



# Renhe Commercial Holdings Company Limited 人和商業控股有限公司\*

*(incorporated in the Cayman Islands with limited liability)*

Stock Code : 1387

GLOBAL  
OFFERING

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



Morgan Stanley



\* For identification purpose only

# IMPORTANT

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



## Renhe Commercial Holdings Company Limited

人和商業控股有限公司\*

(incorporated in the Cayman Islands with limited liability)

### GLOBAL OFFERING

<b>Number of Offer Shares pursuant to the Global Offering</b>	<b>:</b>	<b>3,000,000,000 (subject to adjustment and the Over-allotment Option)</b>
<b>Number of Hong Kong Offer Shares</b>	<b>:</b>	<b>300,000,000 (subject to adjustment)</b>
<b>Number of International Offer Shares</b>	<b>:</b>	<b>2,700,000,000 (subject to adjustment and the Over-allotment Option)</b>
<b>Maximum Offer Price</b>	<b>:</b>	<b>Not more than HK\$1.71 per Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%</b>
<b>Nominal value</b>	<b>:</b>	<b>HK\$0.01 each</b>
<b>Stock Code</b>	<b>:</b>	<b>1387</b>

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



BOC INTERNATIONAL

HSBC



Morgan Stanley



UBS Investment Bank

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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

The Offer Price is expected to be fixed by agreement between Joint Global Coordinators (on behalf of the Underwriters) and the Company on the Price Determination Date, which is expected to be on or around October 9, 2008 (Hong Kong time) or such later date as may be agreed between the parties, but in any event no later than October 13, 2008 (Hong Kong time). The Offer Price will be announced in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) as soon as practicable after it is fixed. The Offer Price will not be more than HK\$1.71 per Offer Share and is expected to be not less than HK\$1.40 per Offer Share unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay the maximum Offer Price of HK\$1.71 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, subject to refund, if the Offer Price, as finally determined, is lower than the maximum Offer Price. The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) as soon as practicable following the decision to make such a reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for the Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Hong Kong Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. If, for whatever reason, Joint Global Coordinators and the Company are unable to agree on the Offer Price by October 13, 2008, the Global Offering will not proceed and will lapse.

Prospective investors of the Hong Kong Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to us given by Joint Global Coordinators (on behalf of the Underwriters), upon occurrence of any of the events set forth in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day that trading in the Shares commences on the Hong Kong Stock Exchange. Such events include, but without limitation, to acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, accident, economic sanctions, public disorder, riot and epidemic.

Prior to making an investment decision, prospective investors should consider carefully all the information set forth in this prospectus, including but not limited to the risk factors set forth in the section headed "Risk Factors" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to (i) QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A; (ii) to a limited number of institutional "accredited investors" (as defined in Rule 501(a) under the U.S. Securities Act) in transactions exempt from the registration requirements of the U.S. Securities Act; or (iii) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S.

\* For identification purpose only

September 30, 2008

## EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) if there is any change in the following expected timetable of the Hong Kong Public Offering.

**2008<sup>(1)</sup>**

Application lists open<sup>(2)</sup> . . . . . 11:45 a.m. on Wednesday, October 8

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and giving

**electronic application instructions** to HKSCC<sup>(3)</sup> . . . . . 12:00 noon on Wednesday, October 8

Latest time to complete electronic applications under

**White Form eIPO** service through the designated

website [www.eipo.com.hk](http://www.eipo.com.hk)<sup>(4)</sup> . . . . . 11:30 a.m. on Wednesday, October 8

Latest time to complete payment of **White Form eIPO**

applications by effecting internet banking transfer(s) or

PPS payment transfer(s) . . . . . 12:00 noon on Wednesday, October 8

Application lists close<sup>(2)</sup> . . . . . 12:00 noon on Wednesday, October 8

Expected Price Determination Date . . . . . Thursday, October 9

Announcement of:

the Offer Price; an indication of the level of interest in the International Offering; the level of applications of the Hong Kong Public Offering; and the basis of allocation of the Hong Kong Offer Shares to be published in the *South China Morning Post* (in English) and

the *Hong Kong Economic Times* (in Chinese) on. . . . . Tuesday, October 14

Results of allocation in the Hong Kong Public Offering

(with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels, as described in the section headed

"How to Apply for Hong Kong Offer Shares —

Publication of Results" in this prospectus from . . . . . Tuesday, October 14

Dispatch of share certificates in respect of wholly or

partially successful applications pursuant to

the Hong Kong Public Offering on or before<sup>(5)</sup> . . . . . Tuesday, October 14

Dispatch of refund cheques in respect of wholly successful

(if applicable) or wholly or partially unsuccessful applications

pursuant to the Hong Kong Public Offering on or before<sup>(6)</sup> . . . . . Tuesday, October 14

Dealings in Shares on the Stock Exchange to commence at . . . . . 9:30 a.m. on Wednesday, October 15

## EXPECTED TIMETABLE

*Notes:*

1. All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, October 8, 2008, the application lists will not open and close on that day. Further information is set out in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” under the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. If the application lists do not open and close on Wednesday, October 8, 2008 the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by us in such event.
3. Applicants who apply by giving electronic application instructions to the HKSCC should refer to the paragraph headed “Applying by giving electronic application instructions to HKSCC” under the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.
4. You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
5. Share certificates for the Hong Kong Offer Shares are expected to be issued on Tuesday, October 14, 2008 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the sub-paragraph headed “Grounds for termination” under the section headed “Underwriting” in this prospectus has not been exercised and has lapsed.
6. Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

You should read carefully the sections headed “Underwriting”, “How to Apply for Hong Kong Offer Shares”, “Structure of the Global Offering” and “Further Terms and Conditions of the Hong Kong Public Offering” in this prospectus, for details relating to the structure of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable, including, among other things, conditions, effect of bad weather and the dispatch of refund cheques and share certificates.

Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques and (where applicable) share certificates in person from the Company’s Hong Kong Share Registrar may collect refund cheques and (where applicable) share certificates in person from the Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, October 14, 2008. Identification and (where applicable) authorization documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection.

## EXPECTED TIMETABLE

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Hong Kong Offer Shares is the same as that for **WHITE** Application Form applicants.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed "Applying by giving **electronic application instructions** to HKSCC" under the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for details.

Uncollected share certificates and refund cheques will be dispatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

## CONTENTS

### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by the Company solely in connection with the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus.*

*The Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus.*

*Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.*

	<i>Page</i>
<b>Expected Timetable</b> .....	i
<b>Contents</b> .....	iv
<b>Summary</b> .....	1
<b>Definitions</b> .....	16
<b>Forward-Looking Statements</b> .....	27
<b>Risk Factors</b> .....	29
<b>Waiver from Strict Compliance with Hong Kong Listing Rules</b> .....	51
<b>Information About this Prospectus and the Global Offering</b> .....	52
<b>Directors and Parties Involved in the Global Offering</b> .....	55

# CONTENTS

	<i>Page</i>
<b>Corporate Information</b> .....	59
<b>Industry Overview</b> .....	61
<b>Regulations</b> .....	75
<b>History and Reorganization</b> .....	79
<b>Our Corporate Investor</b> .....	93
<b>Business</b> .....	95
<b>Directors, Senior Management and Employees</b> .....	134
<b>Relationship with Our Controlling Shareholders</b> .....	144
<b>Connected Transactions</b> .....	147
<b>Substantial Shareholders</b> .....	149
<b>Share Capital</b> .....	151
<b>Financial Information</b> .....	154
<b>Future Plans and Use of Proceeds</b> .....	192
<b>Underwriting</b> .....	194
<b>Structure of the Global Offering</b> .....	205
<b>How to Apply for Hong Kong Offer Shares</b> .....	213
<b>Further Terms and Conditions of the Hong Kong Public Offering</b> .....	225
<b>Appendix I — Accountants’ Report</b> .....	I-1
<b>Appendix II — Unaudited Pro Forma Financial Information</b> .....	II-1
<b>Appendix III — Profit Forecast</b> .....	III-1
<b>Appendix IV — Property Valuation</b> .....	IV-1
<b>Appendix V — Taxation and Foreign Exchange</b> .....	V-1
<b>Appendix VI — Summary of Constitution of the Company and Cayman Islands Company Law</b> .....	VI-1
<b>Appendix VII — Statutory and General Information</b> .....	VII-1
<b>Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection</b> .....	VIII-1



## SUMMARY

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

### OVERVIEW

We are the largest privately-owned operator and developer of stand-alone underground shopping centers for wholesale and retail sales of apparel and accessories in China in terms of GFA under operation as of December 31, 2007, according to the Euromonitor Report. The competition of various types of shopping centers in China, whether underground or above the ground, is intense. However, by building civil air defense shelters and using them as underground shopping centers during peace time, we believe that we have a distinctive and advantageous business model that has contributed to our position as one of the major apparel and accessories wholesale centers in the cities where our underground shopping centers are located: we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in China, are not subject to land use right premiums and land appreciation tax and are currently exempted from property tax under PRC laws and regulations, which enables us to develop our projects at competitive costs. By building our shopping centers underground, we gain access to prime commercial areas in the cities in which we operate where the land supply above-ground is limited. We engage in market analysis, site selection, project planning and supervision, leasing and transfer of operation rights of shop units, and providing shopping center management services. We currently operate three underground shopping centers in Harbin, Heilongjiang Province, which are interconnected except for one section, and one in Guangzhou, Guangdong Province, with an aggregate GFA of approximately 111,318 sq.m. We also have two projects under development in Zhengzhou, Henan Province and Shenyang, Liaoning Province, and nine projects for future development in Harbin, Guangzhou, Wuhan, Zhengzhou, Tianjin, Nanchang and Shenzhen, respectively, with an aggregate GFA of approximately 1,411,558 sq.m. We have obtained approvals for project proposal from the National Civil Air Defense Office for the commercial development and operation of the underground civil air defense shelter projects that are completed, under development and for future development, including those for Phases IV and V of Harbin Project, Wuhan Project and Nanchang Project with an aggregate GFA of 313,958 sq.m. which have been granted to Renhe Group, Beijing Baorong and KII respectively on behalf of and for the benefit of us. All of our projects have easy access to transportation hubs such as subway stations, railway stations, city bus stops and inter-city bus terminals.

We opened our first underground shopping center in Harbin in June 1992 with a GFA of approximately 15,920 sq.m. With an initial business focus on Harbin, we have two additional phases of underground shopping center in that city with a GFA of approximately 26,829 sq.m. and 21,015 sq.m., which officially opened for business in January 2001 and 2004, respectively. Leveraging our business and operating experience as well as our success in Harbin, we began expanding to other cities in China in 2005. We have one underground shopping center in Guangzhou with a GFA of approximately 47,554 sq.m., which officially opened for business in January 2007 and started the construction of a project in Zhengzhou in December 2007 with an approved aggregate GFA of approximately 100,500 sq.m. Based on our project plans, it is expected to open for business by October 2008. We also started the



## SUMMARY

construction of a project in Shenyang in July 2008 with an approved aggregate GFA of approximately 167,000 sq.m., including a parking lot with a GFA of 8,892 sq.m. Based on our project plans, it is expected to open for business by December 2008. We also plan to expand our business to other cities in the future. Over the past 16 years, we have accumulated extensive experience in operating and developing underground shopping centers in China, developed a sizeable customer base of tenants and gained significant knowledge of the wholesale and retail markets for apparel and accessories in China. We believe these advantages will help us replicate our business in other cities in China.

We focus on the operation of underground shopping centers developed by us. Following the completion of development, we operate our underground shopping centers by leasing a majority of the shop units in our shopping centers to generate recurring rental income over the middle- to long-term period. In an effort to enhance liquidity and optimize the use of our capital resources, we also transfer the operation rights of a portion of our shop units to recover a portion of construction costs and fund future project developments. Jingtian, our PRC legal advisor, is of the opinion that under the Civil Air Defense Law of the PRC and the certificates from local civil air defense offices, such a transfer of operation rights is valid, within the scope of business of relevant subsidiaries of us as permitted by law and as approved by the authorities, and not subject to any other government approvals or filings. For the years ended December 31, 2006 and 2007 and the three months ended March 31, 2008, the revenue generated from the transfer of operation rights represented 38%, 52% and 89% of our total revenue for the same period, respectively, and we expect that such revenue generated from the transfer of operation rights will account for substantially all of our revenues at least in 2008 and 2009. In particular, more than 80% of our revenues for the year ending December 31, 2008 are projected to be generated from the transfer of operation rights of shop units in our Phase I of Zhengzhou Project and Phase I of Shenyang Project upon their completion. See “Risk Factors — Risks Relating to our Business — We face significant development risks before we successfully complete a project and realize any benefits from that project.” We aim to balance the income stream comprising lease income and income from the transfer of operation rights in the near term to optimize our profitability. And from the long term perspective, we expect that lease income will eventually constitute our major source of income. We provide comprehensive management services to all shop units to attract more shoppers to our underground shopping centers and help our tenants increase their sales revenue. In 2006, we adopted “The First Tunnel” (“地一大道”) as the name for our first underground shopping center in Guangzhou. To solidify and strengthen our brand recognition, we plan to use “The First Tunnel” (“地一大道”) as the brand name for all of our future underground shopping centers, as well as those in Harbin, which are currently named “Renhe Shop.”

All of our underground shopping centers are designed and constructed as underground civil air defense shelters in accordance with the standards set by and pursuant to the approvals of the National Civil Air Defense Office and its local offices. Under the “Civil Air Defense Law of the PRC” and the relevant regulations thereunder, the PRC government supports privately-owned and foreign-invested companies to invest in the development of civil air defense shelters, which, during peacetime, may be used and managed by and for the benefit of the investors. For building civil air defense shelters, which government authorities in China have the right to take over for use as civilian shelters during times of war, we are entitled to use, operate, manage and profit from the facilities we develop, including leasing or transferring operation rights of shop units in these facilities, and are not required to pay consideration for such rights. Though current PRC laws and regulations do not define “times of war” for the purpose of civil air defense shelters, Jingtian, our PRC legal advisor, has advised us that the term “times of war” as defined in the *Criminal Law of the People’s Republic of China* may be used as a reference for such

## SUMMARY

purpose. That law defines “times of war” as times when the PRC government declares a state of war, when the armed forces receive tasks of operations, when any enemy launches a surprise attack or when the armed forces execute tasks under martial law or cope with emergencies of violence. Our underground shopping centers like other properties in China, might also be taken over by the government authorities, in case of emergencies as provided under the “Emergency Response of the PRC” and the “Martial Law of the PRC.” If any of our lease or transfer of operation rights agreements is terminated as a result of the taking over of the facilities by the PRC government and the shop units are returned to us upon our request for the remainder of the lease terms or operational rights terms, according to the contract terms, we would be required to refund our tenants or transferees the unused portion of the advance lease payments or the transfer price for the remaining term, as the case may be, and such events will materially and adversely affect our business, financial condition and results of operations. See “Risk Factors — Legal and Regulatory Risks Relating to Our Industry — The government in China has the right to take over our underground projects during times of war.” Because the development of underground civil air defense shelters for commercial use is not categorized as real estate property development under current PRC laws and regulations, we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in China and as advised by Jingtian, our PRC legal advisor, we are not subject to a notice issued jointly by MOFCOM and SAFE on May 2007 and a notice issued by SAFE on July 10, 2007 which restricts the remittance of funds raised offshore into the PRC. See “Regulations — Special Requirements Applicable to Real Estate Developers.”

For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, our revenue was RMB65.2 million, RMB162.7 million, RMB366.5 million and RMB409.8 million, respectively and our profit for the year, during the same periods, was RMB11.9 million, RMB48.5 million, RMB266.7 million and RMB279.0 million, respectively. For the three months ended June 30, 2008, our revenue increased slightly as compared to the same period in 2007, but our profit decreased substantially. The decrease of profit was primarily due to the increase of administrative expenses for the three months ended June 30, 2008 as a result of the management incentive scheme expenses of RMB17 million and a donation of RMB5 million in connection with the Sichuan earthquake. See “Financial Information — Recent Developments.”

### OUR COMPETITIVE STRENGTHS

We attribute our success to the following key factors:

- distinctive shopping centers in prime commercial areas;
- competitive development costs;
- replicable business model;
- market leading position in underground shopping center development;
- comprehensive shopping center management services; and
- experienced management team.

## SUMMARY

### OUR STRATEGIES

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

- expand our business and secure our position as a market leader;
- optimize leasing terms and diversify the business of our underground shopping centers;
- strategically promote the “The First Tunnel” (“地一大道”) brand;
- further improve our management systems and expand our customer base; and
- continue to hold the majority of our underground shop units for lease.

### SUMMARY HISTORICAL FINANCIAL INFORMATION

Our financial information included in this prospectus has been prepared in accordance with International Financial Reporting Standards, or IFRSs. The following tables set forth summary consolidated financial data about the Company. We have derived the consolidated financial data for the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008 from our audited consolidated financial statements set forth in the Accountants’ Report in Appendix I to this prospectus. The consolidated financial data for the three months ended March 31, 2007 has been derived from our unaudited consolidated financial statements, also included in the Accountants’ Report in Appendix I. The summary consolidated financial data should be read together with, and is qualified in its entirety by reference to, these consolidated financial statements, including the related notes.

## SUMMARY

### Summary of consolidated income statements information

	Year ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	(RMB in thousands)				
Revenue . . . . .	65,162	162,662	366,495	230,251	409,758
Cost of sales . . . . .	(17,072)	(38,047)	(81,138)	(52,846)	(86,813)
Gross profit . . . . .	48,090	124,615	285,357	177,405	322,945
Other operating income . . . . .	7,919	5,214	54,237	9,243	21,766
Administrative expenses . . . . .	(8,089)	(15,540)	(12,892)	(2,450)	(5,005)
Other operating expenses . . . . .	(12,880)	(33,436)	(34,032)	(8,016)	(8,686)
Profit from operations . . . . .	35,040	80,853	292,670	176,182	331,020
Finance income . . . . .	13	378	3,131	645	7,737
Finance expenses . . . . .	(15,421)	(15,261)	(17,835)	(4,382)	(2,257)
Net finance (expenses)/income . . . . .	<u>(15,408)</u>	<u>(14,883)</u>	<u>(14,704)</u>	<u>(3,737)</u>	<u>5,480</u>
Profit before income tax . . . . .	19,632	65,970	277,966	172,445	336,500
Income tax . . . . .	(7,728)	(17,480)	(11,291)	(1,841)	(57,491)
Profit for the year/period . . . . .	<u>11,904</u>	<u>48,490</u>	<u>266,675</u>	<u>170,604</u>	<u>279,009</u>

## SUMMARY

### Summary of consolidated balance sheets information

	As at December 31,			As at
	2005	2006	2007	March 31, 2008
	(RMB in thousands)			
<b>Non-current assets</b>				
Property and equipment . . . . .	97,490	5,659	35,231	134,653
Investment properties . . . . .	170,610	488,572	455,187	377,846
Land use rights . . . . .	7,307	54,337	48,389	39,147
Restricted bank deposits . . . . .	—	183,537	156,487	147,349
<b>Total non-current assets . . . . .</b>	<b>275,407</b>	<b>732,105</b>	<b>695,294</b>	<b>698,995</b>
<b>Current assets</b>				
Inventories . . . . .	—	38,376	—	—
Trade and other receivables . . . . .	62,621	38,201	18,180	27,616
Amounts due from related parties . . . . .	514,849	778,677	378,799	364,930
Restricted bank deposits . . . . .	—	45,554	50,218	49,169
Cash and cash equivalents . . . . .	19,340	5,904	1,517,447	1,334,637
<b>Total current assets . . . . .</b>	<b>596,810</b>	<b>906,712</b>	<b>1,964,644</b>	<b>1,776,352</b>
<b>Current liabilities</b>				
Loans . . . . .	176,120	214,759	19,184	—
Trade and other payables . . . . .	412,857	868,747	670,009	263,038
Amounts due to related parties . . . . .	30,920	239,552	29,342	6,005
Rental deposits . . . . .	—	39,455	454	1,833
Current taxation . . . . .	3,170	13,006	13,443	38,813
Dividends payable . . . . .	26,934	29,879	23,879	281,091
<b>Total current liabilities . . . . .</b>	<b>650,001</b>	<b>1,405,398</b>	<b>756,311</b>	<b>590,780</b>
<b>Net current (liabilities)/assets . . . . .</b>	<b>(53,191)</b>	<b>(498,686)</b>	<b>1,208,333</b>	<b>1,185,572</b>
<b>Total assets less current liabilities . . . . .</b>	<b>222,216</b>	<b>233,419</b>	<b>1,903,627</b>	<b>1,884,567</b>
<b>Non-current liabilities</b>				
Loans . . . . .	16,513	—	—	—
Long term rental deposits . . . . .	34,700	12,181	12,013	7,712
Deferred tax liabilities . . . . .	—	—	—	14,455
<b>Total non-current liabilities . . . . .</b>	<b>51,213</b>	<b>12,181</b>	<b>12,013</b>	<b>22,167</b>
<b>Net assets . . . . .</b>	<b>171,003</b>	<b>221,238</b>	<b>1,891,614</b>	<b>1,862,400</b>

## SUMMARY

	As at December 31,			As at March 31,
	2005	2006	2007	2008
	(RMB in thousands)			
<b>Equity</b>				
Issued/combined paid-in capital . . . . .	109,545	135,000	17	17
Capital surplus . . . . .	37,317	37,320	37,320	37,320
Reserve fund . . . . .	14,880	20,071	44,716	45,590
Retained earnings . . . . .	9,261	28,847	270,877	291,800
Exchange reserve . . . . .	—	—	(6,685)	(57,696)
Share premium . . . . .	—	—	1,416,665	1,416,665
Merger reserves . . . . .	—	—	128,704	128,704
<b>Total equity attributable to equity holders . . .</b>	<b>171,003</b>	<b>221,238</b>	<b>1,891,614</b>	<b>1,862,400</b>

### Summary of consolidated cash flow statements information

	Year ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	(RMB in thousands)				
<b>Net cash generated from/(used in) operating activities . . . . .</b>	261,392	227,174	220,331	43,345	(16,429)
<b>Net cash used in investing activities . . . . .</b>	(212,247)	(459,362)	(77,960)	(31,584)	(83,748)
<b>Net cash (used in)/from financing activities . . . . .</b>	(29,919)	218,752	1,375,857	(11,465)	(31,622)
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>	<b>19,226</b>	<b>(13,436)</b>	<b>1,518,228</b>	<b>296</b>	<b>(131,799)</b>

### PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2008

Forecast consolidated net profit attributable to equity shareholders of the Company<sup>(1)</sup> . . . . . not less than RMB1.9 billion  
(approximately HK\$2.2 billion)

Unaudited forecast earnings per Share  
— Pro forma fully diluted<sup>(2)</sup> . . . . . not less than RMB0.095  
(approximately HK\$0.108)

— Weighted average<sup>(3)</sup> . . . . . no less than RMB0.108  
(approximately HK\$0.123)

## SUMMARY

*Notes:*

- (1) The forecast consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2008 is extracted from the section headed “Financial Information — Profit Forecast for the Year Ending December 31, 2008” in this prospectus. The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this prospectus.
- (2) The calculation of unaudited pro forma forecast earnings per Share on a pro forma fully diluted basis for the year ending December 31, 2008 is based on the above forecast consolidated net profit attributable to equity shareholders for the year ending December 31, 2008 and assumes that a total of 20,000,000,000 Shares were in issue during the entire year, without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, or any exercise of options which may be granted pursuant to the Share Options Scheme.
- (3) The calculation of unaudited pro forma forecast earnings per Share on a weighted average basis for the year ending December 31, 2008 is based on the above forecast consolidated net profit attributable to equity shareholders for the year ending December 31, 2008 and assuming that a weighted average number of 17,647,540,984 Shares in issue during the year ending December 31, 2008 following completion of the Global Offering on October 15, 2008, without taking into account any Shares which may be allotted and issued upon the exercise of Over-allotment Option, or any exercise of options which may be granted pursuant to the Share Options Scheme.

### OFFERING STATISTICS<sup>(1)</sup>

	<b>Based on an Offer Price of HK\$1.40</b>	<b>Based on an Offer Price of HK\$1.71</b>
Market capitalization of our Shares <sup>(2)</sup> . . . . .	HK\$28,000 million	HK\$34,200 million
Prospective price/earnings multiple		
(a) pro forma fully diluted <sup>(3)</sup> . . . . .	13.0 times	15.8 times
(b) weighted average <sup>(4)</sup> . . . . .	11.4 times	13.9 times
Unaudited pro forma adjusted net tangible asset value per Share . . . . .	HK\$0.31	HK\$0.35

*Notes:*

- (1) All data in this table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 20,000,000,000 Shares expected to be in issue immediately upon the completion of the Global Offering.
- (3) The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per Share on a pro forma fully diluted basis at the respective Offer Prices of HK\$1.40 and HK\$1.71.
- (4) The calculation of the prospective price/earnings multiple on a weighted average basis is based on the forecast earnings per Share on a weighted average basis at the respective Offer Prices of HK\$1.40 and HK\$1.71.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK\$1.56 (being the mid-point of the estimate Offer Price range of HK\$1.40 and HK\$1.71), the adjusted net tangible asset value per Share will be HK\$0.35 per Share, while the earnings per Share on a pro forma fully diluted basis and on a weighted average basis will be diluted correspondingly to HK\$0.11 and HK\$0.12, respectively.



## SUMMARY

### DIVIDENDS

Subject to the Companies Law of the Cayman Islands, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law of the Cayman Islands.

Except insofar as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which the Board may deem relevant.

Our future dividend payments to our Shareholders will also depend upon the availability of dividends declared and distributed by our subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in many aspects from IFRSs. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Distributions from our subsidiary companies may also be restricted if they incur losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Any dividends on the Shares will be declared and paid in Hong Kong dollars on a per Share basis. Any final dividend for a fiscal year will be subject to our shareholders' approval.

Our future dividend policy is that approximately 30% of our profits available for distribution will be recommended for distribution for each financial year. The amount of dividends actually distributed to our shareholders will depend upon our earnings and financial condition financial condition, operating

## SUMMARY

requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year.

For 2005, 2006, and 2007, we declared RMB23.7 million, nil and RMB257.2 million in dividends to our shareholders.

### **FUTURE PLANS AND USE OF PROCEEDS**

#### **Future Plans and Prospects**

Our key business objectives are to leverage our leading position and gain market share in the underground shopping center market, and to continue to invest in new projects in other cities around China as appropriate opportunities arise. We intend to grow our business steadily by focusing on the development of underground shopping centers for the wholesale and retail sale of apparel and accessories, while diversifying into shopping centers for other merchandise, such as electronic products and small commodities.

