The property is currently vacant.	174,317,000

Notes:

- Pursuant to a Land Use Rights Grant Contract – Shen Di He Zi (2008) No. 4047 dated 11 September 2008, the land use rights of a parcel of land with a site area of approximately 12,197.06 sq.m. were contracted to be granted to Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng Joint-Stock Company ("Shenzhen Xin'an Yufeng") for a term of 70 years expiring on 10 September 2078 for residential use at a consideration of RMB9,544,606, inclusive of land use rights premium, land development fee and municipal facilities fee.
- Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 5000345563, the land use rights of a parcel of land with a site area of approximately 12,197.06 sq.m., on which Huajun Garden of Love Forever is located, have been granted to Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng for a term of 70 years expiring on 10 September 2078 for residential use.
- Pursuant to a Construction Work Planning Permit – Shen Gui Jian Xu Zi No. BA-2008-0171 in favour of Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng, Huajun Garden of Love Forever with a total gross floor area of approximately 68,465.94 sq.m. have been approved for construction.
- Pursuant to a Construction Work Commencement Permit – No. 44030020080454001 in favour of Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng, permission by the relevant local authority has been given to commence the construction work.
- Pursuant to a Real Estate Pre-Sale Permit – Shen Fang Xu Zi (2009) Baoan No. 021 in favour of Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng, Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng are entitled to sell portions of Huajun Garden of Love Forever with a total gross floor area of approximately 51,106.07 sq.m. (including the retail units of the property) to purchasers.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
- a. In the process of developing the property, Shenzhen Fantasia Investment and Shenzhen Xin'an Yufeng have obtained all the necessary approvals, permits and certificates in accordance with the relevant PRC and local laws or regulations, which include but are not limited to the Real Estate Title Certificate, Construction Land Planning Permit, Construction Work Planning Permit, Construction Work Commencement Permit, Real Estate Pre-Sale Permit and Construction Work Completion and Inspection Certificate/Table;
 - b. Shenzhen Fantasia Investment legally and solely holds the ownership rights of the retail units of the property and there is no legal impediment for Shenzhen Fantasia Investment to obtain the relevant Building Ownership Certificate or Real Estate Title Certificate of the retail units of the property in accordance with the relevant PRC laws;
 - c. Shenzhen Fantasia Investment has the rights to use, lease, transfer, mortgage or otherwise dispose of the retail units of the property in accordance with the relevant PRC laws;
 - d. No title registration is provided by the relevant authorities up to the date of valuation with regard to the car parking spaces (including the mechanical car parking spaces) in Shenzhen City, and therefore Shenzhen Fantasia Investment is objectively restricted from transferring the ownership of the car parking spaces in accordance with the PRC Real Rights Law. However, Shenzhen Fantasia Investment legally holds the ownership of the car parking spaces of this property in accordance with the PRC Real Rights Law owing to the following reasons:
 - (i) The car parking spaces have been constructed in accordance with the local planning provisions and the relevant Construction Work Planning Inspection Certificate has been obtained by Shenzhen Fantasia Investment; and
 - (ii) The ownership of the car parking spaces have been contracted to be vested in Shenzhen Fantasia Investment rather than apportioned as common area according to the Real Estate Sales and Purchase Contracts entered into between Shenzhen Fantasia Investment and the purchasers.
 - e. Shenzhen Fantasia Investment should observe the stipulation as prescribed by the PRC Real Rights Law to firstly meet the requirements of the owners of the building in exercising Shenzhen Fantasia Investment's ownership rights of the car parking spaces;
 - f. Shenzhen Fantasia Investment is restricted from transferring the ownership of the car parking spaces. However, Shenzhen Fantasia Investment has the rights to lease the car parking spaces to obtain rental income or transfer the earning rights to obtain profits.
 - g. The property is neither subject to any restrictions arising from any mortgage, sequestration or any third party's rights nor involved in any litigation or arbitration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
13.	165 car parking spaces of Human Art Wisdom No. 33 Ximianqiao Street Wuhou District Chengdu City Sichuan Province The PRC	<p>The property comprises 165 car parking spaces of a 16-storey residential building known as Human Art Wisdom completed in 2004.</p> <p>The property has a total gross floor area of approximately 6,411.48 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 12 December 2042 for commercial use and 12 December 2072 for residential use.</p>	<p>The property is currently rented to various independent third parties for car parking purpose.</p> <p>As advised by Fantasia Chengdu Development, the tenancies with respect to the property are on short-term basis.</p>	15,936,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Cheng Guo Yong (2003) No. 1071, the land use rights of a parcel of land, on which the property is located, with a site area of approximately 4,897.08 sq.m. have been granted to Fantasia Chengdu Development for terms expiring on 12 December 2042 for commercial use and 12 December 2072 for residential use.
2. Pursuant to a Building Ownership Certificate – Cheng Fang Quan Zheng Jian Zheng Zi Di No. 1169509, the car parking portion of Human Art Wisdom with a total gross floor area of approximately 6,731 sq.m. (including this property) is owned by Fantasia Chengdu Development.
3. As advised by Fantasia Chengdu Development, the property is subject to various short-term tenancies.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Fantasia Chengdu Development has legally obtained the relevant title certificate of the property and therefore legally holds the ownership rights of the property;
 - b. Fantasia Chengdu Development has the rights to use, lease, transfer, mortgage or otherwise dispose of the property in accordance with the PRC laws without paying any additional land use rights premium (except taxes); and
 - c. The property is neither subject to any restrictions arising from any mortgage, sequestration or any third party's rights nor involved in any litigation or arbitration.