To achieve this goal, we plan to leverage our commercial strengths and adopt our strategies as set out in the “Business” section in this prospectus.

#### **Use of Proceeds**

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$3,990 million (assuming an Offer Price of HK\$1.40 per Share, being the lowest end of the indicative Offer Price range) to HK\$4,874 million (assuming an Offer Price of HK\$1.71 per Share, being the highest end of the indicative Offer Price range), after deducting the underwriting commission and estimated expenses payable by us for the Global Offering and assuming that the Over-allotment Option is not exercised. Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.56 per Share, being the midpoint of the indicative Offer Price range of HK\$1.40 to HK\$1.71 per Offer Share, the net proceeds of the Global Offering would be approximately HK\$4,432 million, which we presently intend to use as follows:

- approximately 9%, or HK\$400 million, to finance the Phase I of Shenyang Project, which is under construction;
- approximately 89%, or HK\$3,932 million, to finance the Phase V and VI of Harbin Project, Phase II of Guangzhou Project, Tianjin Project, Shenzhen Project and Nanchang Project, which are for future development; and
- the balance in an amount of up to 2% of the aggregate net proceeds, or HK\$100 million to be used for general working capital purposes.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be approximately HK\$665 million (assuming the midpoint of the indicative Offer Price range of HK\$1.56 per Offer Share). If the Over-allotment Option is exercised in full, our Directors intend to apply the net proceeds from the issue of additional Shares to the development of new projects and general working capital in the proportion of 90% and 10%, respectively. As advised by Jingtian, our

## SUMMARY

PRC legal advisor, we are not subject to a notice issued jointly by MOFCOM and SAFE on May 2007 and a notice issued by SAFE on July 10, 2007 which restrict the remittance of net proceeds from the Global Offering into the PRC. See “Regulations — Special Requirements Applicable To Real Estate Developers.”

If the Offer Price is fixed at HK\$1.71 per Offer Share, being the highest end of the indicative Offer Price range, the net proceeds will be increased by approximately HK\$442 million. Our Directors presently intend to use the additional proceeds in the development of new projects and general working capital in the proportion of 90% and 10%, respectively (subject to the 10% limitation on amounts to be used for general corporate purposes). If the Offer Price is fixed at HK\$1.40, being the lowest end of the indicative Offer Price range, the net proceeds will be reduced by approximately HK\$442 million. Our Directors presently intend to reduce the net proceeds applying to new projects and general working capital.

Any insufficient funding for the above-mentioned projects will be financed by internal funds and/or bank borrowings. In the event that there are circumstances such as failure to obtain requisite approvals, changes in government policies which would render any of the above-mentioned property developments not commercially viable, events of force majeure, and the emergence of new property development opportunities comparable or superior to the above-mentioned projects, our Directors will carefully evaluate the situation and may reallocate the intended funds to other existing or new property developments and/or hold such funds on short-term deposit as the Directors consider to be in our interests and those of our shareholders taken as a whole.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions.

We will issue an announcement if there is any material change in the above proposed use of proceeds.

### **RISK FACTORS**

There are certain risks relating to an investment in the Hong Kong Offer Shares. Some of the particular risks in investing in the Hong Kong Offer Shares are set out in the section headed “Risk Factors” in this prospectus and are summarized below. You should read that section carefully before you decide to invest in the Hong Kong Offer Shares.

#### **Risks Relating to Our Business**

- Our strategy of expanding to new geographical areas may not succeed.
- We may not be able to obtain the rights to develop underground shopping centers on commercially suitable terms or at all.
- We face significant development risks before we successfully complete a project and realize any benefits from that project.
- Unpredictable underground conditions may cause difficulties for the construction and maintenance of our projects.

## SUMMARY

- Slowdown in general economic conditions, especially in wholesale and retail markets in the PRC, may adversely affect our lease income and proceeds from the transfer of operation rights.
- A majority of our leases will expire within three years, and we may be unable to renew these leases or find new tenants on a timely basis, or at all.
- Our lease income may not timely reflect the growth of the wholesale and retail markets for apparel and accessories in China.
- We may not have adequate resources to fund project developments, or to service our financing obligations.
- We are subject to risks relating to the performance of our independent contractors.
- Our major shareholder is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions.
- We generally provide guarantees for bank loans to the transferees of the operation rights of our shop units and consequently are liable to the banks if the transferees default on their loan repayment.
- Our cash pledged as security for the repayment of the loans provided to the transferees of our shop units negatively affects our liquidity.
- The terms on which bank loans to our transferees are available, if at all, may affect the transfer of operation rights of our shop units.
- Our financing costs are affected by changes in interest rates and statutory reserve deposit ratio requirements for commercial banks.
- Our shop units are not assets which can be readily converted into cash, which could limit our ability to respond to adverse changes in economic and financial condition.
- We will depend heavily on the performance of the underground shopping center markets in a limited number of cities in the near future.
- We may not be successful in operating shopping centers used for wholesale and retail sales of nonapparel merchandise.
- Our expansion plan may be affected by recent PRC regulations relating to acquisitions of domestic companies by foreign entities.
- Increasing competition in the PRC may adversely affect our business and financial condition.
- Our revenue and profits grew significantly in the past few years and may not be indicative of our future performance.
- We may not be able to successfully manage our growth.

## SUMMARY

- We may be subject to property tax and may be required to pay property tax that should have been levied in the past.
- We do not have any business liability, disruption or litigation insurance, and any business disruption or litigation we experience might result in our incurring substantial costs and the diversion of our resources.
- Potential liability for environmental problems could result in substantial costs.
- We may incur liability for goods sold in our underground shopping centers that violate the intellectual property rights of others.
- We are a holding company that is financially dependent on distributions from our subsidiaries, and our results could be adversely affected if those distributions are not made in a timely manner or at all.
- Our success depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services.
- The national and regional economies may be adversely affected by a recurrence of SARS or an outbreak of other epidemics, thereby affecting our business, financial condition and results of operation.

### **Legal and Regulatory Risks Relating to Our Industry**

- Our project developments are subject to stringent government approvals, and we cannot assure you that the approvals would be granted in time, or at all.
- The government in China has the right to take over our underground projects during times of war.
- We are subject to regulations implemented by the PRC government regarding the development and operation of underground civil air defense shelters.
- There are uncertainties in determining the commencement date of the use periods that we have been granted.
- There are legal uncertainties regarding whether land use right certificates for civil air defense shelters are required.

### **Risks Relating to the PRC**

- Changes in the economic, political and social conditions in the PRC could affect our business.
- Our business is susceptible to the macro-economic policies and austerity measures of the PRC government.

## SUMMARY

- A recently enacted PRC tax law could affect tax exemptions on dividends received by us, and our shareholders and increase our enterprise income tax rate.
- The development of underground civil air defense shelters for commercial use in the PRC is still at an early stage and lacks appropriate infrastructural support.
- Governmental control of currency conversion may affect the value of your investment.
- Fluctuations in the exchange rate of Renminbi may materially and adversely affect our business, financial condition and results of operations.
- If we are deemed a property developer by SAFE and MOFCOM, our ability to deploy the funds raised in the Global Offering in our business in the PRC may be affected.
- Uncertainty with respect to the PRC legal system could affect our operations.
- It may be difficult to enforce against us, our Directors or our senior management in the PRC any judgments obtained from non-PRC courts.

### **Risks Relating to the Global Offering**

- There has been no prior public market for our Shares, and the liquidity and market price of the Shares may be volatile.
- You will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.
- Future sales by our Directors, officers or current Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.
- We cannot guarantee the accuracy of facts, forecasts and other statistics derived from official government publications with respect to the PRC, the PRC economy and the PRC industries that affect our business, which are contained in this prospectus.
- You may experience difficulties in enforcing your shareholder rights because we are incorporated in the Cayman Islands, and the laws of the Cayman Islands may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.
- You should read the entire prospectus carefully and rely only on the information contained in this prospectus in making your investment decision. We strongly caution you against any reliance on any information contained in press articles or other media reports not prepared or approved by us.

## SUMMARY

### **The Investments**

We invited the NW Investors, the Capital Funds, Sequoia and other Investors to invest in the Company during December 2007 and January 2008, through the sale of Class A Preference Shares by Super Brilliant to those Investors, and the reinvestment by Super Brilliant of part of those sale proceeds back into our Company.

To secure the due and punctual performance of its obligations under the various agreements related to the Investments, Super Brilliant charged certain Shares held by it in the Company in favor of the certain Investors. Conditional upon and with effect as from the Listing, the Share Charges by Super Brilliant in favour of these Investors will be released and discharged.

Pursuant to the Investment Agreements, Super Brilliant may be required to transfer certain shares to certain Investors depending on whether our Company meets certain performance targets as negotiated and agreed upon between Super Brilliant and the relevant Investors.

The Class A Preference Shares will have become automatically converted into such number of fully paid ordinary shares upon the completion of the Global Offering at a Conversion Rate of 1:1, subject to certain adjustments arising from certain kinds of share issues or capital reorganizations of our Company's issued share capital.

For further details, please refer to the section headed "History and Reorganization — The Investments."



## DEFINITIONS

“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“ARI”	Renhe International Pty Ltd ACN 095 311 961 (澳大利亞人和有限公司)*, a company incorporated in Australia, all of the shares in which are ultimately beneficially owned by Mrs. Hawken
“Articles”	the articles of association of the Company, conditionally adopted on August 25, 2008, to become effective upon the Listing, a summary of which is set out in Appendix VI to this prospectus
“Beijing Baorong”	Beijing Baorong Investment Management Co., Ltd. (北京寶榮投資管理有限公司)*, a company incorporated in the PRC, 41.67% of the equity interests owned by Ms. Wang Chunrong
“Board”	the board of directors of the Company
“BOCI”	BOCI Asia Limited
“BVI”	the British Virgin Islands
“BVI Headco” or “Fine Genius”	Fine Genius Enterprises Limited (賢華企業有限公司), a company incorporated in the BVI and our wholly-owned subsidiary
“BVI Holdco 1” or “Billion Luck”	Billion Luck Enterprises Limited (億祥企業有限公司), a company incorporated in the BVI and our wholly-owned subsidiary
“BVI Holdco 2” or “Fast Reach”	Fast Reach Group Limited (快達集團有限公司), a company incorporated in the BVI and our wholly-owned subsidiary
“BVI Holdco 3” or “King Wealthy”	King Wealthy Enterprises Limited (君裕企業有限公司), a company incorporated in the BVI and our wholly-owned subsidiary
“BVI Holdco 4” or “Superb Power”	Superb Power Enterprises Limited (鉅力企業有限公司), a company incorporated in the BVI and our wholly-owned subsidiary
“BVI Holdco 5” or “Victory Faith”	Victory Faith Group Limited (凱信集團有限公司), a company incorporated in the BVI and our wholly-owned subsidiary
“BVI Holdco 6” or “Magic Dynasty”	Magic Dynasty Enterprises Limited (妙代企業有限公司), a company incorporated in the BVI and our wholly-owned subsidiary
“BVI Holdco 7” or “Bright Smart”	Bright Smart Holdings Limited (明智控股有限公司), a company incorporated in the BVI and our wholly-owned subsidiary

## DEFINITIONS

“BVI Holdco 8” or “Cheerfar”	Cheerfar Enterprises Limited (展發企業有限公司), a company incorporated in the BVI and our wholly-owned subsidiary
“BVI Holdco 9” or “Brilliant China”	Brilliant China Enterprises Limited (卓華企業有限公司), a company incorporated in the BVI and our wholly-owned subsidiary
“BVI Holdco 10” or “Proper Way”	Proper Way Enterprises Limited (正通企業有限公司), a company incorporated in the BVI and our wholly-owned subsidiary
“BVI Holdco 11” or “Allyking”	Allyking Enterprises Limited (京邦企業有限公司), a company incorporated in the BVI and our wholly-owned subsidiary
“Capital Funds”	Capital International Private Equity Fund V, L.P. and CGPE V, L.P., which are both limited partnerships formed in the Cayman Islands
“Capitalization Issue”	the issue of 16,998,157,000 new Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of the Company referred to in the section entitled “Appendix VII — Statutory and General Information — Further Information about the Company”
“Cayman Islands Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding except where the context otherwise requires, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan

## DEFINITIONS

“Company”	Renhe Commercial Holdings Company Limited, a limited liability company incorporated in the Cayman Islands on November 20, 2007 and, except where the context otherwise requires, all of its subsidiaries, or where the context so requires, in respect of the period before Renhe Commercial Holdings Company Limited became the holding company of its present subsidiaries, its present subsidiaries and the businesses carried on by its subsidiaries or (as the case may be) its predecessors
“Controlling Shareholders”	has the meaning ascribed thereto under the Hong Kong Listing Rules and for the purposes of this prospectus, means Mrs. Hawken, Shining Hill and Super Brilliant, who are together entitled to control, directly or indirectly the exercise of more than 30% (including the voting rights held through Wealthy Aim Holdings Limited) of the voting rights of the issued share capital of the Company immediately after the completion of the Capitalization Issue and the Global Offering
“Director(s)”	director(s) of the Company
“Euromonitor Report”	a report entitled “Underground Apparel Shopping Centers in China” and issued by Euromonitor in May 2008, which was commissioned by us at a cost of US\$35,000
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group,” “we” or “us”	one or more of the Company and our subsidiaries as the context may require, and “our” shall be construed accordingly
“Guangzhou Renhe”	廣州人和新天地公共設施有限公司 (Guangzhou Renhe New World Public Facilities Co., Ltd.), a company incorporated in the PRC and our wholly-owned subsidiary
“Harbin Jurong”	哈爾濱巨容新能源有限公司 (Harbin Jurong New Power Co., Ltd.) <sup>▲</sup> , a company incorporated in the PRC, in which Mr. Dai and Ms. Zhang Xingmei, both Directors, effectively control in aggregate over 50% of the equity interest
“Harbin Nanfang”	哈爾濱市南防地下工程開發利用服務公司 (Harbin Nanfang Underground Engineering Development Services Company) <sup>▲</sup> , a company incorporated in the PRC and an Independent Third Party
“Harbin 1 Renhe”	哈爾濱人和公共設施有限公司 (Harbin Renhe Public Facilities Co., Ltd.), a company incorporated in the PRC and our wholly-owned subsidiary

## DEFINITIONS

“Harbin 2 Baorong”	哈爾濱寶榮公共設施有限公司 (Harbin Baorong Public Facilities Co., Ltd.) <sup>▲</sup> , a company incorporated in the PRC and our wholly-owned subsidiary
“Harbin 3 Century”	哈爾濱人和世紀公共設施有限公司 (Harbin Renhe Century Public Facilities Co., Ltd.) <sup>▲</sup> , a company incorporated in the PRC and our wholly-owned subsidiary
“Harbin 6 New World”	哈爾濱新天地人和公共設施有限公司 (Harbin New World Renhe Public Facilities Co., Ltd.) <sup>▲</sup> , a company incorporated in the PRC and our wholly-owned subsidiary
“Harbin 6 Spring”	哈爾濱人和春天公共設施有限公司 (Harbin Renhe Spring Public Facilities Co., Ltd.) <sup>▲</sup> , a company incorporated in the PRC and our wholly-owned subsidiary
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Holdco 1” or “China Supreme”	China Supreme Investments Limited (威奧投資有限公司), a company incorporated in Hong Kong and our wholly-owned subsidiary
“HK Holdco 2” or “Globe Home”	Globe Home Limited (佳泛有限公司), a company incorporated in Hong Kong and our wholly-owned subsidiary
“HK Holdco 3” or “Gold Track”	Gold Track Group Limited (協源集團有限公司), a company incorporated in Hong Kong and our wholly-owned subsidiary
“HK Holdco 4” or “Longain Park”	Longain Park Limited (錦凌有限公司), a company incorporated in Hong Kong and our wholly-owned subsidiary
“HK Holdco 5” or “Star Legend”	Star Legend Group Limited (志潤集團有限公司), a company incorporated in Hong Kong and our wholly-owned subsidiary
“HK Holdco 6” or “Lead Wealthy”	Lead Wealthy Limited (智煌有限公司), a company incorporated in Hong Kong and our wholly-owned subsidiary
“HK Holdco 7” or “Best Record”	Best Record Investments Limited (顯迅投資有限公司), a company incorporated in Hong Kong and our wholly-owned subsidiary
“HK Holdco 8” or “Easy Trip”	Easy Trip Limited (遠晴有限公司), a company incorporated in Hong Kong and our wholly-owned subsidiary
“HK Holdco 9” or “Join Gain”	Join Gain Group Limited (成康集團有限公司), a company incorporated in Hong Kong and our wholly-owned subsidiary

## DEFINITIONS

“HK Holdco 10” or “Total Nice”	Total Nice Investments Limited (佳實投資有限公司), a company incorporated in Hong Kong and our wholly-owned subsidiary
“HK Holdco 11” or “Super Ally”	Super Ally Limited (翔合有限公司), a company incorporated in Hong Kong and our wholly-owned subsidiary
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of China
“Hong Kong Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Hong Kong Offer Shares”	the 300,000,000 new Shares being initially offered by the Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer by the Company of initially the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering”) for cash at the Offer Price (plus brokerage, SFC transaction levy, and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and the Application Forms as further described in “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus
“Hong Kong Underwriters”	the underwriters listed in the paragraph headed “Hong Kong Underwriters” under the section headed “Underwriting” in this prospectus, being the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the underwriting agreement relating to the Hong Kong Public Offering and entered into by, among others, the Joint Global Coordinators, the Hong Kong Underwriters and the Company, as further described in the paragraph headed “Underwriting Arrangements and Expenses” under the section headed “Underwriting” in this prospectus

## DEFINITIONS

“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“IFRSs”	International Financial Reporting Standards
“Independent Third Party”	persons who, as far as the Directors are aware after having made all reasonable inquiries, are not connected persons of the Company within the meaning of the Hong Kong Listing Rules
“International Offering”	the conditional placing of the International Offer Shares by the International Underwriters with professional, institutional and/or other investors at the Offer Price, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Offer Shares”	the 2,700,000,000 new Shares initially being offered by the Company for subscription under the International Offering together, where relevant, with any Shares that may be issued by the Company pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering expected to be entered into by, among others, the Joint Global Coordinators, the International Underwriters and the Company, as further described in the paragraph headed “International Offering” under the section headed “Underwriting” in this prospectus
“integrated underground shopping center”	a shopping center typically belonging to above-the-ground structures such as commercial centers or large-scale shopping areas
“Investment Agreements”	(i) the preferred share purchase agreement dated December 8, 2007 entered into among NW Investors, the Company, Super Brilliant and Mrs. Hawken (as amended by two amendment agreements respectively dated December 28, 2007 and January 31, 2008 entered into between the foregoing parties, as well as Mr. Dai); (ii) the preferred share purchase agreement dated December 28, 2007 entered into among Capital Funds, Sequoia, the Company, Super Brilliant and Mrs. Hawken and Mr. Dai; and (iii) the preferred share purchase agreement dated January 31, 2008 entered into among Elite Wealth Investment Limited, the Company, Super Brilliant, Ever Union Capital Limited, Palmas Assets Limited, Global Giant Enterprises Limited, and Mrs. Hawken and Mr. Dai

## DEFINITIONS

“Investments”	the investments made by the Investors pursuant to the Investment Agreements, details of which are set out in the sub-section headed “History and Reorganization — The Investments” in this prospectus
“Investors”	the NW Investors, the Capital Funds, Sequoia and Ever Union Capital Limited, Palmas Assets Limited and Global Giant Enterprises Limited, and “Investor” shall mean any one of them
“Jade Century”	Jade Century Development Limited, a company incorporated in BVI and is wholly owned by Mr. Dai
“Jingtian”	Jingtian Attorneys at Law, the PRC legal advisor of the Company
“Joint Global Coordinators,” “Joint Bookrunners,” “Joint Sponsors” or “Joint Lead Managers”	BOCI, HSBC, Morgan Stanley and UBS (in alphabetical order)
“KII”	Keenbo International Investment Group Limited (佳堡國際投資集團有限公司), a company incorporated in the BVI, all of the shares in which are beneficially owned by Mrs. Hawken
“Latest Practicable Date”	September 19, 2008, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Liaoning Renhe”	遼寧人和新天地公共設施管理有限公司 (Liaoning Renhe New World Public Facilities Management Co., Ltd.) <sup>▲</sup> , a company incorporated in the PRC and our wholly-owned subsidiary
“Listing”	listing of the Shares on the Main Board
“Listing Date”	the date, expected to be on or about October 15, 2008, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of the Stock Exchange
“Memorandum”	the memorandum of association of the Company, conditionally adopted on August 25, 2008 to become effective upon the Listing, a summary of which is set out in Appendix VI to this prospectus
“Morgan Stanley”	Morgan Stanley Asia Limited



## DEFINITIONS

“Mr. Dai”	Mr. DAI, Yongge (戴永革), the Chief Executive Officer and Chairman of the Company and a brother of Mrs. Hawken
“Mrs. Hawken”	Mrs. HAWKEN, Xiu Li (秀麗·好肯), a Controlling Shareholder and Director of the Company and a sister of Mr. Dai
“Nanchang Renhe”	南昌人和新天地公共設施有限公司 (Nanchang Renhe New World Public Facilities Co., Ltd.), a company incorporated in the PRC and our wholly-owned subsidiary
“NW Investors”	Elite Wealth Investment Limited, Fast Flow Investments Limited, Vivid China Investment Limited, Skybird International Limited and Go Winner Investments Limited
“Offer Price”	the final offer price per Offer Share (exclusive of a brokerage fee of 1.0%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005%) of not more than HK\$1.71 and expected to be not less than HK\$1.40, such price to be agreed upon by the Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares
“Over-allotment Option”	the option to be granted by the Company to the International Underwriters under the International Underwriting Agreement, pursuant to which the Company may be required to allot and issue up to an aggregate of 450,000,000 additional Shares (representing 15% in aggregate of the Shares initially being offered under the Global Offering) at the Offer Price to, among other things, cover over-allocations in the International Offering, the details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PRC Company law”	the Company Law of the PRC as enacted by the Standing Committee of the 8th National People’s Congress on December 29, 1993, which became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“PRC government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
“Price Determination Agreement”	the agreement to be entered into among the Company and the Joint Global Coordinators (on behalf of the Underwriters) at the Price Determination Date to record and fix the Offer Price

## DEFINITIONS

“Price Determination Date”	on or before October 9, 2008 or such later date as may be agreed by the Company and the Joint Global Coordinators (on behalf of the Underwriters) at which time the Offer Price is determined
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Renhe Group”	哈爾濱人和集團股份有限公司 (Harbin Renhe Group Co., Ltd.) <sup>▲</sup> (formerly known as 哈爾濱人和實業有限公司 (Harbin Renhe Industrial Co., Ltd) <sup>▲</sup> ), a company incorporated in the PRC, 58.33% of the equity interests owned by Mr. Dai, 40.15% by Ms. Zhang Xingmei, 1.14% by Mr. Dai Yonggang, and 0.38% by Mr. Wang Min. Renhe Group is primarily engaged in the trading of chemical products (excluding dangerous and poisonous products), agricultural products (excluding grain and oil), steels, lumber, electrical and electronic products (excluding those under special-purpose provisions), and the investment in the industrial, commercial, tourism, transportation, cultural, health and fitness, educational and advertisement sectors, none of which are in competition with our Group’s business
“Renhe Management”	Renhe Commercial Management Limited (人和商業管理有限公司) (formerly known as Billion Jade Group Limited), a company incorporated in HK and our wholly-owned subsidiary
“Reorganization”	the reorganization of our Group in anticipation of the Listing, the details of which are set out in the section headed “History and Reorganization” in this prospectus
“RMB” or “Renminbi”	the lawful currency of China
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	The State Administration of Foreign Exchange of China (國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
“Sequoia”	Sequoia Capital China Growth Fund I, L.P. is managed by Sequoia Capital China Advisors Limited, a company incorporated in the Cayman Islands. Sequoia Capital China Growth Fund I, L.P.’s general partner is Sequoia Capital China Growth Fund Management I, L.P., whose general partner is SC China Holdings Limited which is a company incorporated in the Cayman Islands
“SFC”	the Securities and Futures Commission of Hong Kong

## DEFINITIONS

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended and supplemented from time to time
“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of HK\$0.01 each, for which an application has been made for listing and permission to deal on the Main Board of the Stock Exchange and which are subscribed for and traded in Hong Kong dollars
“Shenyang Renhe”	瀋陽新天地人和公共設施管理有限公司 (Shenyang New World Renhe Public Facilities Management Co., Ltd.) <sup>▲</sup> , a company incorporated in the PRC and our wholly-owned subsidiary
“Shining Hill”	Shining Hill Investments Limited (耀山投資有限公司), a company incorporated in the BVI and a Controlling Shareholder of the Company
“sq.m.”	square meter(s)
“Stabilizing Manager”	BOCI Asia Limited
“stand-alone underground shopping center”	a shopping center solely built underground with virtually no above-the-ground structure
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited
“Super Brilliant”	Super Brilliant Investments Limited (超智投資有限公司), a company incorporated in the BVI and a Controlling Shareholder of the Company
“SWC”	The Shrinking World Company Limited (英國德順沃有限公司)*, a company incorporated in the United Kingdom, all of the shares in which are ultimately beneficially owned by Mrs. Hawken
“Tianjin Renhe”	天津人和新天地公共設施有限公司 (Tianjin Renhe New World Public Facilities Co., Ltd.), a company incorporated in the PRC and our wholly-owned subsidiary
“Track Record Period”	the three years ended December 31, 2007 and the three months ended March 31, 2008
“UBS”	UBS AG acting through its business group, UBS Investment Bank
“Underwriters”	collectively, the Hong Kong Underwriters and the International Underwriters

## DEFINITIONS

“Underwriting Agreements”	collectively, the International Underwriting Agreement and the Hong Kong Underwriting Agreement
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act” or “Securities Act”	the United States Securities Act of 1933, as amended from time to time
“White Form eIPO”	applying for Hong Kong Offer Shares to be issued in your own name by submitting applications online through the designated website of the <b>White Form eIPO Service</b> , <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“White Form eIPO Service Provider”	the White Form eIPO service provider designated by the Company, as specified on the designated website <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“Wuhan Renhe”	武漢人和新天地公共設施管理有限公司 (Wuhan Renhe New World Public Facilities Management Co., Ltd.) <sup>▲</sup> , a company incorporated in the PRC and our wholly-owned subsidiary
“Zhengzhou Renhe”	鄭州人和新天地投資管理有限公司 (Zhengzhou Renhe New World Investment Management Co., Ltd.), a company incorporated in the PRC and our wholly-owned subsidiary

*In this prospectus, the terms “associate,” “connected person,” “connected transaction,” “controlling shareholder,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.*

*In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into HK dollars or U.S. dollars and vice versa at an exchange rate of RMB0.8772 = HK\$1.00 or RMB6.8276 = US\$1.00, respectively, and certain amounts denominated in U.S. dollars have been translated into HK dollars and vice versa at an exchange rate of US\$1.00 = HK\$7.7834, in each case, for illustration purposes only. Such conversions shall not be construed as representations that amounts in Renminbi or U.S. dollars were or may have been converted into those currencies and vice versa at such rates or any other exchange rates.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translations of company names in Chinese or another language which are marked with “▲” and Chinese translations of company names in English which are marked with “\*” are for identification purposes only.

## FORWARD-LOOKING STATEMENTS

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

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

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

## FORWARD-LOOKING STATEMENTS

- changes in currency exchange rates;
- significant delay in obtaining the necessary government permits or approvals for our projects under development or held for future development;
- other factors beyond our control; and
- our property valuation set forth in “Appendix IV — Property Valuation” to this prospectus.

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

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

## RISK FACTORS

*You should carefully consider the following risk factors, together with all other information contained in this prospectus, before making any investment decision in relation to the Offer Shares, which may not be typically associated with investing in equity securities of companies from other jurisdictions or industries. The development of underground civil air defense shelters for commercial use is subject to PRC laws and regulations that affect our business operations and prospects. See “— Legal and Regulatory Risks Relating to Our Industry.” If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected.*

### RISKS RELATING TO OUR BUSINESS

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

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

#### **We may not be able to obtain the rights to develop underground shopping centers on commercially suitable terms or at all.**

During the Track Record Period, all of our revenue was derived from the leasing of and the transfer of operation rights for underground shop units in Harbin and Guangzhou. This revenue stream was dependent on the completion, and our ability to lease or transfer the operation rights, of our underground shop units. To grow our business in the future, we plan to obtain operation rights of more suitable underground sites for future developments. Our ability to identify and acquire suitable sites is subject to a number of factors, some of which are beyond our control, including, among others, policies and regulations of the central and relevant local governments relating to the construction and commercial use of underground civil air defense shelters. Our business, financial condition and results of operations may be adversely affected if we are unable to obtain adequate underground sites for development.

## RISK FACTORS

In the PRC, the application for the development of underground civil air defense shelters for commercial use is subject to a strict review and approval process by the provincial or state level civil air defense offices. As a result, the policies of the PRC government toward the supply of underground civil air defense shelters may affect our ability to acquire suitable sites we identify for development. All of our nine projects for future development in Harbin, Guangzhou, Wuhan, Zhengzhou, Tianjin, Nanchang and Shenzhen have received approvals for project proposal from the relevant civil air defense offices, and Jingtian, our PRC legal advisor, advised us that so long as we undergo the procedures and prepare supporting documents as required by laws and regulations, there is no material legal impediment for us to obtain all approvals and permits from other government authorities in China for the construction of these nine projects. The PRC central and local governments may regulate the means by which underground project developers, including us, obtain sites for project developments.

We cannot assure you that we will be able to identify and acquire sufficient and appropriate sites in the future on commercially suitable terms or at all. Any inability to identify and acquire sufficient and appropriate sites on commercially suitable terms would result in uncertainties in our future development schedules, which in turn would have a material adverse effect on our future growth and profitability.

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

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

Based on our project plans, our Phase I of Zhengzhou Project is expected to commence operations by October 2008, and our Phase I of Shenyang Project is expected to commence operations by December 2008. In particular, more than 80% of our revenues for the year ended December 31, 2008 are projected to be generated from the transfer of operation rights of shop units in our Phase I of Zhengzhou Project and Phase I of Shenyang Project upon their completion. Our Phase I of Zhengzhou Project, with an approved aggregate GFA of approximately 100,500 sq.m., started construction in December 2007 and our Phase I of Shenyang Project, with an approved aggregate GFA of approximately 167,000 sq.m., started construction in July 2008. If we fail to complete these projects under development according to the planned schedule, our completed projects, and our financial position, operational results, liquidity or business prospects will be materially and adversely affected.



## RISK FACTORS

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

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

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

Substantially all of our completed projects are occupied by, and we expect that most of our future projects will be occupied by, tenants engaged in the wholesale and retail sales of apparel and accessories. Therefore, the success of our projects is and will continue to be dependent, to a significant degree, on the financial stability of such tenants. During the past several years, the apparel and accessories industries in the PRC grew rapidly as the disposable income of the general public increased. According to Euromonitor Report, the sales of apparel in the PRC increased from approximately RMB496 billion in 2003 to approximately RMB748 billion in 2006 at a compound annual growth rate, or CAGR, of approximately 14.7%. However, if the apparel and accessories industries in the PRC experience a slowdown in growth, the financial condition of our tenants could be negatively affected, which in turn could adversely impact the rents we charge and the vacancy rates of our shopping centers. Therefore, any prolonged downturn in the apparel and accessories industries in the PRC could have a material adverse effect on our business, financial condition and results of operations.

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

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

As of June 30, 2008, a majority of the lease agreements with our tenants have a term of three years or less. As a result, our projects experience lease cycles in which a significant number of tenancies expire each year. These relatively short lease cycles expose us to rental market fluctuations. We may not be able to renew the lease agreements or find new tenants at rates equal to or higher than those of the expiring leases, or to find replacement tenants in time so as to minimize periods between leases. If the rental price for our underground shopping centers decreases, or our existing tenants do not renew their

## RISK FACTORS

lease agreements, or we are unable to find replacement tenants in time after the expiration of existing tenancies, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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

As of June 30, 2008, 17.0% of the lease agreements had terms of over three years. These long term lease agreements contain either a fixed rent or a pre-determined maximum rate of increase of the fixed rent for each year during the entire lease term. We are unable to amend our rental rates under these lease agreements or to charge additional premiums until their expiration. Our lease income, therefore, may not reflect the growth of the wholesale and retail markets for apparel and accessories in China in a timely manner.

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

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

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

We engage independent contractors to provide various services for all of our project developments, including construction, engineering, equipment installation, electrical installation and interior decoration. In particular, all of our construction work has been carried out by independent contractors except for Heilongjiang Province No. 1 Construction Company No. 2 Construction Team, a team of individual construction workers operating under Heilongjiang Province No. 1 Construction Company and led by Mr. Dai Yonggang, a brother of Mr. Dai, CEO and Chairman of the Company. Construction of civil air defense shelters must be of high quality in order to pass the inspections and tests of various authorities. Contractors that can meet these criteria are limited. We cannot assure you that the services rendered by any of these independent contractors or their subcontractors will always be satisfactory or match the PRC government's requirements for underground civil air defense shelter facilities or our requirements for quality and safety. If the performance of any independent contractor is unsatisfactory, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and timing of the construction progress and our track record of completing our underground projects in a timely manner. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

## RISK FACTORS

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

Immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), approximately 68.96% of our issued shares will be beneficially owned ultimately by Mrs. Hawken. By maintaining such ownership, Mrs. Hawken is able to exercise substantial influence and control over our corporate policies, appointments of directors and officers and votes on corporate actions requiring shareholder approval. In addition, Mr. Dai, our Chief Executive Officer and Chairman, and Ms. Zhang Xingmei, our non-executive Director, are relatives of Mrs. Hawken and are able to exercise substantial control over our business. The strategic goals and interests of our major shareholder may not be aligned with our goals and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base.

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

We generally provide guarantees for bank loans borrowed by the transferees of the operation rights of our shop units until they fully repay all of their outstanding loans with the commercial banks. The loans that we guarantee normally have a maturity of less than five years. The guarantees cover the full principal amount of loans that transferees of the operation rights of our shop units borrow to finance their purchases, which is typically 50% of the total transfer price. For Phase I of Guangzhou Project, we also made deposits as security for the repayment of the loans of our transferees. As of December 31, 2005, 2006 and 2007 and March 31, 2008, we had guarantees in place on our transferees' borrowings in an aggregate principal amount of approximately nil, RMB196.2 million, RMB169.0 million and RMB158.8 million, respectively. For the same period, we had restricted bank deposits in an aggregate amount of nil, RMB229.1 million, RMB206.7 million and RMB196.5 million, respectively, representing nil, 116.7%, 122.3% and 123.7% of the principal amount of our transferees' borrowings.

None of our transferees defaulted on repaying his or her bank loan during the Track Record Period. If a transferee, however, defaults on its loan, the bank may deduct the payment due from the funds that we have deposited and require us to immediately repay the entire outstanding balance pursuant to the guarantee. Jingtian, our PRC legal advisor, advised us that under the relevant PRC laws and regulations, if the transferees default on their loan repayment and we undertake the repayment obligations as a guarantor, we are entitled to indemnification from the transferees. We may bring claims against the transferees to compensate us for the part we have paid as guarantor and ask the courts to freeze the transferees' assets, including, but without limitation to, the operation rights of the transferred shop units. However, if we are unable to transfer the operation rights of shop units for which a transferee has defaulted on the underlying loans to other transferees on a timely basis or at a price equal to or higher than the amount necessary to pay off the defaulting transferee's loan obligation, our liquidity may be negatively affected, and we may suffer financial losses. In addition, if multiple transferees default on their loan payments simultaneously or in close succession, we may be required to make payments in material amounts to banks to satisfy the obligations under these guarantees, which could adversely affect our financial condition.

## RISK FACTORS

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

We provided guarantees to banks and made deposits as security to help the transferees of our Guangzhou shop units finance their purchases. On September 11, 2006, Guangzhou Renhe entered into an agreement with the Bank of China with respect to loans to the transferees of operation rights under which we provided guarantees and made restricted bank deposits as security for the repayment of the loans. The amount of the restricted cash we pledge for each loan is equivalent to the sum of (i) the principal amount of the loan which, under our agreement with the Bank of China, is up to 50% of the operation right transfer price; and (ii) an additional 16% of such principal amount. The restricted cash attributable to the principal amount of the loan is released as and when and to the extent the transferee repays any portion of their loans, while that attributable to the additional 16% is released on an annual basis since the first draw-down date of the loan based on the total principal amount repaid in that year. In May 2008, we amended the agreement with the Bank of China to eliminate the need for the additional 16% in pledge of restricted cash. Bank of China has also agreed to further reduce the amount of restricted cash to 15% of the principal amount of the outstanding loan, subject to the execution of amendment.

Even though the transfer of shop unit operation rights helped us recover the construction costs of our Guangzhou project, pledge of cash in restricted deposit accounts reduced the cash inflow from the transfers and negatively affected our liquidity. For example, in 2006 when we completed our Guangzhou project, the balance of our restricted bank deposit amounted to RMB229.1 million, which was the largest line item that negatively affected our cash flow from operating activities. As of March 31, 2008, the balance of our restricted bank deposits was RMB196.5 million. If we enter into similar arrangements to help the transferees of the operation rights of our shop units in future projects and deposit a portion of cash we receive from transfer of operation rights, our cash flow from operating activities and liquidity will be negatively affected.

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

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

## RISK FACTORS

**Our financing costs are affected by changes in interest rates and statutory reserve deposit ratio requirements for commercial banks.**

Our financing costs and, consequently, our results of operations, are affected by changes in interest rates. In the past, our borrowings all had fixed interest rates. Going forward, we expect that our future borrowings, whether with fixed or floating interest rates, may be affected by the benchmark lending rates published by the People's Bank of China, or PBOC. The PBOC raised the benchmark one-year lending rate and one to three years lending rate several times from 5.58% and 5.76%, respectively in October 2004 to 7.47% and 7.56%, respectively, on December 21, 2007. We cannot assure you that the PBOC will not further raise lending rates or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments. Our interest expense on bank borrowings for 2005, 2006 and 2007, was RMB15.4 million, RMB15.2 million and RMB17.8 million, respectively. Any further increases in the interest rates of our bank borrowings, including as a result of interest rate increases by the PBOC, could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, under PRC laws, commercial banks must hold a certain amount of funds in reserve against deposits made by their customers. On June 7, 2008, the PBOC lifted this reserve requirement ratio for commercial banks, effective from June 25, 2008, to 17.5%. The reserve requirement refers to the amount of funds that banks must hold in reserve against deposits made by their customers. The increase in the bank reserve requirement ratio may negatively impact the amount of funds available for loan to businesses, including us, by commercial banks in China.

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

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

**We will depend heavily on the performance of the underground shopping center markets in a limited number of cities in the near future.**

We operate shopping centers in a limited number of cities in China. We established our business by operating and developing underground civil air defense shelters used for underground shopping centers in Harbin, Heilongjiang Province, in 1992 and expanded our business to Guangzhou, Guangdong Province, in 2005. We currently have four completed projects located in Harbin and Guangzhou, two projects under development in Zhengzhou, Henan Province and Shenyang, Liaoning Province, and nine

## RISK FACTORS

projects for future development in a few other cities including Wuhan, Nanchang, Tianjin and Shenzhen. While we are actively pursuing business opportunities and expanding our presence in selected cities in China, we expect that our business will continue to be focused on operations in a few geographical areas in China in the near term and any adverse developments in the supply of and demand for underground shops or in rental prices in these areas would have an adverse effect on our results of operations and financial condition. There can be no assurance that our future developments of underground shopping centers will continue at past levels or that we will be able to benefit from the future growth, if any, of the underground shopping center markets in the cities in which we operate or intend to operate.

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

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

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

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

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

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

We operate in a competitive industry. Our underground shopping centers typically are, and we expect will be, located in the commercial centers of selected cities in the PRC. Therefore, there are and will be numerous department stores or other shopping centers specializing in the distribution of apparel and other merchandise, either underground or above the ground, in the same area where each of our projects is located. The quantity and quality of competing shopping centers could materially affect our ability to rent shop units at our shopping centers and the rental price we charge our tenants. Additional



## RISK FACTORS

comparable shopping centers built near our shopping centers could negatively affect our business by creating increased competition for customer traffic and creditworthy tenants. This could result in decreased revenue from tenants and may cause us to make additional capital expenditures for renovation and improvement of our facilities in order to compete effectively.

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

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

For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, our revenue was RMB65.2 million, RMB162.7 million, RMB366.5 million and RMB409.8 million, respectively, and net profit attributable to our equity holders was RMB11.9 million, RMB48.5 million, RMB266.7 million and RMB279.0 million, respectively. We derived our revenue primarily from lease income and proceeds from the transfer of operation rights for the shop units in our underground shopping centers. As a result, our results of operations would be affected by the demand for leasing and purchasing of our shop units and the price we are able to achieve. The demand for and pricing of our underground shop units are in turn, to a large extent, affected by the general conditions of the underground shopping center markets. In addition, we recognize proceeds from the transfer of operation rights as revenue only upon the transfer of significant risks and rewards of the operation rights of shop units according to the relevant transfer agreements. Therefore, our revenue and profit during any given period reflect the quantity of shop unit operation rights transferred during that period and are affected by any peaks or troughs in our schedule for the transfer of shop units and may not be indicative of the actual demand for our shop units during that period. Our revenue and profit during any given period generally reflect investment decisions made by purchasers at some significant time in the past, typically at least in the prior fiscal period. For the years ended December 31, 2006 and 2007 and the three months ended March 31, 2008, however, the revenue generated from the transfer of operation rights was RMB61.9 million, RMB190.0 million and RMB365.5 million, representing 38%, 52% and 89% of our total revenue for the same period, respectively. We expect that such revenue generated from the transfer of operation rights will account for substantially all of our revenues at least in 2008 and 2009 when we expand our operations and develop more projects. In particular, more than 80% of our revenues for the year ended December 31, 2008 are projected to be generated from the transfer of operation rights of shop units in our Phase I of Zhengzhou Project and Phase I of Shenyang Project upon their completion. Our development of new projects may not grow at the same pace as in the past once we have a sizable portfolio of shop units held for lease. As a result, we believe that our operating results for any given period are not necessarily indicative of results that may be expected for any future period.

## RISK FACTORS

### **We may not be able to successfully manage our growth.**

We have been rapidly expanding our operations in recent years and aim to continue to expand our presence to selected cities in China. As we continue to grow, we intend to continuously improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. In order to fund our ongoing operations and our future growth, we also need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, contractors, service providers, lenders and other third parties. We also intend to further strengthen our internal control and compliance functions in order to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

### **We may be subject to property tax and may be required to pay property tax that should have been levied in the past.**

According to the “Notice of the State Administration of Taxation on Several Issues concerning the Levy of Property Tax on Foreign Investment Enterprises” (Guo Shui Fa [2000] No. 44), foreign investment companies, or FIEs, have been exempted from urban real estate tax for civil air defense projects since January 1, 2000. According to “the Ministry of Finance and the State Administration of Taxation, notice on the levy of property taxes relating to underground buildings with housing function” (Cai Shui [2005] No. 181, “No. 181”), from January 1, 2006, underground properties are subject to property tax which is levied at 12% of the related income. Local tax regulations in Heilongjiang Province and Guangzhou Province granted foreign invested enterprises a property tax exemption for a period of five years and three years, respectively, and therefore, our Phase III of Harbin Project and Phase I of Guangzhou Project are still within the property tax exemption period, both of which will expire after 2008. However, there are no specific tax rules or regulations stipulating whether No. 181 is applicable to civil air defense projects developed by FIEs. According to the advice of Jingtian, our PRC legal advisor, we believe that No. 181 does not apply to our subsidiaries in China because they are all FIEs, and hence we have not made any provision for property tax. However, there is no assurance that the PRC tax authorities will not issue any regulations in the future clarifying that the requirements of No.181 are also applicable to FIEs. Under No.181, the estimated potential impact of property tax to be recognized was nil, RMB14,052,000, RMB6,317,000 and RMB1,688,000 for the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, respectively. If there is any further implementation or change of the property tax policy, we may be subject to property tax and may be required to pay property tax that should have been levied in the past which, as a result, would materially and adversely affect our business, financial condition and results of operations.



## RISK FACTORS

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

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

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

We are subject to a variety of laws and regulations concerning the protection of health and the environment. Although the environmental investigations conducted to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities, or that there are material environmental liabilities of which we are unaware. There is no assurance that more stringent requirements for environmental protection will not be imposed by the relevant PRC governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations in China or fail to meet the expectations of society with regard to environmental issues, our reputation may be damaged or we may even be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, financial condition and results of operation.

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

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

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

We have been using “The First Tunnel” (“地一大道”) brand for the Phase I of Guangzhou Project and plan to use “The First Tunnel” (“地一大道”) as the brand name for all of our future underground shopping centers, as well as those in Harbin, which are currently named “Renhe Shop.” As of the Latest Practicable Date, we have applied for the trademark registration of portfolio of trademarks, including the

## RISK FACTORS

name “地一大道” in the PRC and Hong Kong but have not completed the registration process. See “Business — Intellectual Property Rights.” However, there is no assurance that these applications for trademark registration in the PRC and Hong Kong could eventually be approved or that we would be granted with exclusive rights to use these marks as registered trademarks in the PRC and Hong Kong. Because the use of unified brand name is a key strategy for our future development in the PRC, if our brand name could not be registered which consequently result in infringement of our brand name, our business, financial conditions and results of operations may be materially adversely affected.

**We are a holding company that is financially dependent on distributions from our subsidiaries, and our results could be adversely affected if those distributions are not made in a timely manner or at all.**

We are a holding company, and our core business operations are conducted through our subsidiaries in China. Under PRC regulations, wholly foreign-owned enterprises may distribute their after-tax profits, as determined in accordance with the PRC accounting rules and regulations, to their shareholders only after they have made appropriate contributions to relevant statutory funds. All of our project subsidiaries are wholly owned by us, but each of them may not distribute its after-tax profits to us if it has not already made contributions to its reserve fund at a rate of no less than 10% of its net profit. A wholly foreign-owned enterprise is required to continue making contributions to its reserve fund until such fund reaches 50% of its registered capital. The reserve fund is not distributable as cash dividends. In addition, the calculation of distributable profits under PRC accounting rules and regulations is different from the calculation under IFRSs in certain aspects. As a result, our operating subsidiaries may not have distributable profits as determined under PRC accounting rules and regulations, even if they have profits for the year as determined under IFRSs. Since we derive all of our funds and profits from our operating subsidiaries in China, we may not have sufficient funds to pay dividends to our shareholders.

Furthermore, restrictive covenants in bank credit facilities or other agreements that we may enter into in the future may also restrict the ability of our project subsidiaries to make contributions to us and our ability to receive distributions. These restrictions could reduce the amounts of distributions that we receive from our subsidiaries, which would restrict our ability to fund our operations, generate income and pay dividends.

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

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

## RISK FACTORS

leaving the Company. If such person breaches such obligation or any other key personnel of the Company carries on any activities competing with us, we may lose customers, key professionals and staff members and our legal remedies against such person may be limited.

**The national and regional economies may be adversely affected by a recurrence of SARS or an outbreak of other epidemics, thereby affecting our business, financial condition and results of operation.**

Certain areas of China, including Guangdong Province, are susceptible to epidemics such as Severe Acute Respiratory Syndrome, or SARS, or avian influenza. A recurrence of SARS or an outbreak of avian influenza or any other epidemic in Guangdong Province or other areas of China could result in material disruptions to our project developments, which in turn would adversely affect our business, financial condition and results of operations.

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

### **LEGAL AND REGULATORY RISKS RELATING TO OUR INDUSTRY**

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

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

## RISK FACTORS

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

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

In addition, according to the lease agreements with our tenants and the transfer agreements with respect to operation rights in our shop units, we were advised by Jingtian, our PRC legal advisor, that in the event that the agreements must be terminated due to force majeure, which includes an outbreak of war, upon (1) our request that the shop unit be returned to us, and (2) the return of the shop units to us by the transferees unconditionally for the remainder of the lease terms or operational rights terms, we must refund the rents paid upfront or transfer payments to the tenants or transferees. As of March 31, 2008, we had an upfront payment of rents in the amount of RMB161.9 million, and transfer payments for the remainder of the operation rights terms in the amount of RMB610.5 million<sup>(1)</sup> which would be subject to refund. We may also be held liable for the repayment of the outstanding bank loans to the shop unit transferees for which we provided guarantees if these transferees default on their payment due to an outbreak of war. See “ — We generally provide guarantees for bank loans to the purchasers of the operation rights of our shop units and consequently are liable to the banks if the purchasers default on their loan repayment.” For losses, damages and liabilities that we may incur as a result of such seizure, refunds, termination or otherwise, we do not have any claims or indemnification rights against the government. All of such events will materially and adversely affect our business, financial condition and results of operations.

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*Notes:*

- (1) We have transferred operations rights at (i) Gexin section of Phase II of Harbin Project in the amount of RMB4.3 million for 40 years, the remainder of operation rights term of which was 405 months as of March 31, 2008; (ii) Baorong section of Phase II of Harbin Project in the amount of RMB61.9 million for 34 years, the remainder of operation rights term of which was 393 months as of March 31, 2008; (iii) Phase I of Guangzhou Project in 2007 in the amount of RMB190.0 million for 40 years the remainder of operation rights term of which was 465 months as of March 31, 2008; and (iv) Phase I of Guangzhou Project in 2008 in the amount of RMB365.5 million for 39 years the remainder of operation rights term of which was 465 months as of March 31, 2008. The total amount of transfer payment subject to refund is the sum of refund amount for each project which is calculated based on the average monthly value for each project times the corresponding number of remainder months of operation rights terms. The amount subject to refund from these projects will be reduced as time passes by.

## RISK FACTORS

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

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

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

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

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

## RISK FACTORS

agreements may be held invalid to certain extent such as during the excessive period, in which case we may be liable for the transferees' damages. In such case, our business, financial condition or results of operations may be adversely affected.

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

The development of underground civil air defense shelters for commercial use is not categorized as real estate property development under current PRC laws and regulations and is therefore not subject to many of the PRC laws and regulations governing the real estate industry. As confirmed by Jingtian, our PRC legal advisor, we are not subject to land use right premiums and are not required to obtain land use right certificate before the commencement of any project according to the existing PRC laws and regulations including without limitation, a judicial notice issued by the Supreme Court of the PRC in 1996. We have chosen to pay land use right premiums for all of our completed projects in order to obtain land use right certificates to facilitate our financing in the past, but do not intend to obtain land use right certificates for our projects to be completed in the future. However, we cannot assure you that the government authorities in charge of the land administration at different locations will take the same position as Jingtian and that there will be change in the laws in the future. If we are required to pay land use right premiums and obtain land use right certificates for our projects due to such legal uncertainties, our business, financial condition or result of operations may be materially adversely affected.

### **RISKS RELATING TO THE PRC**

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

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

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

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

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



## RISK FACTORS

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

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

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

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

**A recently enacted PRC tax law could affect tax exemptions on dividends received by us, and our shareholders and increase our enterprise income tax rate.**

Prior to January 1, 2008, dividends we received from our PRC subsidiaries were not subject to PRC withholding tax. The National People's Congress adopted the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) in March 2007, and the State Council promulgated the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) in December 2007. These laws and regulations became effective on January 1, 2008. Under the Enterprise Income Tax Law of the PRC and its implementing regulations, an enterprise that is a "non-resident enterprise" may be subject to a withholding tax at 10% on any income it receives from Chinese territory, including dividends and any gain realized on the transfer of shares, subject to reduced rates under applicable tax agreements or treaties between the PRC and other tax jurisdictions. Hong Kong, where our intermediate holding companies are incorporated, has entered into a treaty that reduces the withholding tax rate to 5% on dividends received by Hong Kong companies from their PRC subsidiaries in certain conditions.

The PRC Enterprise Income Tax Law also provides that, if an enterprise incorporated outside the PRC has its "de facto management organization" located within the PRC, then such an enterprise will be regarded as a "resident enterprise" and may be subject to a 25% enterprise income tax on its

## RISK FACTORS

worldwide income. Substantially all members of our management are located in the PRC, and if they continue to be located in the PRC, we may be deemed a “resident enterprise”; therefore, we will be subject to an enterprise income tax rate of 25% on our worldwide income (excluding dividends received by a “resident enterprise” from another “resident enterprise”). If we are required under The PRC Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment in our shares may be adversely affected.