VALUATION CERTIFICATE

Group IV – Property interest held under development by Shenzhen Fantasia Investment
in the PRC as at the date of valuation

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2011 RMB
14.	Huaxiang Garden of Love Forever located at the junction of Baoan Avenue and Yulv Road Baoan District Shenzhen City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 11,758.1 sq.m. and various residential and commercial buildings (known as Huaxiang Garden of Love Forever) which were being constructed thereon as at the date of valuation.	The property was under construction as at the date of valuation.	1,058,673,000

As advised by the Company, the development of Huaxiang Garden of Love Forever was just completed in late June 2011. Upon completion, the property has a total gross floor area of approximately 63,870.33 sq.m. The details are set out as follows:

Usage	Gross Floor Area (sq.m.)
Residential	44,674.16
Commercial	4,546.29
Underground Car parking spaces (499 lots)	11,910.98
Ancillary (non-saleable)	2,738.9
Total:	<u>63,870.33</u>

As advised by the Company, the total construction cost (excluding the land cost) of the development is estimated to be approximately RMB328,491,000, of which approximately RMB132,954,000 had been paid as at the date of valuation.

The land use rights of the property have been granted for a term of 70 years expiring on 10 September 2078 for residential use.

Notes:

1. Pursuant to a Land Use Rights Grant Contract – Shen Di He Zi (2008) No. 4048 dated 11 September 2008, the land use rights of a parcel of land with a site area of approximately 11,758.1 sq.m. were contracted to be granted to Shenzhen Fantasia Investment and Shenzhen Yuhe Joint-Stock Company (“Shenzhen Yuhe”) for a term of 70 years expiring on 10 September 2078 for residential use, at a consideration of RMB9,321,869, inclusive of land use rights premium, land development fee and municipal facilities fee.
2. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 5000345562, the land use rights of the property with a site area of approximately 11,758.1 sq.m. have been granted to Shenzhen Fantasia Investment and Shenzhen Yuhe for a term of 70 years expiring on 10 September 2078 for residential use.
3. Pursuant to a Construction Work Planning Permit – Shen Gui Jian Xu Zi No. BA-2008-0170 in favour of Shenzhen Fantasia Investment and Shenzhen Yuhe, various residential and commercial buildings with a total gross floor area of approximately 63,870.33 sq.m. have been approved for construction.
4. Pursuant to a Construction Work Commencement Permit – No. 44030020080466001 in favour of Shenzhen Fantasia Investment and Shenzhen Yuhe, permission by the relevant local authority has been given to commence the construction work.
5. Pursuant to a Real Estate Pre-Sale Permit – Shen Fang Xu Zi (2010) Baoan No. 014 in favour of Shenzhen Fantasia Investment and Shenzhen Yuhe, Shenzhen Fantasia Investment and Shenzhen Yuhe are entitled to sell portions of Huaxiang Garden with a total gross floor area of approximately 49,126.5 sq.m. to purchasers.
6. As advised by Shenzhen Fantasia Investment, portions of the property with a total gross floor area of approximately 43,851.43 sq.m. have been pre-sold to various third parties for a total consideration of RMB888,132,791 but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the contracted prices of such portions.
7. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Land Use Rights Grant Contract with respect to the property is legal, valid and binding. The land grant fees have been fully paid up by Shenzhen Fantasia Investment and Shenzhen Yuhe in accordance with the aforesaid contract;
 - b. Shenzhen Fantasia Investment and Shenzhen Yuhe have legally obtained the relevant Real Estate Title Certificate of the land use rights of the property and therefore legally own the land use rights of the property. The aforesaid Real Estate Title Certificate is legal and valid and is confirmed and protected by the PRC laws;
 - c. Shenzhen Fantasia Investment and Shenzhen Yuhe have the rights to occupy, use or otherwise develop the land of this property in accordance with its prescribed use during the term of the land grant;
 - d. Shenzhen Fantasia Investment and Shenzhen Yuhe have the rights to lease, transfer, mortgage or otherwise dispose of the land use rights of the property without paying any additional land use rights premium (except taxes);
 - e. The land use rights of the property are neither subject to any restrictions arising from any other mortgage, sequestration or any third party’s rights nor involved in any litigation or arbitration;
 - f. Shenzhen Fantasia Investment and Shenzhen Yuhe have obtained all the necessary approvals, permits and certificates for the construction work in accordance with the relevant PRC and local laws or regulations, which include but are not limited to Real Estate Title Certificate, Construction Work Planning Permit, Construction Work Commencement Permit and Real Estate Pre-Sale Permit and therefore can commence the construction work in accordance with the laws;
 - g. There will be no legal impediment for Shenzhen Fantasia Investment and Shenzhen Yuhe to obtain the Real Estate Title Certificates of the buildings under construction on condition that the completion of the construction work has been inspected and accepted by relevant authorities; and
 - h. Shenzhen Fantasia Investment legally and solely holds the ownership of the buildings under construction and have the rights to pre-sell such buildings according to the relevant Pre-Sale Permit and obtain the pre-sale income.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) The Interests of Directors, Supervisors and Chief Executive in the Securities of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors and chief executive of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the SFO) which were (1) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (2) required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or (3) required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules to be notified to the Company and the Stock Exchange:

Interests in shares and underlying shares of the Company

Name of Director	Total number of Shares	Capacity in which interest are held	Interests as to % to the issued share capital of the Company
Zeng Jie, Baby	3,174,795,000 (L)	Interest of a controlled corporation	65.14
	450,000,000 (S)		9.23

Note: S – short position
L – long position

(b) The Interests of Directors and Chief Executive in the Securities of the Company's Associated Corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors and chief executive of the Company has any interests and short positions in the shares, underlying shares and debentures of any associated corporation of the Company (within the meaning of Part XV of the SFO) which were (1) required to be

notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (2) required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or (3) required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules to be notified to the Company and the Stock Exchange:

Name of Director	Nature of interest	Name of associated corporation	Number of Shares or debentures	Approximately shareholding percentage in the associated corporation (%)
Zeng Jie, Baby	Corporate interest	Fantasy Pearl International Limited	80 shares	80
Pan Jun	Corporate interest	Fantasy Pearl International Limited	20 shares	20

(c) Substantial Shareholders

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no persons (not being a Director or chief executive of the Company) had 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:

Name of Shareholder	Number of Shares	Nature of interest	Approximately shareholding percentage in the Company (%)
Fantasy Pearl	3,174,795,000(L) 450,000,000(S)	Beneficial owner	65.14(L) 9.23(S)
Ice Apex	3,174,795,000(L) 450,000,000(S)	Interest of a controlled corporation	65.14(L) 9.23(S)

Note: S – short position
L – long position

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2010, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. CONSENT AND QUALIFICATION OF EXPERTS

The following are the qualifications of the professional adviser who has given the Company an opinion or provided advice referred to or contained in this circular:

Name	Qualifications
First Shanghai	a licensed corporation under SFO to carry on type 6 (advising on corporate finance) regulated activity
Jones Lang LaSalle Sallmanns Limited	Property valuer

As at the Latest Practicable Date, First Shanghai and Jones Lang LaSalle Sallmanns Limited did not have shareholding interest in any member of the Group or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, First Shanghai and Jones Lang LaSalle Sallmanns Limited did not have any direct or indirect interest in any assets which has been, since 31 December 2010, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

Each of First Shanghai and Jones Lang LaSalle Sallmanns Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and references to its name included in this circular in the form and context in which it is included.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates have any interests in a business which competes or may compete with the business of the Group.

7. NO MATERIAL ADVERSE CHANGE

The Directors are of the opinion that since 31 December 2010, being the date to which the latest published audited accounts of the Group have been made up, there have been no material adverse changes in the financial or trading position of the Group.

8. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

9. GENERAL

- (a) The company secretary of the Company is Mr. Chan Sze Hon. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The principal place of business of the Company in Hong Kong is at Room 1103, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.
- (d) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Ltd.
- (e) The principal share registrar of the Company is Butterfield Fulcrum Group (Cayman) Limited.
- (f) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company up to and including 19 July 2011:

- (a) the letter dated 4 July 2011 from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 15 of this circular;
- (b) the letter of advice dated 4 July 2011 from First Shanghai to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 29 of this circular;
- (c) the valuation report issued by Jones Lang LaSalle Sallmanns Limited as set out in Appendix I to this circular;
- (d) the written consents referred to in the paragraph headed "Consent and Qualification of Experts" in this Appendix;
- (e) the Acquisition Agreement; and
- (f) the Subscription Agreement.