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

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

### **Governmental control of currency conversion may affect the value of your investment.**

The PRC government imposes restrictions on converting RMB into foreign currencies, which will limit our transactions involving foreign currencies and adversely affect our ability to transfer funds to and receive dividends from our PRC subsidiaries. Because we generate all of our revenues in RMB, our PRC subsidiaries need to convert a portion of their revenue into foreign currencies to pay dividends to us. Under the existing foreign exchange regime in China, conversion of RMB into foreign currencies for payment of dividends is subject to SAFE procedural requirements. Any foreign exchange transactions for capital expenditures on equipment or merchandise require prior approvals from SAFE. If we are unable to obtain such approvals, our capital expenditure plans and, consequently, our ability to grow our business, could be affected. Moreover, changes in the PRC foreign exchange regulations may adversely affect our ability to transfer funds to and receive dividends from our PRC subsidiaries.

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

The value of RMB against other foreign currencies is subject to changes in the PRC government’s policies and international economic and political developments. Under the current unified floating exchange rate system, the conversion of RMB into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are quoted daily based on the previous day’s inter-bank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rates for the conversion of RMB to Hong Kong and U.S. dollars have generally been stable. However, with effect from July 21, 2005, the PRC government reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the RMB appreciated against the Hong



## RISK FACTORS

Kong and U.S. dollars by approximately 2% on the same date. On September 23, 2005, the PRC government widened the daily trading band for RMB against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. It is uncertain if the exchange rates of Hong Kong and U.S. dollars against RMB will further fluctuate. In the event of significant change in the exchange rates of Hong Kong and U.S. dollars against RMB, our ability to make dividend payment in foreign currencies may be adversely affected. Accordingly, our financial condition and results of operations could also be adversely affected. In addition, we plan to deposit the unused proceeds from the Global Offering in bank accounts without converting them into RMB assets. In the event that the appreciation of Renminbi against the U.S. dollar and Hong Kong dollar continues, we may record a negative amount in the exchange reserve, which will decrease our total equity attributable to equity holders. Conversely, depreciation of RMB could adversely affect the value of dividends, if any, payable on, the Shares by us in foreign currency.

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

On July 10, 2007, the General Affairs Department of SAFE issued a notice to (i) restrict the ability of foreign-invested real estate companies to raise funds offshore for the purpose of injecting such funds into PRC companies by way of shareholder loans and (ii) require a filing with MOFCOM regarding the establishment of foreign-invested real estate companies for the purpose of injecting funds into PRC companies by ways of contribution or increase of registered capital. Though our project developments are not explicitly categorized as property development and Jingtian, our PRC legal advisor, has advised us that we are not subject to this notice because our project approval process as underground civil air defense shelters differs from those for ordinary real estate development, we cannot assure you that the Ministry of Commerce of the PRC, the SAFE and its local branches will take the same position.

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

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

## RISK FACTORS

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

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

### **RISKS RELATING TO THE GLOBAL OFFERING**

**There has been no prior public market for our Shares, and the liquidity and market price of the Shares may be volatile.**

Prior to the listing of our Shares on the Stock Exchange, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between us and the Joint Global Coordinators (on behalf of the Underwriters), and may differ from the market prices for our Shares after listing. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the listing of our Shares on the Stock Exchange will result in the development of an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile. There can be no assurance as to the ability of the holders to sell their Shares or the price at which those Shares can be sold. As a result, shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under the Global Offering. Factors that may affect the volume and price at which our Shares will be traded include, among other things, variations in our turnover, earnings, cash flows and costs, announcements of new investments, litigation involving our Group, and changes in laws, regulations and/or government policies in China. Furthermore, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past due to reasons not relating to themselves, and our Shares may also be subject to changes in price not directly related to our performance.

**You will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.**

The Offer Price of our Shares is higher than the net tangible assets value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible assets value to HK\$0.35 per Share, based on the maximum Offer Price of HK\$1.71, assuming that the Over-allotment Option is not exercised.

In order to raise capital and expand our business, we may consider offering and issuing additional Shares in the future. We may also issue additional Shares pursuant to the exercise of options to be granted under our Share Option Scheme. Purchasers of our Shares may experience dilution in the net tangible assets book value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible assets book value per Share.

## RISK FACTORS

**Future sales by our Directors, officers or current Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.**

Future sales of a substantial number of our Shares by our Directors, Officers or current Shareholders, including Shares issued upon the exercise of outstanding options in the public markets in Hong Kong, or the possibility of such sales, could negatively impact the market price in Hong Kong of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the date on which trading in our Shares commences on the Stock Exchange, details of which are set forth in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings.” While we are not aware of any intention on the part of our Controlling Shareholders to dispose of significant amounts of their Shares upon the expiration of such lock-up periods, we cannot assure you that they will not dispose of any or all of the Shares they may own now or in the future.

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

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

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

**You may experience difficulties in enforcing your shareholder rights because we are incorporated in the Cayman Islands, and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong and other jurisdictions.**

We are an exempted company incorporated in the Cayman Islands with limited liability, and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by our memorandum and articles of association, the Cayman Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in other jurisdictions. This may mean that the remedies

## RISK FACTORS

available to the Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. See the section headed "Cayman Islands Company Law" in Appendix VI.

**You should read the entire prospectus carefully and rely only on the information contained in this prospectus in making your investment decision. We strongly caution you against any reliance on any information contained in press articles or other media reports not prepared or approved by us.**

On September 6, 2008 and September 9, 2008, the Hong Kong Economic Times, Ming Pao Daily News, Sing Tao Daily and Oriental Daily News published certain articles, which contained, among other things, certain projections, valuations and other forward-looking information about us. Such articles were not prepared or approved by us. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any of the information contained therein or any assumptions underlying such information, nor do we accept any responsibility for the accuracy or completeness of any such information or assumptions.

You should carefully evaluate all the information in this prospectus, including the risks described in this section and throughout the prospectus. We have in the past received, and may continue to receive, a high degree of media coverage, including coverage that is not directly attributable to statements made by our officers and employees. You should rely only on the information contained in this prospectus in making your investment decision.

## **MANAGEMENT PRESENCE IN HONG KONG**

Under Rule 8.12 of the Hong Kong Listing Rules, an issuer must have a sufficient management presence in Hong Kong with at least two of the issuer's executive Directors ordinarily residing in Hong Kong. The Group's principal operations and assets are based in the PRC. In addition, the executive Directors ordinarily reside in the PRC. If two executive Directors were to ordinarily reside in Hong Kong in order to comply with Rule 8.12 of the Hong Kong Listing Rules, this would draw upon the Group's key senior management resources needed for the management of the Group's business operations, which are mainly located in the PRC. To maintain effective lines of communication between the Company and the Stock Exchange, the Company has appointed Mr. Wang Hongfang (an executive Director) and Mr. Hung Fan Kwan (the Chief Financial Officer and the company secretary and qualified accountant of the Company) as the Company's authorized representatives to act as the principal channel of communications with the Stock Exchange. Mr. Hung Fan Kwan is ordinarily resident in Hong Kong. Although Mr. Wang Hongfang ordinarily resides in the PRC, he holds valid travel documents and can obtain a multiple entry permit to Hong Kong. Each of the authorized representatives of the Company will be available to meet with the Stock Exchange in Hong Kong within a reasonable time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and electronic means, and is authorized to communicate on behalf of the Company with the Stock Exchange.

In order to further enhance the communication between the Stock Exchange and the Company, the Company has implemented the following policies: (1) each Director will provide his/her office and residential telephone number, mobile number, fax number and e-mail address to the authorized representatives and his/her respective alternate; (2) all of the Directors will provide their office and residential phone numbers, mobile phone numbers, fax numbers and e-mail addresses to the Stock Exchange; and (3) all of the Directors who are not ordinarily resident in Hong Kong have confirmed that they either possess or will apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

The Company will appoint BOCI, which is based in Hong Kong, to act as the Company's compliance advisor pursuant to Rule 3A.19 of the Hong Kong Listing Rules for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Hong Kong Listing Rules pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Accordingly, the Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.12 of the Hong Kong Listing Rules which requires the Company to have a sufficient management presence in Hong Kong. As a condition of the waiver, all of the Directors (including the independent non-executive Directors) who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong and, when required, will be able to meet with relevant members of the Stock Exchange within a reasonable time.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

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

### **UNDERWRITING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators, on behalf of the Underwriters, the Global Offering will not proceed. The Global Offering is managed by the Joint Global Coordinators. For further information about the Underwriters and the underwriting arrangements, see "Underwriting."

### **SELLING RESTRICTIONS**

Each person acquiring Hong Kong Offer Shares will be required to confirm, or by his acquisition of Hong Kong Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this prospectus.

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

### **INFORMATION ON THE GLOBAL OFFERING**

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering,” and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” and on the relevant Applications Forms.

The content of our websites do not form part of this Prospectus. No reliance shall be made on the content of our websites.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme. Dealings in our Shares on the Stock Exchange are expected to commence on or about October 15, 2008. None of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and the Company’s compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in our Shares. None of us, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, or dealing in, Shares.

### **OVER-ALLOTMENT AND STABILIZATION**

Details of the arrangement relating to the Over-allotment Option and stabilization are set out under the sections headed “Structure of the Global Offering — Over-allotment and Stabilization” in this prospectus.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

### **HONG KONG REGISTER OF MEMBERS AND STAMP DUTY**

The Company's Hong Kong register of members will be maintained by its Hong Kong Share Registrar.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered on the Company's Hong Kong register of members will be subject to Hong Kong stamp duty.

### **PROCEDURE FOR APPLYING FOR THE HONG KONG OFFER SHARES**

The procedure for applying for the Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" and on the relevant Application Forms.

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering, are set out in the section headed "Structure of the Global Offering."

### **ROUNDING**

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



<b>DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</b>
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**DIRECTORS**

Name	Residential Address	Nationality
<b>Executive Directors</b>		
DAI Yongge (戴永革)	No. 23 Mei Shun Street Nangang District, Harbin, PRC	Chinese
ZHANG Dabin (張大濱)	Flat 204, Unit 5 No. 33 An Ji Street Daoli District, Harbin, PRC	Chinese
WANG Hongfang (王宏放)	No. 68 Tou Lung Street Daoli District, Harbin, PRC	Chinese
WANG Chunrong (王春蓉)	Hutong No. 16, Min Le Da Yuan Taiping District, Harbin, PRC	Chinese
WANG Luding (王魯丁)	No. 6, 15/F, Unit 4 No. 33-5 You Zheng Street Nangang District, Harbin, PRC	Chinese
<b>Non-executive Directors</b>		
HAWKEN Xiu Li (秀麗·好肯)	19 Howden Road London, SE25 4AS United Kingdom	British
JIANG Mei (蔣梅)	5001/91 Liverpool Street Sydney NSW 2000 Australia	Chinese
ZHANG Xingmei (張興梅)	No. 23 Mei Shun Street Nangang District Harbin, PRC	Chinese
HO Gilbert Chi Hang (何智恒)	Flat A, LG/F, Block 2 The Mount Austin 8 Mount Austin Road The Peak, Hong Kong	Australian
HO Hsiang-Ming, James (賀象民)	67 Cedar Drive 18 Pak Pat Shan Road Tai Tam Hong Kong	Singaporean

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<b>Independent Non-executive Directors</b>		
FAN Ren-Da, Anthony (范仁達)	Flat 9A, Hadden Court 41C Conduit Road Central Hong Kong	Chinese
WANG Shengli (王勝利)	Flat 1002, 2/F Zhong Chan Yuan Nan No. 58 Anli Street Chaoyang District Beijing, PRC	Chinese
WANG Yifu (王一夫)	No. 18 Jing Street Daoli District Harbin Heilongjiang Province PRC	Chinese

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

### PARTIES INVOLVED

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

BOCI Asia Limited  
26/F, Bank of China Tower  
1 Garden Road, Central  
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited  
Level 15, HSBC Main Building  
1 Queen's Road, Central  
Hong Kong

Morgan Stanley Asia Limited  
30/F, Three Exchange Square  
Central  
Hong Kong

UBS AG  
52/F, Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

**Legal advisors to the Company**

*as to Hong Kong law*  
Norton Rose Hong Kong  
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<b>Auditors and reporting accountants</b>	<p>KPMG <i>Certified Public Accountants</i> 8/F, Prince's Building 10 Chater Road Central Hong Kong</p>
<b>Property valuer</b>	<p>CB Richard Ellis Limited 34/F, Central Plaza 18 Harbour Road Wanchai Hong Kong</p>
<b>Compliance advisor</b>	<p>BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central Hong Kong</p>
<b>Receiving bankers</b>	<p>The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong</p> <p>Bank of China (Hong Kong) Limited 1 Garden Road, Central Hong Kong</p>

## CORPORATE INFORMATION

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<b>Head Office</b>	No. 23 Mei Shun Street Nangang District Harbin, Heilongjiang China 150001
<b>Principal place of business in Hong Kong</b>	12/F, Times Tower 391–407 Jaffe Road Wanchai, Hong Kong
<b>Website address</b>	<a href="http://www.renhebusiness.com">www.renhebusiness.com</a>
<b>Company secretary</b>	Mr. HUNG Fan Kwan <i>FCPA, FCCA</i>
<b>Qualified accountant</b>	Mr. HUNG Fan Kwan <i>FCPA, FCCA</i>
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<b>Audit Committee</b>	Mr. FAN Ren-Da, Anthony ( <i>Chairman</i> ) Mr. WANG Shengli Mr. WANG Yifu
<b>Remuneration Committee</b>	Mr. WANG Shengli ( <i>Chairman</i> ) Mr. DAI Yongge Mr. WANG Yifu
<b>Nomination Committee</b>	Mr. WANG Shengli ( <i>Chairman</i> ) Mr. DAI Yongge Mr. WANG Yifu

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**Principal bankers**

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Harbin, PRC

## INDUSTRY OVERVIEW

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

### INTRODUCTION

We are the largest privately-owned operator and developer of stand-alone underground shopping centers in China in terms of GFA under operation as of December 31, 2007, according to the Euromonitor Report. See “— Source of Information”. Euromonitor is an independent provider of business intelligence on industries, countries and consumers. Based in the United Kingdom, Euromonitor was founded in 1972 and now has offices in the United States, Europe, South Africa, Middle East and Asia, with total employees of approximately 450. Euromonitor’s business intelligence products include online information databases, market reports, and business reference books. Euromonitor provides consulting services, including trade surveying and analysis to support market, competitor, and customer intelligence. To date, we have operated our shopping centers primarily as facilities for the wholesale and retail sale of apparel and accessories in China. The underground space that we develop is categorized as underground civil air defense shelters and governed by the relevant laws and regulations in China (see “Regulations”). To maximize the limited space for commercial use in highly-developed commercial areas, the government has permitted the development and commercialization of underground air defense shelters by the private sector.

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

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



## INDUSTRY OVERVIEW

### **The Underground Space in the PRC**

Similar to the trends in other countries, the commercial use of underground spaces in China has been concentrated in highly-developed areas, and the development of underground space in China gathered momentum when the government authorities initiated reforms in the 1980s allowing for the development of underground civil air defense shelters for commercial use. In 1990s, for the first time, PRC laws and regulations explicitly allowed foreign capital to invest in the development and operation of underground civil air defense shelters. Subsequently, rules and notices were issued to encourage private and foreign enterprise participation in the development of underground civil air defense shelters. A brief timeline of key reforming activities is set out below:

- 1983 . . . . . The PRC government promulgated rules relating to the development and use of underground civil air defense shelters during peace time.
  
- 1993 . . . . . The PRC government promulgated rules to explicitly permit the development of underground civil air defense shelters funded by private and foreign capital.
  
- 1997 . . . . . The PRC government promulgated rules providing for the favorable tax treatment for foreign invested enterprises engaged in the underground civil air defense shelters sector.
  
- 2001 . . . . . The PRC government issued a notice requiring that the ownership and operation rights of underground civil air defense shelters be separated and that operation rights be transferable in a market-based system.
  
- 2003 . . . . . The PRC government promulgated rules regarding the approval process for and the administration and supervision of the development and construction of underground civil air defense shelters using private and foreign capital.

We have obtained approvals for project proposal from the National Civil Air Defense Office for the commercial development and operation of the underground civil air defense shelter projects that are completed, under development and for future development, including those for Phases IV and V of Harbin Project, Wuhan Project and Nanchang Project which have been granted to Renhe Group, Beijing Baorong and KII respectively on behalf of and for the benefit of us. See “Business — Our Projects.”

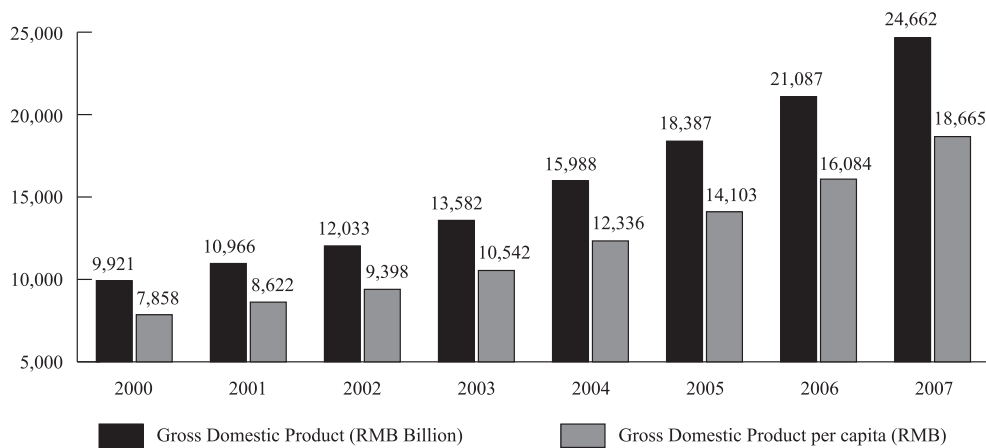
According to the Euromonitor Report, although considered a rather small segment of the market place in terms of total underground space, stand-alone underground shopping centers have a long-standing history that dates back to the 1980s and currently follow a business model that is considered rather common in several regions of China. Unlike integrated underground shopping centers which are typically developed together with, and will be restricted by, the structure of the above-the-ground buildings, stand-alone underground shopping centers are planned, designed and constructed as separate facilities in many cases underneath streets and roads.

## INDUSTRY OVERVIEW

### THE ECONOMY OF CHINA

The Chinese economy has grown significantly since the Chinese government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization, or WTO, in 2001 has further accelerated the reform of the PRC economy. China's gross domestic product, or GDP, has increased from approximately RMB9,921 billion in 2000 to approximately RMB24,662 billion in 2007 at a CAGR of approximately 13.9%. In 2007, China's GDP grew approximately 17.0% compared to 2006. On December 11, 2004, nine business sectors, including the retail industry, were fully opened to foreign participation in line with the commitments which China made upon accession to the WTO. The following graph sets forth China's GDP and GDP per capita in China in each of the years from 2000 to 2007.

**GDP and GDP per Capita in China**



Source: National Bureau of Statistics of China

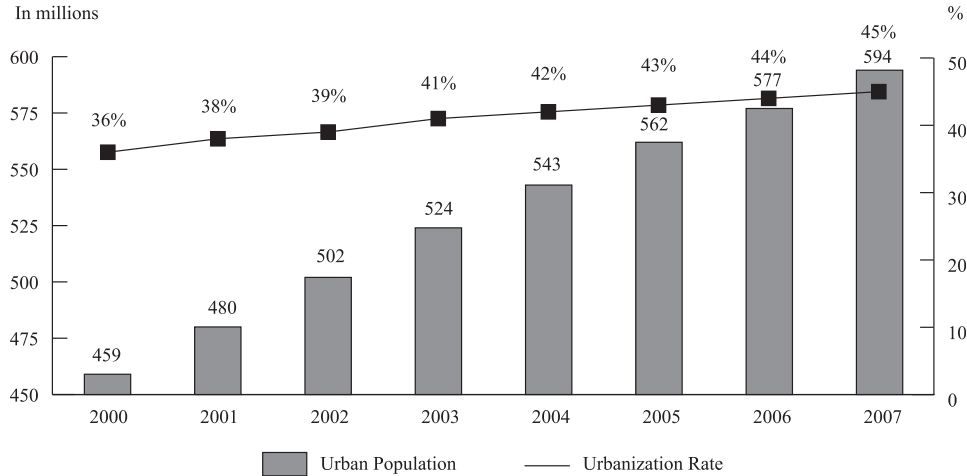
The International Monetary Fund estimated in its World Economic Outlook Database published in April 2007 that China's real GDP is forecasted to grow at an annual rate of 9.5% in 2008, surpassing many developed economies in the world.

The urban population and urbanization rate of China have shown a consistent upward trend alongside its economic development. According to the National Bureau of Statistics of China, the total urban population in China increased to 594 million as of December 31, 2007, from 459 million as of December 31, 2000, representing an increase of 29.4%. The urbanization rate, defined as the urban population as a percentage of the total population, increased from 36.2% in 2000 to 45.0% in 2007. We believe such trends will increase the need for more underground space in densely populated cities as shelters in times of war. We also believe that such trends will lead to increased consumer spending as average disposable income is higher in cities compared to rural areas. We expect these factors will have a positive impact on our underground shopping center business.

## INDUSTRY OVERVIEW

The graph below illustrates the growth of urban population and urbanization rate in China in each of the years from 2000 to 2007.

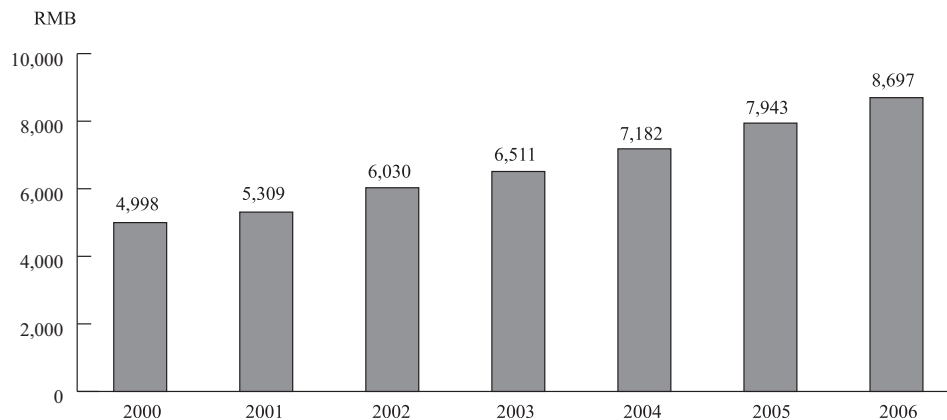
**Urban Population and Urbanization Rate in China**



*Source:* National Bureau of Statistics of China

Urban households have also exhibited an increasing trend in their annual living expenditure. The illustration below shows the increase of per capita annual living expenditure of urban households in China from RMB4,998 in 2000 to RMB8,697 in 2006, at a CAGR of 9.7%.

**Per Capita Annual Living Expenditure of Urban Households**

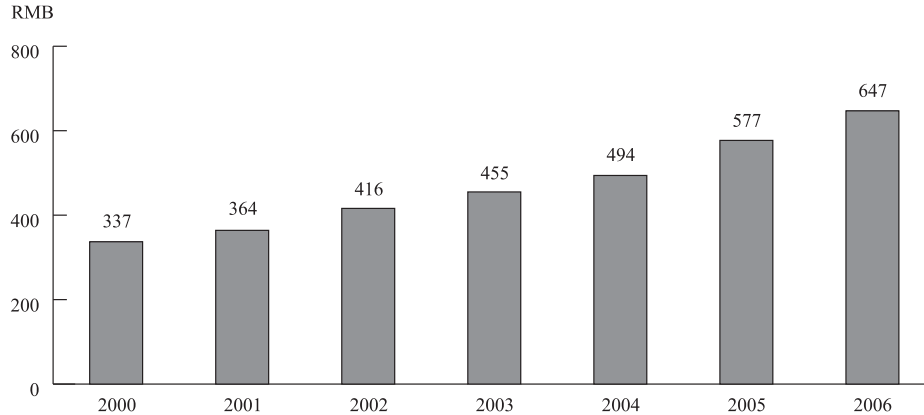


*Source:* National Bureau of Statistics of China

## INDUSTRY OVERVIEW

The urban population's expenditure on apparel also increased in the years from 2000 to 2006, at a CAGR of 11.5%, outpacing the growth rate of overall living expenditure.

### Per Capita Annual Garments Expenditure of Urban Households in China



Source: National Bureau of Statistics of China

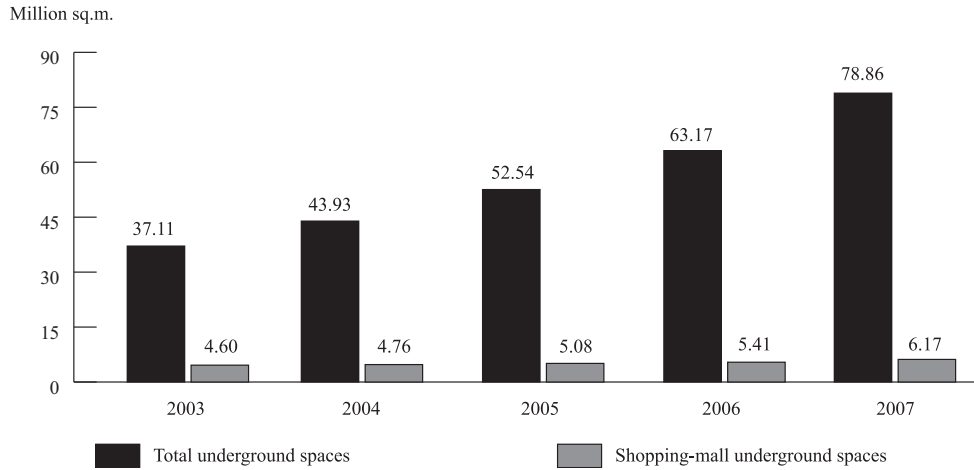
### UNDERGROUND SPACE IN THE PRC

According to Euromonitor, underground space includes areas that are developed underneath the ground level, which are known to be operational and open to public access. This includes former civil air defense space such as bomb shelters (sometimes located separately from other interconnected city areas) that are upgraded and used for community or commercial services but excludes basements or extended underground floors belonging exclusively to aboveground structures that are not interconnected or open to the public. Shopping mall underground space represents underground space for commercial purposes (such as retail and wholesale operations, entertainment centers and hospitality) that is occupied exclusively by underground shopping malls. This includes shopping malls solely built underground and integrated underground shopping malls belonging to aboveground structures such as commercial centers or large-scale shopping areas.

## INDUSTRY OVERVIEW

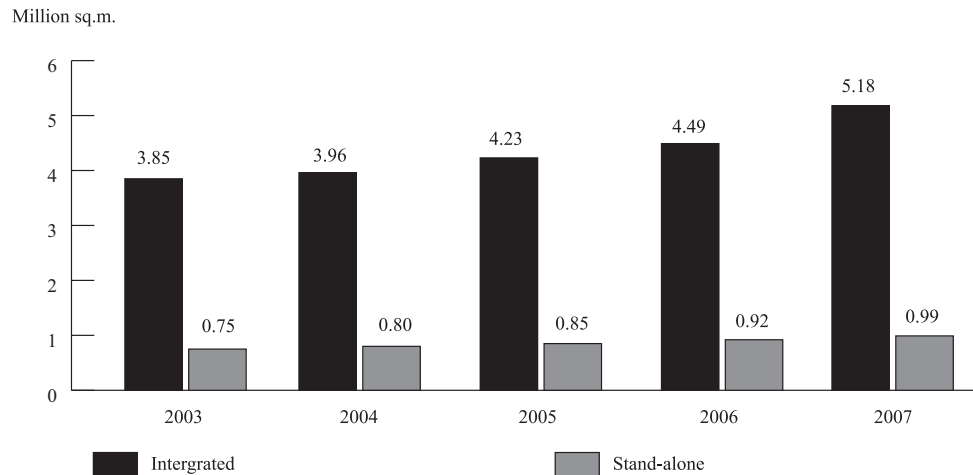
China's total underground space has increased from approximately 37.11 million sq.m. as of 2003 to 78.86 million sq.m. as of 2007 at a CAGR of approximately 20.7%, while the shopping mall underground space has increased from approximately 4.60 million sq.m. as of 2003 to 6.17 million sq.m. as of 2007 at a CAGR of approximately 7.5%. The following chart sets forth China's total underground spaces and shopping-mall underground spaces in each of the years from 2003 to 2007.

### Underground Space in China



Source: Euromonitor

Among the shopping-mall underground spaces, the size of integrated underground shopping centers has grown from approximately 3.85 million sq.m. as of 2003 to 5.18 million sq.m. as of 2007 at a CAGR of approximately 7.7%, while during the same period of time, the size of the stand-alone underground shopping centers have grown from approximately 0.75 million to 0.99 million sq.m. at a CAGR of approximately 7.2%. The following chart sets forth China's integrated underground shopping centers and stand-alone underground shopping centers in each of the years from 2003 to 2007.



Source: Euromonitor

## INDUSTRY OVERVIEW

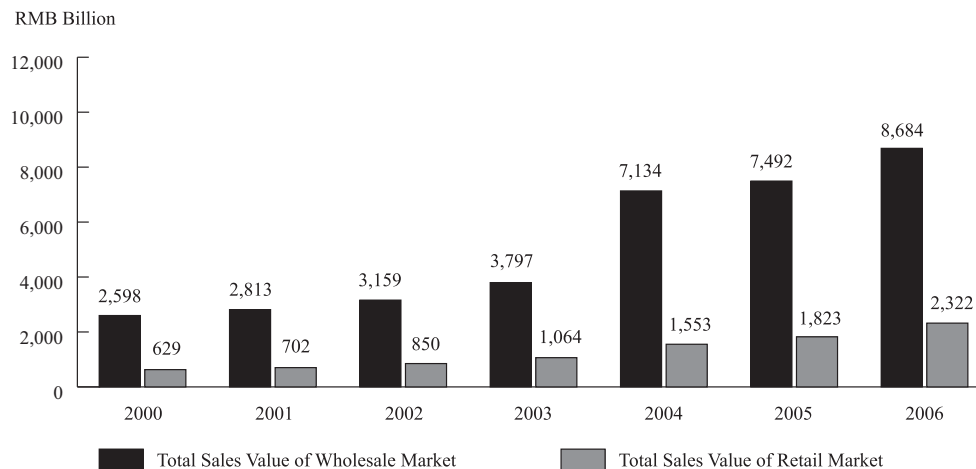
Euromonitor estimated that there are currently more than 80 underground shopping malls, including integrated underground shopping centers and stand-alone underground shopping centers, and Harbin, Shanghai and Guangzhou rank as the top 3 cities where underground shopping malls are mostly located. In terms of geographic extension, cities located in the North and Northeast China, such as Harbin, Beijing, Changchun, Shenyang and Dalian, are believed to be the dominant region where underground shopping malls are located. East China follows in the 2nd rank with Shanghai, Qingdao, Jinan and Nanjing being the primary areas of underground shopping centers. In South China, Mid China and Southeast China, Guangzhou has the largest number of underground malls.

### WHOLESALE MARKET IN THE PRC

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

Wholesale plays a major role in commodity transactions and the economy. In China, approximately 50% of industrial products and 80% of agricultural products are sold by wholesalers. The wholesale market represents 41% of national GDP in 2006, increased from 26% in 2000. The illustration below shows the sizes in terms of total sales of wholesale and retail markets in each of the years from 2000 to 2006. During the same period, the size of the sales value of wholesale market is four times of the retail market on average.

#### Wholesale Market and Retail Market in the PRC



Sources: National Bureau of Statistics of China

## INDUSTRY OVERVIEW

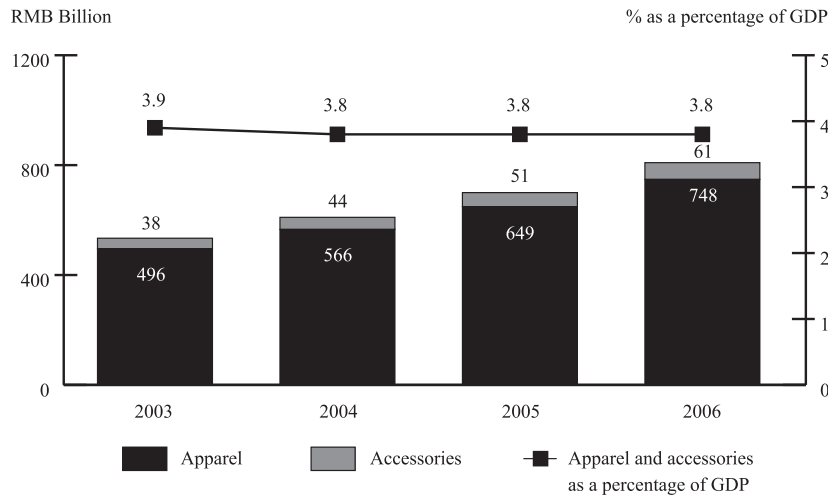
### APPAREL SALES IN THE PRC

China has become one of the largest apparel markets in the world. Apparel export value from the PRC as a percentage of global apparel trade value has increased from 4.6% in 1998 to 25.9% in 2005. Domestically, sales of apparel and accessories grew at a CAGR of approximately 14% from 2001 to 2006, in line with China's GDP growth. Rapid economic growth, continuing urbanization and increasing per capita disposable income have contributed to the growth of sales of apparel and accessories and hence, the retail and wholesale sales of apparel and accessories have increased as well.

We believe that the apparel market is fragmented in China. Due to a large population residing in a country of 9.6 million square kilometers, apparel manufacturers rely on wholesale markets as a primary channel to distribute their products in China, and wholesale markets in larger cities, where wholesalers and retailers of smaller cities or rural areas supply their merchandises, have shown a sustainable growth in recent years, with the growth of disposable income and consumption in smaller cities and rural areas.

The graph below shows sales of apparel and accessories in China in each of the years from 2003 to 2006, which have grown at a CAGR of 14.7% and 17.1%, respectively. During the same period, the sales of apparel and accessories as a percentage of the GDP largely remained stable at a level close to 4%.

**Sales of Apparel and Accessories in China**



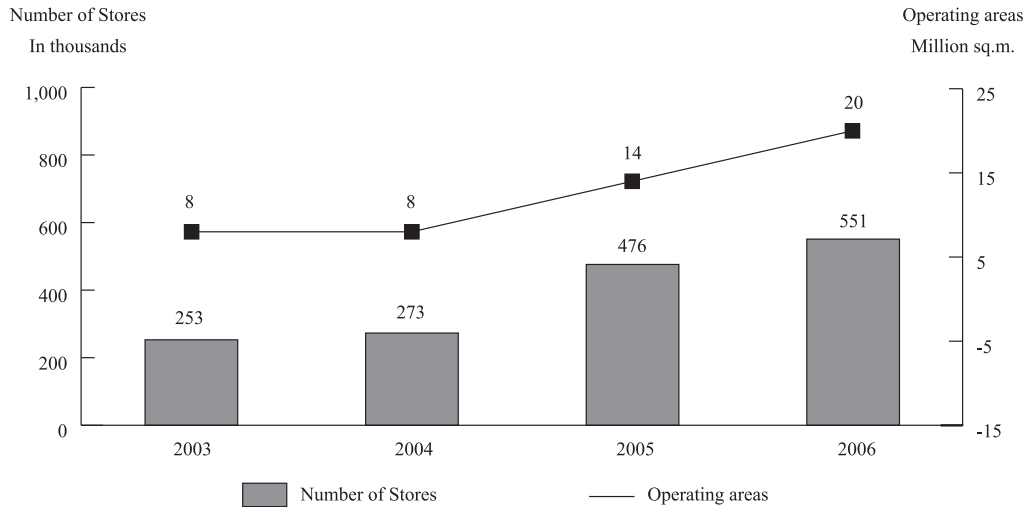
*Sources:* National Bureau of Statistics

The significant sales growth of apparel and accessories in China can also be demonstrated by the increasing number of stores selling apparel and the increasing size of the aggregate operating areas. The graph below shows the number of outlets and operating areas of textile, apparel, shoes and hats in China in each of the years from 2003 to 2006, which increased at a CAGR of 29.6% and 33.4%, respectively.



## INDUSTRY OVERVIEW

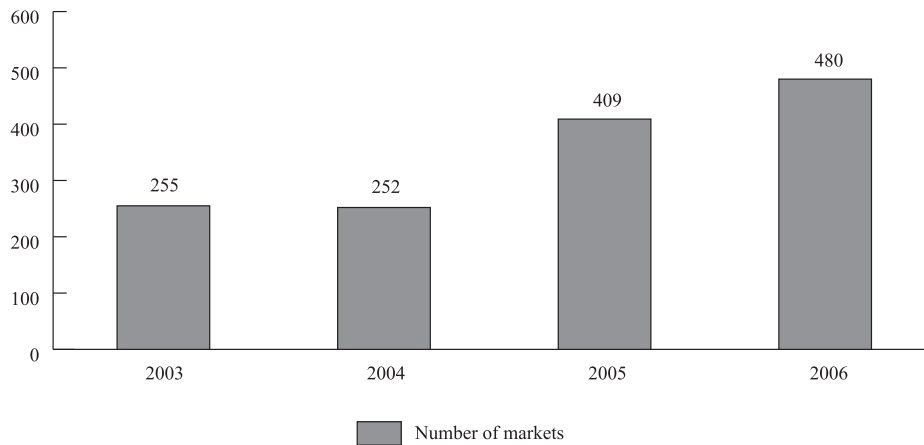
### Textile, Apparel, Shoes and Hats Markets in China with Total Transaction Value over RMB100 Million



Sources: National Bureau of Statistics of China

In addition, the number of markets specializing in textile, apparel, shoes and hats also increased to 480 in 2006 from 255 as of 2003, at a CAGR of 23.5%.

### Markets for Textile, Apparel, Shoes and Hats Markets with Annual Transaction Value above RMB200 Million



Sources: National Bureau of Statistics of China

## INDUSTRY OVERVIEW

### APPAREL WHOLESALE INDUSTRY IN THE PRC

*We are an operator and developer of underground shopping centers. We lease and transfer operation rights for the underground spaces that we develop to individuals primarily engaged in the wholesale and retail sales of apparel and accessories by collecting rents periodically or charging a one-time transfer fee, as applicable. We do not participate in the wholesale or retail business ourselves, nor do we derive any of our revenues directly from the wholesale or retail operation of our clients. However, given that we designed all of our existing underground facilities to be used as shopping centers and primarily as apparel wholesale centers, the growth of the apparel wholesale industry will have a significant impact on the demand for apparel wholesaler center spaces and thus affect our ability to lease or transfer operation rights for shop units in our underground shopping centers at prices or on terms that are favorable to us. Any information about apparel wholesale industry in the PRC or the cities where our underground shopping centers are located is only intended to describe the nature of an industry that our business is heavily dependent on and in no circumstance shall it be interpreted that we are currently engaged, or plan to engage, in the apparel wholesale or retail businesses.*

#### Overview

In China, most apparel is distributed through tiers of apparel wholesale markets located across the country with the rest by manufacturers and retail stores. The dominance of wholesale markets as a primary apparel distribution channel is due to the fragmented structure of the apparel industry. In 2006, China had approximately 480 major apparel wholesale centers, such as Sijiqing apparel market in Hangzhou, White Horse apparel market in Guangzhou and Wuai apparel market in Shenyang.

The sellers at the wholesale markets rent store space to display product samples to attract prospective buyers. The buyers place the order at the store and tend to take small orders of merchandise with them. Therefore proximity to transportation hubs such as train stations are important for apparel wholesale markets in China. For large orders, the sellers ship them directly from warehouses. In addition, the vendors also sell to “walk-in” customers who want to take advantage of the “wholesale prices.”

The apparel wholesale industry in China consists of three tiers in terms of the scales:

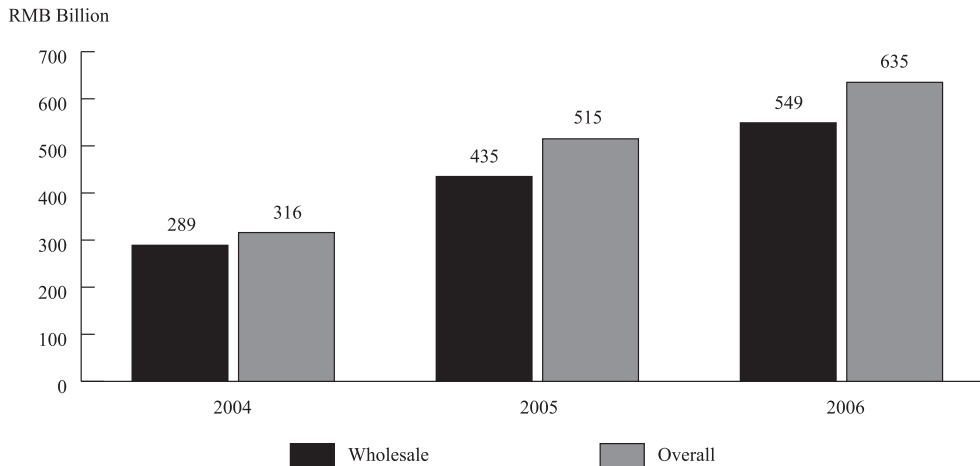
- Tier 1 (national level) markets, which are often near the garment manufacturing hubs (e.g., Guangzhou). Most vendors are manufacturers and distributors.
- Tier 2 (regional level) markets, which are located at regional or provincial commercial and transportation hubs (e.g., Zhengzhou, a major city in central China). The vendors in these markets are regional distributors and wholesalers. Many of them order merchandises from vendors in Tier 1 markets and in turn re-sell them to local retailers and Tier 3 wholesalers.
- Tier 3 (local level) wholesale centers, which are located in smaller cities and are close to the end consumption markets. Their customers are mainly local retailers.

## INDUSTRY OVERVIEW

### Growth of Apparel Wholesale Markets

The illustration below shows the sales of wholesale markets vis-à-vis overall (namely wholesale and retail) market specializing in apparel, shoes and hats in China in each of the years from 2004 to 2006. As can be seen in the graph, wholesales consistently accounted for the substantial majority of total sales.

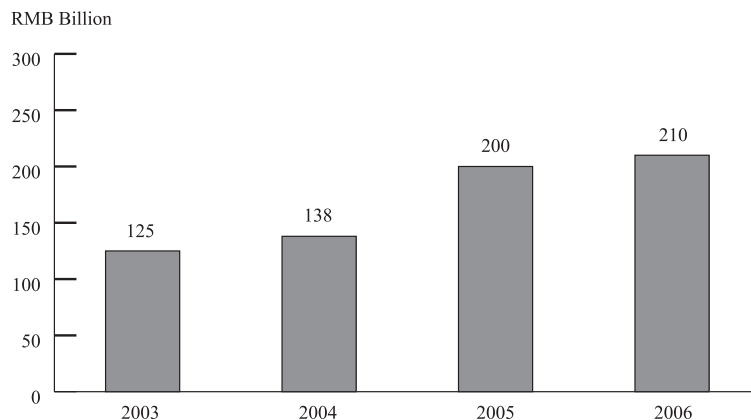
#### Sales of Apparel, Shoes and Hats in the Wholesale and Overall Markets



Sources: National Bureau of Statistics of China

The wholesale apparel market in China has been growing rapidly over the past few years. The graph below shows the sales value of apparel wholesale enterprises in China with 20 or more employees and annual sales of RMB20 million or more in each of the years from 2003 to 2006, which increased at a CAGR of 18.9%.

#### Sales Values of Apparel Wholesale Enterprises above Designated Size in China<sup>(1)</sup>



Source: National Bureau of Statistics of China

## INDUSTRY OVERVIEW

*Note:*

- (1) Designated Size means the sales value of apparel wholesale enterprises in China with 20 or more employees and annual sales of RMB20 million or more.

### THE ECONOMIES OF CITIES IN WHICH WE OPERATE

#### Harbin

Harbin is the capital city of Heilongjiang Province in the northeastern region of China with a population of approximately 9.9 million as of 2007. The city experienced a high GDP growth rate for the six-year period from 2002 to 2007. Harbin's GDP reached approximately RMB244 billion in 2007, representing a per capita GDP of approximately RMB24,768. The per capita annual disposable income of urban households in Harbin has increased from approximately RMB7,004 in 2002 to approximately RMB12,772 in 2007, representing a CAGR of 12.8% during the period. The table below sets forth selected economic statistics of Harbin for the periods indicated.

	2002	2003	2004	2005	2006	2007
Nominal GDP (RMB Bn) . . . .	123	141	168	183	209	244
Real GDP growth rate (%) . . .	11.5%	13.5%	14.7%	14.1%	13.5%	13.5%
GDP per capita (RMB). . . . .	12,993	14,826	17,321	18,852	21,374	24,768
Per capita annual disposable income of urban households (RMB) . . . . .	7,004	7,893	8,940	10,065	11,230	12,772
Per capita annual consumption expenditure of urban households (RMB) . . . . .	5,500	6,230	6,896	7,897	8,515	9,294

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*Sources:* Harbin Statistic Bureau

## INDUSTRY OVERVIEW

### Guangzhou

Guangzhou is the largest city in southern China and the capital city of Guangdong Province with a population of approximately 10.0 million as of 2007. The city experienced a high GDP growth rate for the six-year period from 2002 to 2007. Guangzhou's GDP reached approximately RMB705 billion in 2007, representing a per capita GDP of approximately RMB71,219. The per capita annual disposable income of urban households in Guangzhou has increased from approximately RMB13,380 in 2002 to approximately RMB22,469 in 2007, representing a CAGR of 10.9% during the period. The table below sets forth selected economic statistics of Guangzhou for the periods indicated.

	2002	2003	2004	2005	2006	2007
Nominal GDP (RMB Bn) . . . .	320	376	445	515	607	705
Real GDP growth rate (%) . . .	13.2%	15.0%	15.0%	13.0%	14.7%	14.5%
GDP per capita (RMB). . . . .	32,339	38,398	45,906	53,809	63,100	71,219
Per capita annual disposable income of urban households (RMB) . . . . .	13,380	15,003	16,884	18,287	19,851	22,469
Per capita annual consumption expenditure of urban households (RMB) . . . . .	10,672	11,571	13,121	14,468	15,445	18,951

*Sources:* Guangzhou Statistic Bureau

### Zhengzhou

Zhengzhou is the capital city of Henan Province in the central region of China with a population of approximately 7.4 million as of 2007. Zhengzhou's GDP reached approximately RMB242 billion in 2007, representing a per capita GDP of approximately RMB33,169. The per capita annual disposable income of urban households in Zhengzhou has increased from approximately RMB7,495 in 2002 to approximately RMB13,692 in 2007, representing a CAGR of 12.8% during the period. The table below sets forth selected economic statistics of Zhengzhou for the periods indicated.

	2002	2003	2004	2005	2006	2007
Nominal GDP (RMB Bn) . . . .	93	110	138	165	200	242
Real GDP growth rate (%) . . .	10.9%	14.7%	15.5%	15.8%	15.7%	15.6%
GDP per capita (RMB). . . . .	13,584	15,910	19,415	23,045	27,798	33,169
Per capita annual disposable income of urban households (RMB) . . . . .	7,495	8,346	9,364	10,640	11,822	13,692
Per capita annual consumption expenditure of urban households (RMB) . . . . .	5,480	5,958	6,619	7,223	7,619	8,757

*Sources:* Zhengzhou Statistic Bureau

## INDUSTRY OVERVIEW

### Shenyang

Shenyang is the capital city of Liaoning Province in the northeastern region of China with a population of approximately 7.1 million as of 2007. Shenyang's GDP reached approximately RMB307 billion in 2007, representing a per capita GDP of approximately RMB43,307. The per capita annual disposable income of urban households in Shenyang has increased from approximately RMB7,050 in 2002 to approximately RMB14,607 in 2007, representing a CAGR of 15.7% during the period. The table below sets forth selected economic statistics of Shenyang for the periods indicated.

	2002	2003	2004	2005	2006	2007
Nominal GDP (RMB Bn) . . . . .	140	160	190	208	248	307
Real GDP growth rate (%) . . . . .	13.1%	14.2%	15.5%	16%	16.5%	17.7%
GDP per capita (RMB). . . . .	20,322	23,248	27,392	29,833	35,283	43,307
Per capita annual disposable income of urban households (RMB) . . . . .	7,050	7,961	8,924	10,098	11,651	14,607
Per capita annual consumption expenditure of urban households (RMB) . . . . .	6,074	6,690	7,213	7,863	8,670	11,256

*Sources:* Shenyang Statistic Bureau

### Source of Information

#### *Euromonitor*

Because the PRC official government publications and sources do not disclose the status of the underground civil space in China, the data relating to the development of underground civil space are derived from Euromonitor, a U.K.-based service provider of market and competitor intelligence that we engaged to perform research on our industry. Euromonitor is independent of us, our connected persons and Joint Sponsors. A report entitled "Underground Apparel Shopping Centers in China" and issued by Euromonitor in May 2008, is one of the principal source of information in this section and was commissioned by us at a cost of US\$35,000.

#### *National Bureau of Statistics of China*

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

# REGULATIONS

## SUMMARY OF PRC LAWS RELATING TO THE CIVIL AIR DEFENSE SHELTERS INDUSTRY

### Summary of the Civil Air Defense Shelters Industry

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

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

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

### The Construction of Civil Air Defense Shelters

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

Pursuant to the Civil Air Defense Law, the PRC government encourages and supports enterprises, institutions, public organizations and individuals to invest in various ways in the construction of civil air defense shelters. During peacetime, such works shall be used and managed by the investors and the income therefrom shall belong to them. In accordance with relevant regulations, the PRC adopts preferential policies with regard to the construction of civil air defense projects, i.e. 《國家稅務局關於外商投資企業徵收城市房地產稅若干問題的通知》(國稅發[2000]44號). See “Appendix V — Mainland China Taxation — Our operations in mainland China — Urban Real Estate Tax.”

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

## REGULATIONS

令(2002)第346號)), it belongs to the category of permitted (but not encouraged, restricted or prohibited) foreign-funded projects, and is not listed in the Catalogue for the Guidance of Foreign Investment Industries. Therefore, foreign-funded investment in the construction of civil air defense shelters is permitted.

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

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

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

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

- to file a project proposal which is in accordance with the long- to medium-terms planning for the construction of civil air defense shelters;
- to prepare a feasibility report in accordance with the approved project proposal;
- to conduct preliminary construction designs and prepare the budget in accordance with the approved feasibility report;
- to submit an annual construction plan and prepare the construction plans in accordance with the approved feasibility report and preliminary designs;
- to apply for the construction project planning permit in accordance with the relevant rules of the PRC;
- to organize project tendering and building preparations in accordance with the approved annual construction plan and the reviewed and approved construction plans, and apply for the building permit or an approved work commencement report in accordance with the relevant requirements. The construction entity of a civil air defense shelter must attend to the work quality supervision procedures with the supervisory office and submit relevant documents, such as surveying reports and designs. Construction shall not commence unless all the requirements are satisfied;
- to commence construction in accordance with relevant PRC regulations. The contracting of civil air defense shelters construction project shall be conducted by tendering and bidding. Contracting of the following items of a civil air defense shelters construction project must be subject to public tenders or invited tenders in accordance with the requirements of the "Law of the People's Republic of China on Tenders and Bids" (中華人民共和國招標投標法): design, construction, supervision and major equipment purchasing of the project. However, for key civil air defense shelters construction projects of the PRC, provinces, autonomous



## REGULATIONS

regions and municipalities that are not suitable for public tenders, they may be made the subject of invited invitational tenders with the approval of the department of the State Council for development planning or the people's government of the province, autonomous region or municipality concerned. For civil air defense shelters that are related to national defense and secrets and are not suitable for public tenders, in accordance with relevant PRC requirements they may also be exempted from the tender process in accordance with the relevant national requirement;

- upon the completion of the construction, to prepare construction work completion records, organize inspection at completion, and conduct completion settlement and deliver the project for usage. A registration system is implemented for the project inspection upon completion of civil air defense shelters construction projects. Construction entities of civil air defense shelters shall submit the report on project completion inspection and relevant acceptance documents prepared by the construction quality inspection entities engaged or the relevant government bodies to the competent department. A civil air defense shelter shall be delivered for usage only after passing the project completion inspection.

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

### **The Utilization of Civil Air Defense Shelters**

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

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

Pursuant to the “Measure for Administration of the Maintenance of Civil Air Defense Shelters” (Guo Renfangban Zi No. 210) (人民防空工程維護管理辦法 (國人防辦字[2001]第210號)), the administrative authorities of civil air defense or the investors shall be responsible for maintaining and managing air defense basements and shall conduct the planning, organisation, guidance and supervision of the repairs, maintenance and protection of civil air defense shelters in order to keep them in good repair so that they can provide protection from air raids in time of war as well as provide protection

## REGULATIONS

from disasters and facilitate economic development and the daily lives of the people in peacetime, thereby ensuring the wartime benefits, social benefits and economic benefits of the civil air defense shelters. The competent departments for civil air defense of the local governments at or above the county level shall oversee and inspect the maintenance and management of civil air defense shelters. However, such authorities have yet to establish a system for regular inspection.

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

### **Special Requirements Applicable to Real Estate Developers**

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

In May 2007, MOFCOM and SAFE issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry (the "No. 50 Notice"). Under the Notice, local commercial authorities should reinforce the approval and supervision process over foreign investment in real estate enterprises, and strictly control foreign fund from investing in high quality real estate development projects. For foreign invested company intending to engage in real estate development businesses, land use rights, house or other construction ownership right should be obtained, or at least has entered into pre-contract purchase agreement with the relevant land administrative authorities, land developers, or the owners of the house or other constructions, otherwise the proposed foreign invested real estate company will not be approved by the authorities. For existing foreign invested company who intends to increase real estate development businesses in its business operation or company who intends to engage in the operation or development of the new real estate project, they should undertake relevant procedures with the approval authority. No. 50 Notice strictly controls the acquisition or merger of domestic real estate enterprises by means of round trip investment (includes the same effective controller). It also prohibits Chinese or foreign investors in foreign invested real estate joint ventures to reach any fixed return related term for either party. The local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for foreign invested real estate company who fails to satisfy the MOFCOM for filing requirement or to pass the annual review.

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

## HISTORY AND REORGANIZATION

### HISTORY AND DEVELOPMENT

The history of the Company traces back to January 1992 when our main operating subsidiary, Harbin 1 Renhe, was established as a sino-foreign cooperative enterprise by Workable Profit Limited and Harbin Nanfang. Harbin 1 Renhe undertook the construction and operation of our first underground civil air defense shelter facility for commercial use in Harbin, which was Phase I of Harbin Project. The construction of Phase I of Harbin Project commenced in November 1991 when we obtained the government approval for the project and were in the process of setting up Harbin 1 Renhe to develop and operate the project. Phase I of Harbin Project was opened for business in June 1992. In January 1996, Mrs. Hawken, through SWC, entered into an agreement to acquire 50% of the equity interest in Harbin 1 Renhe from Workable Profit Limited at a consideration of RMB10,000,000. At the time of that acquisition, according to Workable Profit Limited's corporate filings at the Companies Registry, all of its shareholders at the time were Independent Third Parties. Some time subsequent to that acquisition, in September 1998, the spouse of Mrs. Hawken purchased a 25% stake in Workable Profit Limited. Apart from this stake, Workable Profit Limited is a company controlled by Independent Third Party and it has, to the knowledge of the Directors, no relationship whatsoever with the Company, its shareholders, Directors or their respective associates. As the capital contributions purported to be made by Harbin Nanfang, as required under the joint venture contract of Harbin 1 Renhe, were not made in a permissible mode under applicable laws and regulations, the PRC legal advisors of the Company have confirmed that Harbin 1 Renhe should be regarded as wholly-owned by SWC and that SWC, being a foreign enterprise holding 100% interest in Harbin 1 Renhe, is in compliance with all applicable PRC laws and regulations and the relevant joint venture agreement (including any preferential tax treatment and licenses and rights for the operation of underground shopping centres). Further, the Company's PRC legal advisors have confirmed that, under applicable PRC laws and regulations, Harbin Nanfang cannot retrospectively claim that it was entitled to any interest in Harbin 1 Renhe during the Track Record Period. Harbin Nanfang has also issued a letter on October 11, 2007 to the Company confirming that it does not own any interest in Harbin 1 Renhe. Further, the relevant PRC Government authorities have approved the transfer of Harbin Nanfang's purported residual interests in Harbin 1 Renhe to China Supreme, and Harbin 1 Renhe has officially been granted a replacement Certificate of Approval (《中華人民共和國台港澳粵投資企業批准證書》) and a Business Licence Certificate (《企業法人營業執照》) recognising it as a foreign-invested enterprise being 100% owned by China Supreme.

In 2000 and 2003, we expanded our underground shopping center business in Harbin to develop Phase II and Phase III of Harbin Projects and formed two sino-foreign cooperative enterprises, namely Harbin 2 Baorong and Harbin 3 Century, respectively. Harbin 2 Baorong was formed by a nominee of Harbin 1 Renhe, being 寶榮經貿公司 (Bao Rong Trading Company<sup>▲</sup>) and SWC, which respectively held 50% and 50% equity interest (through a series of subsequent internal equity restructures, Harbin 2 Baorong eventually became owned as to 90% by SWC and 10% by Renhe Group as nominee of Harbin 1 Renhe as at immediately prior to the Reorganization). Harbin 3 Century was formed by a nominee of Harbin 1 Renhe, being Renhe Group and ARI, each holding a 50% equity interest (through a series of subsequent internal equity restructures, Harbin 3 Century eventually became owned as to 90% by SWC and 10% by Renhe Group as nominee of Harbin 1 Renhe as at immediately prior to the Reorganization). Baorong section and Gexin section of Phase II of Harbin Project were opened for business in January 2001 and December 2001, respectively. Phase III of Harbin Project was opened for business in January 2004.

## HISTORY AND REORGANIZATION

In August 2005, we entered into the Guangzhou market to develop our first underground shopping center outside Harbin. Consistent with our practice in Harbin, we formed a sino-foreign cooperative enterprise in Guangzhou Renhe to develop the Phase I of Guangzhou Project (廣州地一大道). Upon establishment, Guangzhou Renhe was held by a nominee of Harbin I Renhe (being Renhe Group) as to 60% and by ARI as to 40%, 5% of which was held by its nominee, being 怡安發展集團有限公司 (Easton Development Group Limited). Phase I of Guangzhou Project was opened for business in January 2007.

In May 2007, Zhengzhou Renhe was established by Renhe Group, being a nominee of Harbin I Renhe, KII and ARI who held 20%, 75% and 5% of its equity interest, respectively. Zhengzhou Renhe was established to develop a new project in Zhengzhou. The project is expected to be completed and open for business by October 2008.

Our PRC legal advisors have confirmed that the nominee arrangements in respect of Harbin 2 Baorong, Harbin 3 Century, Guangzhou Renhe and Zhengzhou Renhe are all valid and enforceable under the PRC laws.

In anticipation of the Global Offering, we underwent a corporate reorganization in November to December 2007 to establish Renhe Commercial Holdings Company Limited to be the holding company of all our PRC and non-PRC subsidiaries. See “— Reorganization Prior to the Investments.” We also accepted financial investments in the Company from the NW Investors, the Capital Funds, and Sequoia, through the purchase of Class A Preference Shares from Super Brilliant, in the aggregate amount of RMB1.43 billion, being such part of the total Investments proceeds of RMB3.58 billion as was received and reinvested into our Company by Super Brilliant. The Investments were completed in January 2008. See “— The Investments.”

Subsequent to the Reorganization, we established further PRC subsidiaries to cater for various new and future project approvals as follows:

- On April 30, 2008, Shenyang Renhe was established as an indirect wholly-owned subsidiary of the Company to undertake the development and operation of Phase I of Shenyang Project.
- On May 13, 2008, Tianjin Renhe was established as an indirect wholly-owned subsidiary of the Company to undertake the development and operation of Tianjin Project.
- On May 19, 2008, Wuhan Renhe was established as an indirect wholly-owned subsidiary of the Company to undertake the development and operation of Wuhan Project (the project application of which was made through a nominee, being Beijing Baorong, for and on behalf of Harbin 1 Renhe).
- On May 20, 2008, Nanchang Renhe was established as an indirect wholly-owned subsidiary of the Company to undertake the development and operation of Nanchang Project (the project application of which was made through a nominee, being KII, for and on behalf of Harbin 1 Renhe).
- On July 18, 2008, Harbin 6 New World and Harbin 6 Spring were respectively established as indirect wholly-owned subsidiaries of the Company to undertake the development and operation of Phase VI of Harbin Project.

## HISTORY AND REORGANIZATION

- On July 31, 2008, Liaoning Renhe was established as an indirect wholly-owned subsidiary of the Company to undertake the development and operation of proposed further project(s) in Liaoning province.

The following are the important milestones in our history to date:

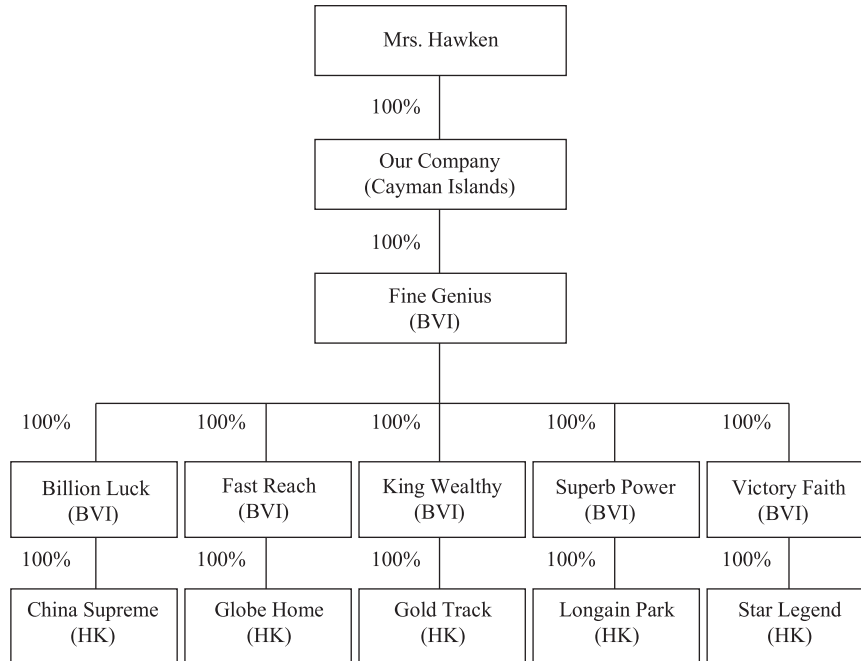
Year	Event
1991 . . . .	● Phase I of Harbin Project was approved and construction commenced;
1992 . . . .	● Harbin 1 Renhe was founded to own and operate Phase I of Harbin Project; ● Phase I of Harbin Project was opened for business;
1999 . . . .	● Baorong section of Phase II of Harbin Project was approved and construction commenced;
2000 . . . .	● Harbin 2 Baorong was founded to own and operate Phase II of Harbin Project;
2001 . . . .	● Baorong section of Phase II of Harbin Project was opened for business; ● Gexin section of Phase II of Harbin Project was approved and construction commenced; ● Gexin section of Phase II of Harbin Project was open for business;
2002 . . . .	● Phase III of Harbin Project was approved and construction commenced;
2003 . . . .	● Harbin 3 Century was founded to own and operate Phase III of Harbin Project;
2004 . . . .	● Phase III of Harbin Project was opened for business;
2005 . . . .	● Guangzhou Renhe was founded to own and operate Phase I of Guangzhou Project; ● Phase I of Guangzhou Project was approved and construction commenced;
2007 . . . .	● Phase I of Guangzhou Project was opened for business; ● Zhengzhou Renhe was founded to own and operate the Phase I of Zhengzhou Project; ● Phase I of Zhengzhou Project was approved and construction commenced; ● Restructuring of our business and corporate organization;
2008 . . . .	● Completed the Investments; ● Shenyang Renhe was founded to own and operate Phase I of Shenyang Project; ● Phase I of Shenyang Project was approved and construction commenced.

### REORGANIZATION PRIOR TO THE INVESTMENTS

The Company was incorporated in the Cayman Islands as an exempted liability company on November 20, 2007 and was wholly-owned by Mrs. Hawken.

## HISTORY AND REORGANIZATION

In or around the period from October 15 to November 21, 2007, Mrs. Hawken established or acquired a series of wholly-owned intermediate holding companies in the BVI and Hong Kong, and transferred and restructured the entirety of her interests in them (directly or indirectly) into our Group such that, immediately prior to the Reorganization, the structure of our Group was as follows:



In contemplation of the Investments and the Listing, we undertook the following Reorganization steps:

Transfer of all relevant pre-existing PRC operating entities into our Group:

On December 6, 2007, China Supreme acquired all of SWC's (a company in which all of the shares were ultimately beneficially interested in by Mrs. Hawken) interests in Harbin 1 Renhe from SWC at a consideration of US\$1.00 (resulting in China Supreme being beneficially interested in 100% interest of Harbin 1 Renhe), Globe Home acquired 90% and 10% equity interests in Harbin 2 Baorong, respectively, from SWC at a consideration of US\$1.00 and the nominee of Harbin 1 Renhe at a consideration of RMB6 million, and Gold Track acquired 90% and 10% equity interests in Harbin 3 Century, respectively, from SWC at a consideration of US\$1.00 and the nominee of Harbin 1 Renhe at a consideration of RMB3 million.

On December 12, 2007, Longain Park acquired the entire equity interests in Guangzhou Renhe from, respectively, the nominee of Harbin 1 Renhe, ARI and KII (all of the shares in ARI and KII were ultimately beneficially owned by Mrs. Hawken) at a total consideration of RMB35 million.

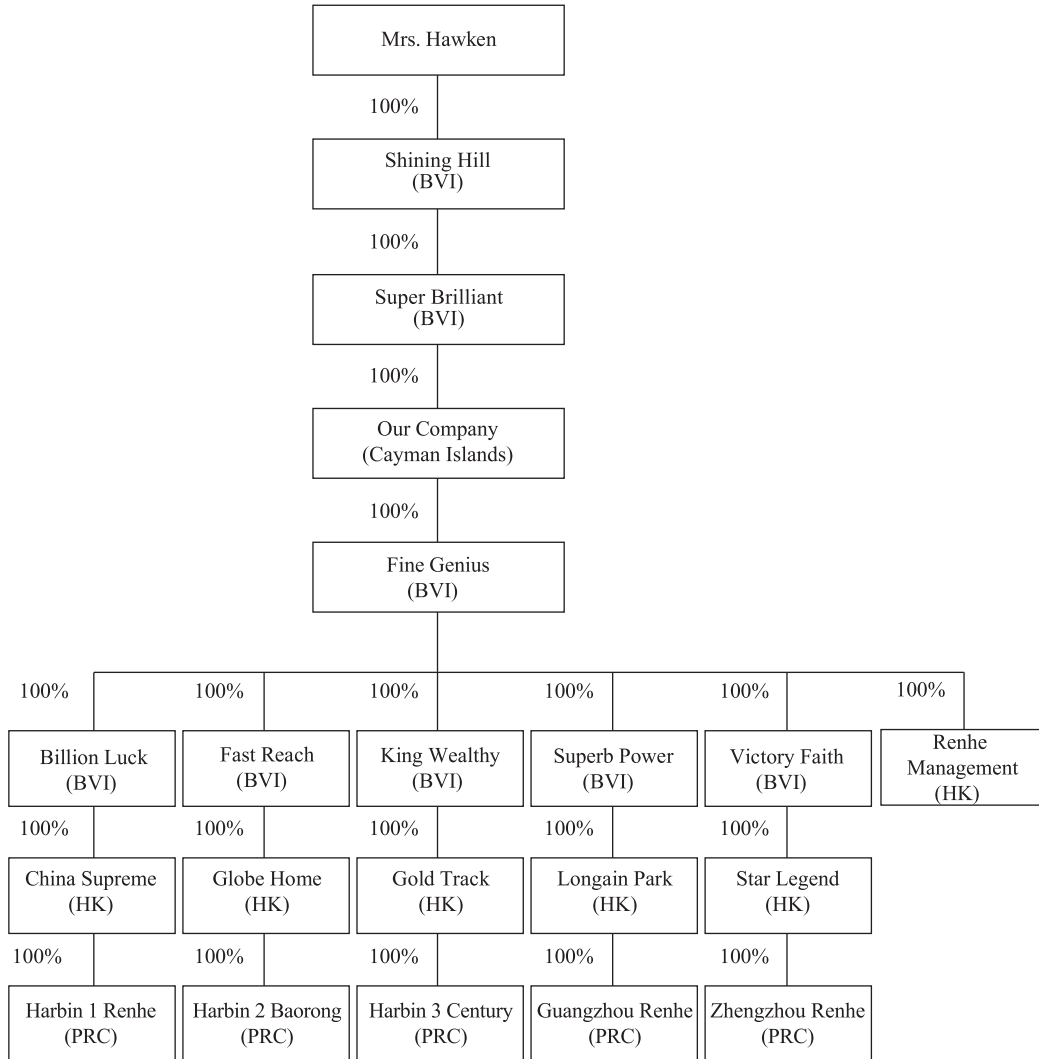
On December 14, 2007, Star Legend acquired the entire equity interests in Zhengzhou Renhe from, respectively, the nominee of Harbin 1 Renhe, ARI and KII at a consideration of RMB1,500,000, US\$1.00 and HK\$6,400,000, respectively.

## HISTORY AND REORGANIZATION

On December 6, 2007, Mrs. Hawken acquired Shining Hill, a shelf company with Mrs. Hawken as its sole beneficial shareholder, which on the same day in turn acquired Super Brilliant, a shelf company with Shining Hill as its sole beneficial shareholder, then on December 7, 2007, Mrs. Hawken transferred her entire shareholding in the Company to Super Brilliant.

None of Mrs. Hawken's investment in the Group is or was funded by Mr. Dai or Renhe Group.

The following chart sets out our shareholding and corporate structure immediately prior to the Investments:



### THE INVESTMENTS

In order to expand our investor base and for Super Brilliant to realize a small part of its stake, we invited the NW Investors, the Capital Funds and Sequoia to invest in the Company in December 2007. In January 2008, our Controlling Shareholder, Super Brilliant, invited certain other Investors to invest in the Company by purchasing from Super Brilliant some of its stake in the Company.



## HISTORY AND REORGANIZATION

Pursuant to the respective Investment Agreements:

- on December 8, 2007, the NW Investors agreed to acquire from Super Brilliant an aggregate of 130,000 Class A Preference Shares in the Company at a total consideration equivalent to RMB1.3 billion. On December 13, 2007, the authorized share capital of our Company of HK\$380,000 divided into 38,000,000 Shares was reorganized, re-designated and reclassified so that the authorized share capital of the Company shall be HK\$380,000 divided into 355,000 Class A Preference Shares of a par value of HK\$0.01 each and 37,645,000 ordinary shares of a par value of HK\$0.01 each. On the same day, 130,000 Class A Preference Shares and 1,569,999 ordinary shares were allotted and issued, credited as fully paid, to Super Brilliant at par value. On or around December 14, 2007, the acquisition of the Class A Preference Shares was completed and Super Brilliant, having received the aforesaid RMB1.3 billion, immediately reinvested the equivalent of RMB900 million into the Company in consideration of the issue of 90,000 ordinary shares to Super Brilliant.
- on December 28, 2007, the Capital Funds and Sequoia agreed to acquire from Super Brilliant 80,000 Class A Preference Shares and 18,000 Class A Preference Shares, respectively, in the Company at a consideration equivalent to RMB800 million and RMB180 million, respectively. On the same date, 98,000 of the ordinary shares then held by Super Brilliant were reclassified and re-designated into 98,000 Class A Preference Shares to facilitate this round of Investment. On or around December 31, 2007, the acquisition of the Class A Preference Shares was completed and Super Brilliant, having received the aforesaid total of RMB980 million, immediately reinvested the equivalent of RMB530 million into the Company in consideration of the issue of 53,000 ordinary shares to Super Brilliant.
- on January 31, 2008, Elite Wealth Investment Limited, Ever Union Capital Limited, Palmas Assets Limited and Global Giant Enterprises Limited agreed to acquire from Super Brilliant 27,645 Class A Preference Shares, 11,979 Class A Preference Shares, 6,451 Class A Preference Shares and 73,720 Class A Preference Shares, respectively in the Company at a consideration equivalent to RMB300 million, RMB130 million, RMB70 million and RMB800 million, respectively. On the same date, 119,795 of the ordinary shares then held by Super Brilliant were reclassified and re-designated into 119,795 Class A Preference Shares to facilitate this round of Investment. On the same date, the acquisition of the Class A Preference Shares was completed, and Super Brilliant received and retained all the RMB1.3 billion as the proceeds from the acquisition.

### SHARE CHARGES

To secure the due and punctual performance of its obligations under the Investment Agreements, and various related agreements and documents, Super Brilliant charged 1,077,014 Shares held by it in the Company in favor of the NW Investors, the Capital Funds and Sequoia (the "Share Charges"). Conditional upon and with effect as from the Listing, the Share Charges by Super Brilliant in favour of these Investors will be released and discharged.



## HISTORY AND REORGANIZATION

### THE INVESTORS

The backgrounds of each of the NW Investors are as follows:

- Elite Wealth Investment Limited, a company incorporated in the BVI on November 2, 2007, is a wholly-owned subsidiary of New World Strategic Investment Limited and its principal business is investment holding. New World Strategic Investment Limited is a wholly-owned subsidiary of New World Development Company Limited, the shares of which are listed on the Main Board of the Stock Exchange. Save for its shareholding in the Company, Elite Wealth Investment Limited is an Independent Third Party independent from the Company.
- Fast Flow Investments Limited, a company incorporated in the BVI on January 9, 2006, is wholly-owned by Centennial Success Limited and its principal business is investment holding. Centennial Success Limited is ultimately owned as to 51% by Cheng Yu Tung Family (Holdings) Limited which in turn is wholly-owned by family members of Dato' Dr. Cheng Yu Tung. Save for its shareholding in the Company, Fast Flow Investments Limited is an Independent Third Party independent from the Company.
- Vivid China Investment Limited, a company incorporated in the BVI on August 3, 2006, is principally engaged in investment holding business and is an indirect wholly-owned subsidiary of New World China Land Limited, the shares of which are listed on the Main Board of the Stock Exchange. Save for its shareholding in the Company, Vivid China Investment Limited is an Independent Third Party independent from the Company.
- Skybird International Limited, a company incorporated in the BVI on October 24, 2007, is principally engaged in investment holding business and is an indirect wholly-owned subsidiary of New World Department Store China Limited, the shares of which are listed on the Main Board of the Stock Exchange. Save for its shareholding in the Company, Skybird International Limited is an Independent Third Party independent from the Company.
- Go Winner Investments Limited, a company incorporated in the BVI on November 16, 2007, is principally engaged in investment holding business and is a wholly-owned subsidiary of Woodbury Capital Management Limited which in turn is wholly-owned by family member of Dato' Dr. Cheng Yu Tung. Save for its shareholding in the Company, Go Winner Investments Limited is an Independent Third Party independent from the Company.

## HISTORY AND REORGANIZATION

The backgrounds of each of the Capital Funds are as follows:

- Capital International Private Equity Fund V, L.P. is a private equity fund formed as a limited partnership in the Cayman Islands and managed by Capital International, Inc., which is also the managing member of Capital International Investments V, LLC. Capital International Investments V, L.P. is the general partner of Capital International Private Equity Fund V, L.P. The general partner of Capital International Investments V, L.P. is Capital International Investments V, LLC, which is also the general partner of CGPE V, L.P. Save for its shareholding in our Company, Capital International Private Equity Fund V, L.P. is an Independent Third Party.

CGPE V, L.P. is also a Cayman Islands limited partnership and was formed for the purpose of allowing certain employees of The Capital Group Companies, Inc. and its affiliates and others to invest side-by-side with Capital International Private Equity Fund V, L.P. The Capital Group Companies, Inc. is the ultimate parent company of Capital International, Inc. Save for its shareholding in our Company, CGPE V, L.P. is an Independent Third Party.

The background of Sequoia is as follows:

- Sequoia is managed by Sequoia Capital China Advisors Limited, a company incorporated in the Cayman Islands. Sequoia's general partner is Sequoia Capital China Growth Fund Management I, L.P., whose general partner is SC China Holdings Limited which is a company incorporated in the Cayman Islands. Save for its investment in the Company, Sequoia is an Independent Third Party.

The backgrounds of the other Investors are as follows:

- Ever Union Capital Limited, a company incorporated in the BVI on April 19, 2007, is wholly-owned by Mr. Che Fung, an individual who is an Independent Third Party. Save for its investment in our Company, Ever Union Capital Limited has no other business activities and is an Independent Third Party.
- Palmas Assets Limited, a company incorporated in the BVI on December 11, 2007, is wholly-owned by E-House China Real Estate Investment Fund I, L.P., which is an exempted Cayman Islands limited partnership. E-House China Real Estate Investment Fund I, L.P. was formed in January 2008 to undertake investments in China's real estate sector through diversified investment strategies at all levels of the real estate value chain, and is managed by its general partner, E-House Real Estate Asset Management Limited, which is a non-wholly owned subsidiary of E-House (China) Holdings Limited, a company listed on the New York Stock Exchange. Save for its investment in our Company, Palmas Assets Limited is an Independent Third Party.
- Global Giant Enterprises Limited, a company incorporated in the BVI on November 6, 2007, is wholly-owned by Mr. Lau Lap Tak, an individual who is an Independent Third Party. Save for its investment in our Company, Global Giant Enterprises Limited has no other business activities and is an Independent Third Party.

## HISTORY AND REORGANIZATION

### Arrangements Relating to the Investments

#### *Share Adjustments*

In connection with the Investments, Super Brilliant, Mrs. Hawken and Mr. Dai warranted to the Investors that:

- the Company will meet performances targets for the years ending December 31, 2008 and December 31, 2009 of audited consolidated net profits (but excluding items such as gains, losses, income or expenses which are non-recurring or derived from disposed or discontinued operations; insurance or indemnification proceed, revaluation of properties (“Adjusted Profit”, as defined) of RMB1.6 billion and RMB3.2 billion, respectively. In the event that we fail to meet any or both of these performance targets, Super Brilliant has agreed (and Mrs. Hawken and Mr. Dai have agreed to procure Super Brilliant) to transfer a number of Shares to each of the Investors (representing the difference between (A) such number of shares as was acquired by an Investor through the Investments (“Investment Shares”) still held by that Investor as at December 31, 2008 or December 31, 2009, as the case may be, and (B) a figure calculated by multiplying (i) the performance target for the relevant year as a fraction of the Adjusted Profit for the relevant year; by (ii) the number of Investment Shares still held by that Investor as at December 31, 2008 or December 31, 2009, as the case may be for a consideration of US\$1.00 based on the relative shareholdings of each Investor. The ratio upon which the precise number of Shares to be transferred (if any) is calculated, increases as the amount of shortfall (if any) of the final Adjusted Profits achieved for the relevant year compared to the performance target set for that year, increases. For illustration purposes (on the assumptions that none of the Investors will have disposed of or acquired any Shares and there being no changes to our Company’s capital structure other than pursuant to the Capitalization Issue and the Global Offering (excluding the Over-allotment Option)), if our Adjusted Profit for the year ending 31 December 2008 turns out to be, hypothetically, RMB1.28 billion (being only 80% of the relevant Share Adjustments performance target of RMB1.6 billion for that year), then Super Brilliant will be required to transfer in aggregate approximately 4.01% of the enlarged share capital in our Company to the Investors. The performance targets should not be considered as profit forecasts as they are part of a private arrangement between the parties and the figures were arrived at based on negotiations between the parties at that time with regard to the historical performance of the Company. Accordingly, they should be viewed as subjective targets agreed to between the parties as part of the terms of the Investments (the “Profit Adjustments”);
- if, as at December 31, 2009, the aggregate sum of (a) the space of the properties leased at arm’s length by the Company to de facto unaffiliated third parties, (b) the space of the properties (the operation rights of which) are sold (or transferred) at arm’s length by the Company to unaffiliated third parties following the Investments, (c) the space of the properties available for lease by the Company, and (d) the space of the properties (the operation rights of which) are available for sale (or transfer) (provided, however, that no portion of any floor space shall be counted more than once in the foregoing calculation (such sum, the “Completed Space”)) is below 550,000 sq.m., Super Brilliant has agreed (and Mrs. Hawken and Mr. Dai have agreed to procure Super Brilliant) to transfer to each Investor, a number of Shares (as to be determined by reference to a prescribed formula based around the

## HISTORY AND REORGANIZATION

difference between the Completed Space achieved by the Company at the relevant date and the above-mentioned Completed Space target) for a consideration of US\$1.00 based on the relative shareholdings of each Investor. For illustration purposes (on the assumptions that none of the Investors will have disposed of or acquired any Shares and there being no changes to our Company's capital structure other than pursuant to the Capitalization Issue and the Global Offering (excluding Over-allotment Option)), if the Completed Space achieved at December 31, 2009 turns out to be, hypothetically, 385,000 sq.m. (being only 70% of the Completed Space target of 550,000 sq.m.), then Super Brilliant will be required to transfer in aggregate approximately 6.87% of the enlarged share capital in our Company to the Investors (the "Completed Space Adjustment"); and

- if the RMB equivalent of the Offer Price is less than a price which would provide each Investor with an annual internal rate of return ("IRR") of at least 20% and 1.35 times return of capital of the funding, Super Brilliant shall as soon as permitted pursuant to any agreements entered into in connection with the Global Offering, transfer (and Mrs. Hawken and Mr. Dai have agreed to procure Super Brilliant to transfer) that number of Shares that would give each Investor an IRR of at least 20% and 1.35 times return of capital of the funding (calculated based on the Offer Price) for a total consideration of US\$1.00. For illustration purposes (on the assumptions that none of the Investors will have disposed of or acquired any Shares and there being no changes to our Company's capital structure other than pursuant to the Capitalization Issue and the Global Offering (excluding Over-allotment Option)), if the final Offer Price turns out to be, hypothetically, HK\$1.53 then Super Brilliant will be required to transfer in aggregate approximately 1.96% of the enlarged share capital in our Company to the Investors (the "QIPO Threshold Adjustment" and, together with the Profit Adjustments and the Completed Space Adjustment, the "Share Adjustments").

In the event that some or all of the Share Adjustments are triggered, the maximum aggregate number of Shares to be transferred from Super Brilliant to the relevant Investors pursuant to such Share Adjustments (if any) is capped, such that (assuming all else remaining equal) the Share Adjustments will not cause Super Brilliant to cease to be a Controlling Shareholder. In other words, Super Brilliant shall remain to hold more than 30% while no single Investor (or group of related Investors in aggregate) shall hold 30% or more of our issued share capital following the maximum Share Adjustments, as enlarged by the Capitalization Issue and the Global Offering and assuming all else remaining equal. The Investment Agreements did not require any change to the key senior management of the Group solely as a result of the Share Adjustments.

Notwithstanding the foregoing, no transfers of Shares will occur between Super Brilliant and the Investors pursuant to the Share Adjustments within 6 months of the date of Listing. All transfers of Shares (if any) occurring thereafter will be subject to Super Brilliant's obligations under Listing Rule 10.07(1).

### ***Put option***

In connection with the Investments, Super Brilliant, Mrs. Hawken and Mr. Dai ("Grantors") agreed to grant a put option to each Investor allowing them to require the Grantors to purchase all or any part of the Investors' equity interests in the Company at a put price (to be calculated as being the higher of: (i) an amount that would give an IRR of 20% on the Investments and (ii) the fair market

## HISTORY AND REORGANIZATION

value in respect of the put shares to be determined by an independent appraisal process, plus, in either event, any unpaid dividend accrued or to be accrued) if, among others, a Qualified IPO does not occur before January 30, 2011. “Qualified IPO” refers to an initial public offering of the Company’s shares on the Stock Exchange or such other stock exchange as Super Brilliant may agree with the other shareholders of the Company, in which the offer price per Share is not less than a price which would provide the Investors an annual IRR of at least 20% and 1.35 times return of capital on the Investments, and which will result in a public float based solely on the issuance of new shares equal to at least 25% of the Company on a fully diluted basis, unless all Investors approve otherwise. The above-mentioned put options will terminate and lapse upon the Listing.

With reference to the Listing time table as indicated in this Prospectus and pursuant to the agreement amongst the existing shareholders, the Listing will constitute a Qualified IPO however, as a result of the QIPO Threshold Adjustment and assuming all else being equal, if the Offer Price is fixed at HK\$1.40 (being the lowest end of the indicative Offer Price range), Super Brilliant will be required at the relevant time to transfer in aggregate approximately 3.64% in the share capital of the Company (as enlarged by the Capitalization Issue and the Global Offering excluding any Over-allotment Option) to the relevant Investors and, if the Offer Price is fixed at HK\$1.71 (being the highest end of the indicative Offer Price range), Super Brilliant will be required at the relevant time to transfer in aggregate approximately 0.32% in the share capital of the Company (as enlarged by the Capitalization Issue and the Global Offering excluding any Over-allotment Option) to the relevant Investors.

### *Terms and conditions of the Class A Preference Shares*

Holders of Class A Preference Shares shall be entitled to receive upon the occurrence of a liquidation event in priority to all classes of common stock of the Company (including, without limitation, the ordinary shares).

Such shareholders are also entitled to convert, at any time prior to the Qualified IPO all or any Class A Preference Shares held by it, without the payment of any additional consideration and subject to the articles of association of the Company, into such number of fully paid ordinary shares as calculated by applying the ratio (the “Conversion Rate”) of converting one (1) Class A Preference Share into one (1) Ordinary Share, subject to any necessary adjustments as follows:

- (a) in the event of certain share capital reorganizations such as the issue of bonus shares, share subdivision, share combination/consolidation, etc., then the Conversion Rate will be adjusted so that the Class A Preference Shares shall be converted into the number of ordinary shares which the holder would have received had the conversion occurred immediately prior to the relevant capital reorganization event;
- (b) in the event that ordinary shares are issued at a per share price (“New Issue Price”) below the price paid by Investors for the Investments, then the Conversion Rate will be adjusted so that the Class A Preference Shares shall be converted into the number of ordinary shares which the holder would have received had its Investment been made at the New Issue Price.

The above adjustment mechanisms, along with the Class A Preference Shares themselves, will cease upon a Qualified IPO.

## HISTORY AND REORGANIZATION

Subject to the above, the conversion will be carried out at the Conversion Rate for no further consideration and the Offer Price has no bearing on the Conversion Rate. All these Class A Preference Shares are, however, subject to the automatic conversion into or exchange for fully paid ordinary shares at the Conversion Rate immediately prior to an initial public offering, including a Qualified IPO, without the payment of any additional consideration.

Each share of each series of Class A Preference Shares ranks pari passu in right as to dividends with the holders of the ordinary shares, and shall have the right to attend and vote at any general meeting of the Company.

While the NW Investors and Capital International Private Equity Fund V, L.P. have nomination rights to the Board, all the Investors have other customary rights such as information rights and minority protection rights in their capacities as holders of Class A Preference Shares. All of the above-mentioned special rights enjoyed by all the Investors will lapse upon Listing.

### *Implication of the Automatic Conversion of the Class A Preference Shares upon Qualified IPO*

Based on the Conversion Rate of one to one, subsequent to the Capitalization Issue and the Global Offering but before any exercise of the Over-allotment Option, the costs of the Investors' investment for Shares subscribed under the Investments were approximately HK\$1.24 to HK\$1.34 per Share ("Investments Price"), representing a discount of approximately 11.43% to 4.29% to the Offer Price (based on the lowest indicative Offer Price of HK\$1.40 per Share) and a discount of approximately 27.49% to 21.64% to the Offer Price (based on the highest indicative Offer Price of HK\$1.71 per Share).

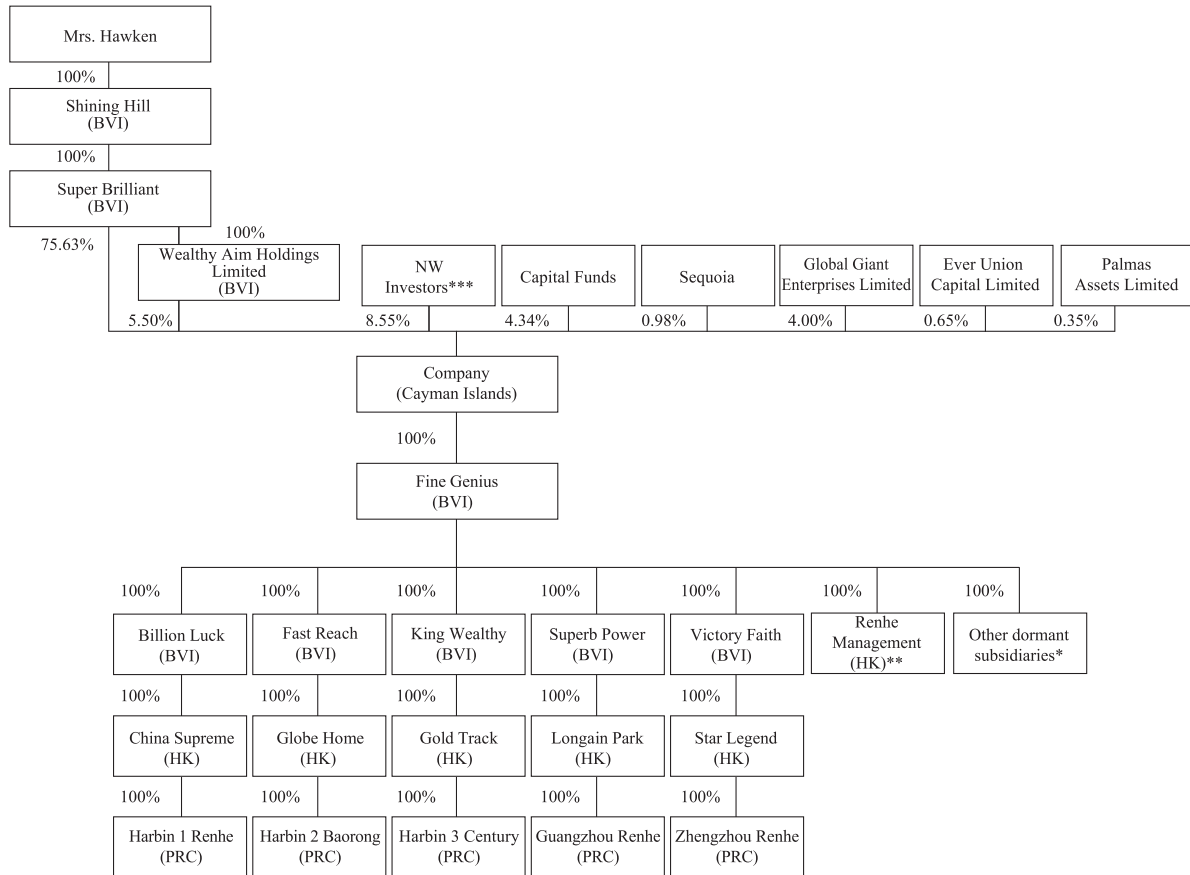
The investment risks that the Investors were subject to when making the Investments in the Company in December 2007 and January 2008 were entirely different from the risks which the investing public may have to bear in the context of the Global Offering. The Investments Price reflected the bargaining positions of the parties, the illiquidity of the Shares and the historical financial performance of the Company at those times.

We believe that the presence of the Investors will boost the profile of the Company and our Shareholder base, reinforce good corporate governance practices and generally enhance the accountability and transparency of the Company.

Out of our Board of 13 Directors, two are representatives of certain Investors: Mr. Ho Gilbert Chi Hang is the representative of the NW Investors, while Mr. Ho Hsiang-Ming, James is the representative of Capital International Private Equity Fund V, L.P. Following the Listing, both Mr. Ho Gilbert Chi Hang and Mr. Ho Hsiang-Ming, James will be subject to the normal retirement, re-election and removal processes applicable to all Directors as stipulated in the Articles.

## HISTORY AND REORGANIZATION

The following chart sets out our shareholding and corporate structure immediately after the Investments:



\* In or around the period from December 2007 to May 2008, our Group acquired a series of wholly-owned Hong Kong and BVI subsidiaries as dormant shelf companies to be used in preparation for applying for further projects.

\*\* On January 16, 2008, our Group set up one of our dormant Hong Kong subsidiary companies as Renhe Management solely to administer certain off-shore expenses and back-office support functions.

\*\*\* NW Investors' holdings comprise of Elite Wealth Investment Limited as to 4.60%, Fast Flow Investments Limited as to 3.10%, Vivid China Investment Limited as to 0.54%, Skybird International Limited as to 0.27% and Go Winner Investments Limited as to 0.03%.

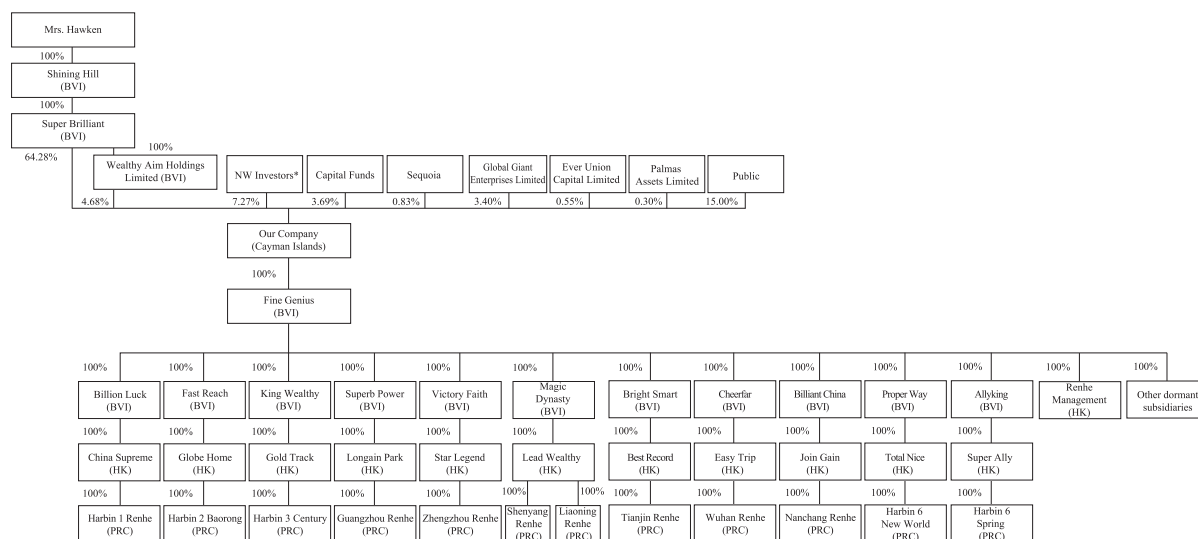
The legal advisor of the Company as to PRC laws has confirmed that since there is no acquisition as defined in the M&A Provisions in the Reorganization and no specific provision in PRC laws that requires the Company to acquire approval from the State Civil Air Defense Office for the Listing the PRC-related aspects of the restructuring and reorganization undergone by our Group in preparation of the Investments and the Listing are in compliance with the relevant PRC laws and regulations and the necessary registration and filing procedures required for our Shareholders have been completed.



# HISTORY AND REORGANIZATION

## OUR CORPORATE STRUCTURE

Our shareholding and corporate structure immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and the Share Adjustments are not effected) is as follows:



\* *NW Investors' holdings comprise of Elite Wealth Investment Limited as to 3.91%, Fast Flow Investments Limited as to 2.64 %, Vivid China Investment Limited as to 0.46%, Skybird International Limited as to 0.23% and Go Winner Investments Limited as to 0.03%.*

\*\* *The Shares held by NW Investors, Capital Funds, Sequoia, Global Giant Enterprises Limited, Ever Union Capital Limited and Palmas Assets Limited are securities held by the public under Rule 8.08 of the Listing Rules.*

## TRANSFERS TO EMPLOYEES

As of April 15, 2008, Wealthy Aim Holdings Limited (a special purpose vehicle set up specifically to administer the transfer rights described below and wholly-owned by Super Brilliant) agreed to grant, subject to Listing, a right to purchase from it in respect of 935,000,000 Shares in aggregate, representing approximately 4.68% of the issued share capital of the Company (as enlarged by the Capitalization Issue and the Global Offering, excluding Over-allotment Option) to approximately 143 individuals comprising employees of our Group and other select individuals who have made contributions to our Group. The purpose of such arrangement was, primarily, to reward and to motivate our employees as part of our retention program. Such right to purchase shall be exercisable as to 50% for the first year, 30% for the second year and the remaining 20% for the third year over a period of three years commencing on January 1, 2009 or the expiry date of the 6-month period following the Listing, whichever is the later, and at a price equivalent to approximately HK\$1.34 per Share (based on the issued capital of the Company as enlarged by the Capitalization Issue and the Global Offering but before any exercise of the Over-allotment Option). This price represents the investment price under the last round of Investments with Elite Wealth Investment Limited, Global Giant Enterprises Limited, Ever Union Capital Limited and Palmas Assets Limited and a discount of approximately 4.29% and 21.64% to the lowest and the highest indicative Offer Prices, respectively.

The first vesting date of these rights is on the later of January 1, 2009 or 6 months after the Listing. Accordingly, any transfers pursuant to these rights will only occur after the mandatory lock-up period to which Wealthy Aim Holdings Limited may be subject pursuant to Listing Rule 10.07(1)(a).



## OUR CORPORATE INVESTOR

### THE CORPORATE PLACING

As part of the International Offering, we and the Joint Bookrunners have entered into a placing agreement with the following investor, or the Corporate Investor, for the subscription by the Corporate Investor at the offer price of the Global Offering with an aggregate subscription amount of HK\$389 million, or the Corporate Placing. Assuming an offer price of HK\$1.56, being the mid-point of the price range set out in this prospectus, the total number of Offer Shares subscribed by the Corporate Investor would be 249,358,000, which represents 1.25% of the Shares outstanding immediately following the completion of the Global Offering and approximately 8.31% of the Offer Shares, in each case, assuming that the over-allotment options for the Global Offering is not exercised.

#### City Gains

City Gains Group Limited, or City Gains, has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 shares) which may be purchased for HK\$389 million at the offer price of the Global Offering. Assuming an offer price of HK\$1.56, being the mid-point of the price range set out in this prospectus, the total number of Offer Shares that City Gains would subscribe for would be 249,358,000, which represents 1.25% of the Shares outstanding immediately following the completion of the Global Offering and approximately 8.31% of the Offer Shares, in each case, assuming that the over-allotment options for the Global Offering is not exercised.

City Gains Group Limited is a wholly owned subsidiary of Warburg Pincus Real Estate I, L.P., a real estate private equity fund established in Delaware, the United States.

The Corporate Investor and its beneficial owners are independent third parties. Immediately following the completion of the Global Offering, the Corporate Investor will not have any board representation in the Company, nor will the Corporate Investor become a substantial shareholder of the Company. The Offer Shares to be subscribed for by the Corporate Investor will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of oversubscription under the Hong Kong Public Offering as described in the “Structure of the Global Offering — The Hong Kong Public Offering”. The number of Offer Shares allocated to the Corporate Investor pursuant to the investment with the Corporate Investor will be disclosed in the allocation result announcement which is expected to be published on October 14, 2008. The Offer Shares to be held by the Corporate Investor will be regarded as part of the public float of the Company for the purpose of Rule 8.08 of the Listing Rules.

### CONDITIONS PRECEDENT

The subscription obligation of the Corporate Investor is conditional upon (i) the Hong Kong Underwriting Agreement and International Underwriting Agreement being entered into and having become effective and unconditional by no later than the date and time as specified in those agreements; (ii) none of the underwriting agreements mentioned in (i) above having been terminated; and (iii) the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the Offer Shares.

## **OUR CORPORATE INVESTOR**

### **RESTRICTIONS ON DISPOSAL BY THE CORPORATE INVESTOR**

The Corporate Investor has agreed that, without the prior written consent of us and all the Joint Bookrunners, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, or the Lock-up Period, dispose of any of the Offer Shares subscribed pursuant to the Corporate Placing or any interest in any company or entity holding any of the Offer Shares subscribed pursuant to the Corporate Placing. The Corporate Investor may transfer the Offer Shares so subscribed in certain limited circumstances, such as transfer to a wholly-owned subsidiary and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on the Corporate Investor.

## **OVERVIEW**

We are the largest privately-owned operator and developer of stand-alone underground shopping centers for wholesale and retail sales of apparel and accessories in China in terms of GFA under operation as of December 31, 2007, according to the Euromonitor Report. The competition of various types of shopping centers in China, whether underground or above the ground, is intense. However, by building civil air defense shelters and using them as underground shopping centers during peace time, we believe that we have a distinctive and advantageous business model that has contributed to our position as one of the major apparel and accessories wholesale centers in the cities where our underground shopping centers are located: we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in China, are not subject to land use right premium and land appreciation tax and are currently exempted from property tax under PRC laws and regulations, which enables us to develop our projects at competitive costs. By building our shopping centers underground, we gain access to prime commercial areas in the cities in which we operate where the land supply above-ground is limited. We engage in market analysis, site selection, project planning and supervision, leasing and transfer of operation rights of shop units, and providing shopping center management services. We currently operate three underground shopping centers in Harbin, Heilongjiang Province, which are interconnected except for one section, and one in Guangzhou, Guangdong Province, with an aggregate GFA of approximately 111,318 sq.m. We also have two projects under development in Zhengzhou, Henan Province and Shenyang, Liaoning Province, and nine projects for future development in Harbin, Guangzhou, Wuhan, Zhengzhou, Tianjin, Nanchang and Shenzhen, respectively, with an aggregate GFA of approximately 1,411,558 sq.m. We have obtained approvals for project proposal from the National Civil Air Defense Office for the commercial development and operation of the underground civil air defense shelter projects that are completed, under development and for future development, including those for Phases IV and V of Harbin Project, Wuhan Project and Nanchang Project with an aggregate GFA of 313,958 sq.m. which have been granted to Renhe Group, Beijing-Baorong and KII respectively on behalf of and for the benefit of us. All of our projects have easy access to transportation hubs such as subway stations, railway stations, city bus stops and inter-city bus terminals.

We opened our first underground shopping center in Harbin in June 1992 with a GFA of approximately 15,920 sq.m. With an initial business focus on Harbin, we have two additional phases of underground shopping center in that city with a GFA of approximately 26,829 sq.m. and 21,015 sq.m., which officially opened for business in January 2001 and 2004, respectively. Leveraging our business and operating experience as well as our success in Harbin, we began expanding to other cities in China in 2005. We have one underground shopping center in Guangzhou with a GFA of approximately 47,554 sq.m., which officially opened for business in January 2007 and started the construction of a project in Zhengzhou in December 2007 with an approved aggregate GFA of approximately 100,500 sq.m. Based on our project plans, it is expected to open for business by October 2008. We also started the construction of a project in Shenyang in July 2008 with an approved aggregate GFA of approximately 167,000 sq.m., including a parking lot with a GFA of 8,892 sq.m.. Based on our project plans, it is expected to open for business by December 2008. We also plan to expand our business to other cities in the future. Over the past 16 years, we have accumulated extensive experience in operating and developing underground shopping centers in China, developed a sizeable customer base of tenants and gained significant knowledge of the wholesale and retail markets for apparel and accessories in China. We believe these advantages will help us replicate our business in other cities in China.

## BUSINESS

We focus on the operation of underground shopping centers developed by us. Following the completion of development, we operate our underground shopping centers by leasing the majority of the shop units in our shopping centers to generate recurring rental income over the middle- to long-term period. In an effort to enhance liquidity and optimize the use of our capital resources, we also transfer the operation rights of a portion of our shop units to recover a portion of construction costs and fund future project developments. Jingtian, our PRC legal advisor, is of the opinion that under the Civil Air Defense Law of the PRC and the certificates from local civil air defense offices, such a transfer of operation rights is valid, within the scope of business of relevant subsidiaries of us as permitted by law and as approved by the authorities, and not subject to any other government approvals or filings. For the years ended December 31, 2006 and 2007 and the three months ended March 31, 2008, the revenue generated from the transfer of operation rights represented 38%, 52% and 89% of our total revenue for the same period, respectively, and we expect that such revenue generated from the transfer of operation rights will account for substantially all of our revenues at least in 2008 and 2009. In particular, more than 80% of our revenues for the year ending December 31, 2008 are projected to be generated from the transfer of operation rights of shop units in our Phase I of Zhengzhou Project and Phase I of Shenyang Project upon their completion. See “Risk Factors — Risks Relating to our Business — We face significant development risks before we successfully complete a project and realize any benefits from that project.” We aim to balance the income stream comprising lease income and income from the transfer of operation rights in the near term to optimize our profitability. And from the long term perspective, we expect that lease income will eventually constitute our major source of income. We provide comprehensive management services to all shop units to attract more shoppers to our underground shopping centers and help our tenants increase their sales revenue. In 2006, we adopted “The First Tunnel” (“地一大道”) as the name for our first underground shopping center in Guangzhou. To solidify and strengthen our brand recognition, we plan to use “The First Tunnel” (“地一大道”) as the brand name for all of our future underground shopping centers, as well as those in Harbin, which are currently named “Renhe Shop.”

All of our underground shopping centers are designed and constructed as underground civil air defense shelters in accordance with the standards set by and pursuant to the approvals of the National Civil Air Defense Office and its local offices. Under the “Civil Air Defense Law of the PRC” and the relevant regulations thereunder, the PRC government supports privately-owned and foreign-invested companies to invest in the development of civil air defense shelters, which, during peacetime, may be used and managed by and for the benefit of the investors. For building civil air defense shelters, which government authorities in China have the right to take over for use as civilian shelters during times of war, we are entitled to use, operate, manage and profit from the facilities we develop, including leasing or transferring operation rights of shop unit in these facilities, and are not required to pay consideration for such rights. Though current PRC laws and regulations do not define “times of war” for the purpose of civil air defense shelters, Jingtian, our PRC legal advisor, advised us that the term “times of war” as defined in the *Criminal Law of the People’s Republic of China* may be used as a reference for such purpose. That law defines “times of war” as times when the PRC government declares a state of war, when the armed forces receive tasks of operations, when any enemy launches a surprise attack or when the armed forces execute tasks under martial law or cope with emergencies of violence. Our underground shopping centers like other properties in China, might also be taken over by the government authorities, in case of emergencies as provided under the “Emergency Response of the PRC” and the “Martial Law of the PRC.” If any of our lease or transfer of operation rights agreements is terminated as a result of the taking over of the facilities by the PRC government and the shop units are returned to us upon our request for the remainder of the lease terms or operational rights terms,

according to the contract terms, we would be required to refund our tenants or transferees the unused portion of the advance lease payments or the transfer price for the remaining term, as the case may be, and such events will materially and adversely affect our business, financial condition and results of operations. See “Risk Factors — Legal and Regulatory Risks Relating to Our Industry — The government in China has the right to take over our underground projects during times of war.” Because the development of underground civil air defense shelters for commercial use is not categorized as real estate property development under current PRC laws and regulations, we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in China and as advised by Jingtian, our PRC legal advisor, we are not subject to the notice issued jointly by MOFCOM and SAFE on May 2007 and the notice issued by SAFE on July 10, 2007 which restrict the remittance of funds raised offshore into the PRC. See “Regulations — Special Requirements Applicable To Real Estate Developers.”

For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, our revenue was RMB65.2 million, RMB162.7 million, RMB366.5 million and RMB409.8 million, respectively and our profit for the year, during the same periods, was RMB11.9 million, RMB48.5 million, RMB266.7 million and RMB279.0 million, respectively. For the three months ended June 30, 2008, our revenue increased slightly as compared to the same period in 2007, but our profit decreased substantially. The decrease of profit was primarily due to the increase of administrative expenses for the three months ended June 30, 2008 as a result of the management incentive scheme expenses of RMB17 million and a donation of RMB5 million in connection with the Sichuan earthquake. See “Financial Information — Recent Developments.”

## **OUR COMPETITIVE STRENGTHS**

We attribute our success to the following key factors:

### **Distinctive shopping centers in prime commercial areas**

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

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

## BUSINESS

We believe that the distinctive characteristics of our underground shopping centers have led to high demand for our shop units and have a positive effect on our rental prices.

### **Competitive development costs**

Our development costs are competitive compared to the other commercial properties near our underground shopping centers. For a typical project, we are only required to pay the construction costs. As advised by Jingtian, our PRC legal advisor, we are not subject to land use right premiums and land appreciation tax and are currently exempted from property tax under PRC laws and regulations. We have, however, chosen to pay land use right premiums for all of our completed projects in order to obtain land use right certificates to facilitate our financing in the past. In 2005, 2006 and 2007, the land use right premiums that we paid was nil, RMB47.9 million and nil, respectively. As of the Latest Practicable Date, we do not plan to obtain land use right certificates for any of our future projects for any operating or financing purpose and therefore, no additional expenditure on land use rights are expected to be incurred. In addition, we are not subject to many of the laws, regulations, taxes and policies that apply to the real property industry in the PRC because the development of underground civil air defense shelters for commercial use is not categorized as real estate property development under current PRC laws and regulations. For example, as confirmed by Jingtian, our PRC legal advisor, we are not subject to the requirement of obtaining land use rights certificate before the commencement of any project according to the existing PRC laws and regulations including without limitation, a judicial notice issued by the Supreme Court of the PRC in 1996 and we do not need a qualification for real property development to build, use and operate underground civil air defense shelters. For shop units we rent out, we collect either a one-time entry fee when a customer first becomes a tenant or at least one-year's rent upfront. We collect and determine the amount of the one-time entry fee based on the market practice for lease of shop units in the cities in which we operate our projects. Such cash inflows would cover a portion of the construction costs of such project, which reduces our dependence on outside borrowing and lowers our financing costs, including interest expenses. Our business model has enabled us to lease shop units at rents competitive with other shopping centers in similar locations.

### **Replicable business model**

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

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



### **Market leader in underground shopping center development**

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

### **Comprehensive shopping center management services**

We take business concepts from the management of large-scale retail shopping centers and department stores and apply them innovatively to our business operations that cater largely to wholesale tenants. Our agreements for the lease or transfer of operation rights of our shop units contain a standard provision whereby, throughout the term of the lease or transferred period, as applicable, we provide comprehensive shopping-center management services at a pre-determined monthly fee. This helps maximize the sales revenue of our tenants, which in turn has a positive effect on our rental rates and revenue. For example, we have designated different areas in our underground shopping center for apparel or accessories with different themes so that target customers can more easily find the merchandise they want. Concentrating tenants selling similar products in the same area draws shoppers looking for a particular type of product and encourages tenants to carry more specialized goods, which expands the variety of merchandise offered in our shopping centers. We also organize or sponsor promotional events, such as the China Shopping Festival — 2007 Trade Exhibition for Spring and Summer Garment on January 20, 2007 and the International Fashion Festival of the First Tunnel of Guangzhou on November 25, 2006, in order to attract more shoppers to our shopping centers. In addition to services related to marketing activities, we provide our tenants with services such as assistance in inbound and outbound shipments and security services by trained professionals.

### **Experienced management team**

Our senior management team has an average of approximately 12 years of experience in developing and operating underground shopping centers. Particularly, our Chief Executive Officer and Chairman, Mr. Dai Yongge, has been working in this industry for over 12 years. The key members of our management were pioneers in our industry who created and extended our business model and led the

## BUSINESS

growth and success of our business. Our senior management team is stable and the key members have been working together for more than six years. In addition, we have well-trained local management teams, which are important for our future growth. Currently, the majority of our local management team have more than five years of management experience in their relevant positions and more than 70% of them hold a bachelor degree. We also provide training to improve the management ability of our local management team. We believe that our experienced senior management team and well-trained local management teams will contribute to our operational stability and continued business expansion.

### OUR STRATEGIES

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

#### **Expand our business and secure our position as a market leader**

We successfully utilized our development and operations experience in Harbin to enter the Guangzhou market in a short period of time. Our goal is to leverage our experience and expand into other major cities in China with large-scale underground shopping centers similar to the ones in Harbin and Guangzhou. Through these expansions, we intend to increase the scale of our operations to secure and strengthen our position as a market leader. We recently began the construction of our Phase I of Zhengzhou Project and Phase I of Shenyang Project, and have nine new projects for future development in Harbin, Guangzhou, Wuhan, Zhengzhou, Tianjin, Nanchang and Shenzhen. We are also conducting feasibility studies or have submitted applications by ourselves or through nominees, for projects in Beijing, Changsha, Chengdu, Chongqing, Hangzhou, Hefei, Xi'an and Yiwu. Our long-term objective is to build a nation-wide network of underground shopping centers and integrate our future projects under a chain model using a unified brand name. We aim to be recognized as the operator of underground shopping centers that offer the best chance of success in the apparel and other businesses and to provide quality services and a comfortable environment for our tenants.

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

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

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



## BUSINESS

### **Strategically promote “The First Tunnel” (“地一大道”) brand**

We believe that a self-owned brand is crucial to building a unified chain. We plan to establish “The First Tunnel” (“地一大道”) as a nationally recognized brand among underground shopping centers in China. Enhanced brand recognition, if achieved, will help attract new tenants and accelerate our expansion into new markets, which in turn will further enhance our brand recognition.

### **Further improve our management systems and expand our potential tenant pool**

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

### **Continue to hold the majority of our underground shop units for lease**

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

## **OUR PROJECTS**

We are the largest privately-owned operator and developer of large-scale underground shopping centers in China in terms of GFA under operation as of December 31, 2007, according to the Euromonitor Report, and have 16 years of experience in operating and developing underground shopping centers. We have developed and currently operate three underground shopping centers in Harbin (all of which are interconnected except for Gexin section of Phase II of Harbin Project) and one in Guangzhou. We have two projects under development in Zhengzhou and Shenyang, and nine additional projects for future development in Harbin, Guangzhou, Wuhan, Zhengzhou, Tianjin, Nanchang and Shenzhen. For each of our projects, we participate in every phase of the project

## BUSINESS

development, including project planning and designing, selecting construction contractors and supervising constructions, and operating the underground shopping centers when the projects are completed.

We have completed the following four development projects:

- Phase I of Harbin Project: an underground shopping center with a GFA of approximately 15,920 sq.m., focusing on the women's fashion apparel. This project was completed in June 1992;
- Phase II of Harbin Project: an underground shopping center with a GFA of approximately 26,829 sq.m., focusing on the children's apparel and grocery food products. This project was completed in June 2002;
- Phase III of Harbin Project: an underground shopping center with a GFA of approximately 21,015 sq.m., focusing on branded apparel, jeans and casual wear. This project was completed in October 2003; and
- Phase I of Guangzhou Project: an underground shopping center with a GFA of approximately 47,554 sq.m. for apparel wholesale and retail apparel sales. This project was completed in July 2006.

The following projects are currently under development or in application process for future development:

- Phase I of Zhengzhou Project: an underground shopping center with an approved aggregate GFA of approximately 100,500 sq.m. for apparel wholesale and retail sales; and
- Phase I of Shenyang Project: an underground shopping center with an approved aggregate GFA of approximately 167,000 sq.m., of which 158,108 sq.m. for apparel wholesale and retail sales and 8,892 sq.m. to be used as a parking lot.

The following projects are for future development:

- Phase IV of Harbin Project: an underground shopping center with a planned GFA of approximately 15,738 sq.m. for apparel wholesale and retail sales;
- Phase V of Harbin Project: an underground shopping center with a planned GFA of approximately 10,000 sq.m. for apparel wholesale and retail sales;
- Phase II of Guangzhou Project: an underground shopping center with a planned GFA of approximately 48,000 sq.m. for apparel wholesale and retail sales;
- Wuhan Project: an underground shopping center with a planned GFA of approximately 126,220 sq.m. for apparel wholesale and retail sales;
- Phase II of Zhengzhou Project: an underground shopping center with a planned GFA of approximately 350,000 sq.m. for apparel wholesale and retail sales;

## BUSINESS

- Tianjin Project: an underground shopping center with a planned GFA of approximately 121,220 sq.m. for apparel wholesale and retail sales;
- Nanchang Project: an underground shopping center with a planned GFA of approximately 162,000 sq.m. for apparel wholesale and retail sales;
- Shenzhen Project: an underground shopping center with a planned GFA of approximately 160,000 sq.m. for the wholesale and retail sales of electronic products; and
- Phase VI of Harbin Project: an underground shopping center with a planned GFA of approximately 150,880 sq.m. for apparel wholesale and retail sales.

As of the Latest Practicable Date, the aggregate GFA of our completed projects was approximately 111,318 sq.m. As of the Latest Practicable Date, the aggregate GFA of our projects under development and projects for future development was approximately 1,411,558 sq.m., in which the project proposals for Phases IV and V of Harbin Projects, Wuhan Project and Nanchang Project with an aggregate GFA of 313,958 sq.m. were granted to the Renhe Group, Beijing Baorong and KII respectively on behalf of and for the benefit of the Company.

The following table summarizes GFA information relating to our completed projects, projects under development and projects for future development as of the Latest Practicable Date, unless otherwise disclosed below.

Project	Completed projects		Projects under development				Projects for future development			Total	Leased GFA <sup>(6)</sup>	Occupancy Rate <sup>(7)</sup>	Location	Actual/Expected Completion Date
	Leasable GFA <sup>(1)</sup>	Sold GFA <sup>(2)</sup>	Pre-sold GFA <sup>(3)</sup>	Estimated leasable GFA <sup>(4)</sup>	Estimated saleable GFA <sup>(4)</sup>	Other GFA	Estimated leasable GFA <sup>(4)</sup>	Estimated saleable GFA <sup>(4)</sup>	GFA <sup>(5)</sup>					
(sq.m.)														
Phase I of Harbin Project <sup>(8)(11)</sup>	15,920	—	—	—	—	—	—	—	15,920	15,920	100%	Harbin	June 1992	
Phase II of Harbin Project <sup>(8)(12)</sup>	21,633	5,196	—	—	—	—	—	—	26,829	20,985	97%	Harbin	June 2002	
Phase III of Harbin Project <sup>(8)(13)</sup>	21,015	—	—	—	—	—	—	—	21,015	21,015	100%	Harbin	October 2003	
Phase I of Guangzhou Project <sup>(8)(14)</sup>	32,743 <sup>(10)</sup>	14,811	—	—	—	—	—	—	47,554 <sup>(10)</sup>	32,743 <sup>(10)</sup>	100%	Guangzhou	July 2006	
Phase I of Zhengzhou Project <sup>(15)</sup>	—	—	32,500	68,000	—	—	—	—	100,500	—	—	Zhengzhou	October 2008 <sup>(9)</sup>	
Phase I of Shenyang Project <sup>(16)</sup>	—	—	—	124,708	33,400	8,892 <sup>(17)</sup>	—	—	167,000	—	—	Shenyang	December 2008 <sup>(9)</sup>	
Phase IV of Harbin Project <sup>(18)</sup>	—	—	—	—	—	—	12,590	3,148	15,738	—	—	Harbin	August 2010 <sup>(9)</sup>	
Phase V of Harbin Project <sup>(19)</sup>	—	—	—	—	—	—	8,000	2,000	10,000	—	—	Harbin	March 2009 <sup>(9)</sup>	
Phase II of Guangzhou Project <sup>(20)</sup>	—	—	—	—	—	—	38,400	9,600	48,000	—	—	Guangzhou	May 2009 <sup>(9)</sup>	
Wuhan Project <sup>(21)</sup>	—	—	—	—	—	—	100,976	25,244	126,220	—	—	Wuhan	October 2009 <sup>(9)</sup>	
Phase II of Zhengzhou Project <sup>(22)</sup>	—	—	—	—	—	—	280,000	70,000	350,000	—	—	Zhengzhou	December 2010 <sup>(9)</sup>	
Tianjin Project <sup>(23)</sup>	—	—	—	—	—	—	96,976	24,244	121,220	—	—	Tianjin	July 2009 <sup>(9)</sup>	
Nanchang Project <sup>(24)</sup>	—	—	—	—	—	—	129,600	32,400	162,000	—	—	Nanchang	August 2009 <sup>(9)</sup>	
Shenzhen Project <sup>(25)</sup>	—	—	—	—	—	—	128,000	32,000	160,000	—	—	Shenzhen	August 2009 <sup>(9)</sup>	
Phase VI of Harbin Project <sup>(26)</sup>	—	—	—	—	—	—	120,704	30,176	150,880	—	—	Harbin	March 2009 <sup>(9)</sup>	
<b>Total</b>	<b>91,311<sup>(10)</sup></b>	<b>20,007</b>	<b>32,500</b>	<b>192,708</b>	<b>33,400</b>	<b>8,892<sup>(17)</sup></b>	<b>915,246</b>	<b>228,812</b>	<b>1,522,876<sup>(10)</sup></b>	<b>90,663<sup>(10)</sup></b>	<b>—</b>	<b>—</b>	<b>—</b>	

## BUSINESS

*Notes:*

- (1) Includes GFA which we have currently leased to tenants or are vacant but are held by us for leasing.
- (2) Includes GFA for which we have transferred the operation rights to individual transferees.
- (3) Represents the aggregate GFA of the shop units in our projects under development, which we have commenced the pre-sale and entered into Letters of Intent to Purchase for transfer of operation rights.
- (4) Represents estimated GFA that is leaseable or saleable as underground shopping centers based on the project proposals or design drawings approved by the National Civil Air Defense Office or its local offices. The allocation between estimated leaseable GFA and estimated saleable GFA is based on our current plan for future development. The actual GFA completed, however, may vary from our estimated GFA.
- (5) Includes actual aggregate completed GFA for the completed projects and the aggregate estimated GFA for the projects under development and projects for future development.
- (6) Includes the GFA that was leased out as of June 30, 2008.
- (7) Represents the leased out rate as of June 30, 2008, dividing the leased GFA as of June 30, 2008 by the leaseable GFA of the specified project.
- (8) We have paid land premiums and obtained land use right certificates for these projects. The land use right premiums were determined based on our negotiation with local land administrative authorities, taking into consideration of the nature of our projects as civil air defense shelters.
- (9) The expected completion dates represent the management's best estimates based on the current schedule of construction for the project under construction, or the development plan for projects for future development, which may vary from actual results due to unexpected delays during the development process.
- (10) Includes 6,196 sq.m. of leaseable GFA that will be terminated as leaseable GFA by February 2010.
- (11) The Project Proposal of this project was approved by the Heilongjiang Province Civil Air Defense Office on May 10, 1991. According to a certificate issued by the Harbin Civil Air Defense Office, the operation right period for this project is no fewer than 40 years. We have paid land premiums for this project and obtained a land use right certificate for a period ending August 12, 2043.
- (12) The Project Proposal of this project was approved by the Heilongjiang Province Civil Air Defense Office on August 18, 1999 (for the Baorong section) and April 25, 2001 (for the Gexin section). According to a certificate issued by the Harbin Civil Air Defense Office, the operation right period for this project is no fewer than 40 years. We have paid land premiums for this project and obtained a land use right certificate for a period ending August 12, 2043.
- (13) The Project Proposal of this project was approved by the Heilongjiang Province Civil Air Defense Office on September 16, 2002. According to a certificate issued by the Harbin Civil Air Defense Office, the operation right period for this project is no fewer than 40 years. We have paid land premiums for this project and obtained a land use right certificate for a period ending August 12, 2043.
- (14) The Project Proposal of this project was approved by the National Civil Air Defense Office on September 4, 2003. According to a certificate issued by the Guangzhou Civil Air Defense Office, the operation right period for this project is no fewer than 40 years. We have paid land premiums for this project and obtained a land use right certificate for a period starting December 12, 2006 and valid for at least 40 years.
- (15) The Project Proposal of this project was approved by the National Civil Air Defense Office on June 8, 2006. According to a certificate issued by the Zhengzhou Civil Air Defense Office, the operation right period for this project is no fewer than 40 years. We do not intend to pay land premiums or obtain a land use right certificate for this project.

## BUSINESS

- (16) The Project Proposal of this project was approved by the National Civil Air Defense Office on July 11, 2008. We have commenced the construction of the project. We do not intend to pay land premiums or obtain a land use right certificate for this project.
- (17) Represents the GFA that will be used as a parking lot based on the feasibility study report approved by the National Civil Air Defense office.
- (18) The Feasibility Study Report of this project was approved by the National Civil Air Defense Office on February 20, 2002. The Project Proposal was granted to Renhe Group which made the application on behalf of and for the benefit of us. We have not commenced the construction of the project. We do not intend to pay land premiums or obtain a land use right certificate for this project.
- (19) The Feasibility Study Report of this project was approved by the National Civil Air Defense Office on May 21, 2002. The Project Proposal was granted to Renhe Group which made the application on behalf of and for the benefit of us. We have not commenced the construction of the project. We do not intend to pay land premiums or obtain a land use right certificate for this project.
- (20) The Project Proposal of this project was approved by the National Civil Air Defense Office on July 7, 2006. We have not commenced the construction of the project. We do not intend to pay land premiums or obtain a land use right certificate for this project.
- (21) The Project Proposal of this project was approved by the National Civil Air Defense Office on December 7, 2006. The Project Proposal was granted to Beijing Baorong which made the application on behalf of and for the benefit of us. We have not commenced the construction of the project. We do not intend to pay land premiums or obtain a land use right certificate for this project.
- (22) The Project Proposal of this project was approved by the National Civil Air Defense Office on November 20, 2007. We have not commenced the construction of the project. We do not intend to pay land premiums or obtain a land use right certificate for this project.
- (23) The Project Proposal of this project was approved by the National Civil Air Defense Office on April 16, 2008. We have not commenced the construction of the project. We do not intend to pay land premiums or obtain a land use right certificate for this project.
- (24) The Project Proposal of this project was approved by the National Civil Air Defense Office on August 25, 2008. The Project Proposal was granted to KII which made the application on behalf of and for the benefit of us. We have not commenced the construction of the project. We do not intend to pay land premiums or obtain a land use right certificate for this project.
- (25) The Project Proposal of this project was approved by the National Civil Air Defense Office on August 27, 2008. We have not commenced the construction of the project. We do not intend to pay land premiums or obtain a land use right certificate for this project.
- (26) The Project Proposal of this project was approved by the National Civil Air Defense Office on September 2, 2008. We have not commenced the construction of the project. We do not intend to pay land premiums or obtain a land use right certificate for this project.

Other than the above-mentioned projects under development or projects for future development, we are currently actively investigating the feasibility of developing similar underground shopping centers in other major cities, and have submitted preliminary applications to the governments of Beijing, Changsha, Chengdu, Chongqing, Hangzhou, Hefei, Taiyuan, Xi'an and Yiwu for project approvals. We cannot assure you, however, that we will be able to obtain government approvals for the projects at our desired locations in a timely manner, or at all. See "Risk Factors — Legal and Regulatory Risks Relating to Our Industry — Our project developments are subject to stringent government approvals, and we cannot assure you that the approval would be granted in time, or at all."

## BUSINESS

A project development is considered completed when we have filed the completion reports, as certified by the design institutions, the construction companies and the supervisory companies, with the relevant civil air defense offices. A project is considered to be under development from the commencement of the construction, having received either the construction permit from the relevant construction authorities or the construction commencement approval from the relevant civil air defense offices until completion of the project. A project is considered approved for future development when we obtain the approvals for the project proposal (立項報告) from the relevant civil air defense offices.

Because all of our projects are categorized as underground civil air defense shelter development projects, which are regulated by the Civil Air Defense Law of the PRC and relevant air defense regulations, we are not subject to the requirement of obtaining land certificates before project commencement. The aggregate GFA is, in terms of a completed project, the GFA as specified on the relevant real property certificates or the construction and planning permit, as applicable, or, in terms of a project under development or a project for future development, the permissible plot area as specified in the relevant government approval documents relating to the project.

The following are detailed descriptions of our four completed projects, our two projects under development and our nine projects for future development. The commencement date relating to each of the completed project refers to the date of construction commencement of such project which is indicated either (i) on the completion reports or (ii) on the relevant approval or permit received from local governments, which may vary from one region to another, if no commencement date is indicated on the completion report. With respect to the projects under development, the commencement date refers to the actual date of construction commencement. The completion dates set out in the description of project developments are derived on the following basis: (i) if the completion and inspection documents have been issued or approved by the relevant authorities, the completion date of the project is taken to be the date when such documents were issued or approved, as applicable; or (ii) if such completion and inspection documents have not been issued or approved by the relevant authorities, the completion date represents the best estimate based on our current development plans.

## **Completed Projects**

### ***Phase I of Harbin Project***

Phase I of Harbin Project is located underneath Dongdazhi Street in the commercial center of Nangang District of Harbin. The project occupies two underground floors and has an aggregate GFA of approximately 15,920 sq.m. We own all of the shop units and lease them to tenants most of whom are engaged in wholesale and retail sales of women's fashion apparel. As of March 31, 2008, we had 695 tenants in this project.

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

Most of the leases in this Phase I of Harbin Project have a term ranging from three to six years. We normally fix the rent for the entire lease term and require the tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each lease period during the term. We typically grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term. See “— Leases — Expiries, Renewals and Rent Reviews.”

For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, our revenue from Phase I of Harbin Project was RMB26.1 million, RMB27.4 million, RMB28.5 million and RMB7.4 million, respectively. 100% of our revenue from Phase I of Harbin Project generated for the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008 was attributable to lease income. As of March 31, 2008, the occupancy rate of Phase I of Harbin Project was 100%.

### ***Phase II of Harbin Project***

Phase II of Harbin Project is located underneath Dongdazhi Street and Guogeli Street in the commercial center of Nangang District of Harbin. It consists of two separate sections: Baorong section and Gexin section. Baorong section occupies two underground floors and has an aggregate GFA of approximately 15,393 sq.m. Baorong section is used as a wholesale and retail market for women's and children's apparel, and as of March 31, 2008 we had 198 tenants in this section. Baorong section is connected to, and could be deemed as an extension of, Phase I of Harbin Project. We developed and have operated Gexin section of the project as an underground grocery shopping center according to the Harbin government's planning guidelines. Gexin section occupies two underground floors and has an aggregate GFA of approximately 11,436 sq.m. We currently have approximately 201 tenants in this section. Phase II of Harbin Project has an aggregate GFA of approximately 26,829 sq.m. We transferred the operation rights of 223 sq.m. in 2001, 65 sq.m. in 2002, 58 sq.m. in 2003 and 4,850 sq.m. in 2006, representing approximately 19.4% of the project's GFA to individual owners, and the remaining 21,633 sq.m. is used for lease to tenants.



## BUSINESS

The construction of Phase II of Harbin Project was conducted in two stages. The first stage (Baorong section) commenced in October 1999 and was completed in May 2000. The second stage (Gexin section) commenced in June 2001 and was completed in June 2002. The construction cost was RMB103.7 million and the total development costs (including the acquisition costs for the land use rights for the underground site, construction costs and miscellaneous costs) incurred for Phase II of Harbin Project were approximately RMB112.4 million. Baorong section was opened for business in January 2001 and Gexin section was opened for business in December 2001.

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

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

For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, our revenue from Phase II of Harbin Project was RMB23.2 million, RMB83.3 million, RMB21.2 million and RMB5.9 million, respectively. Our revenue generated for the year ended December 31, 2006 consisted of lease income of RMB21.4 million and revenue from the transfer of operation rights of RMB61.9 million, as we transferred the operation rights of 4,850 sq.m. of Baorong section of Phase II of Harbin Project in 2006. See “Financial Information — Description of Certain Consolidated Income Statement Items.” With respect to Phase II of Harbin Project, as of March 31, 2008, the occupancy rate of the Baorong section and Gexin section was 100% and 94.3%, respectively.

### *Phase III of Harbin Project*

Phase III of Harbin Project is located underneath Guogeli Street in the commercial center of Nangang District in Harbin. The project occupies two underground floors and has an aggregate GFA of approximately 21,015 sq.m. available for lease. We own all of the shop units in this project and have leased them to tenants. The shop units on the upper floor are occupied by tenants engaged in the wholesale and retail sales of branded apparel and those on the lower floor are mainly occupied by jeans and casual wear distributors. As of March 31, 2008, we had 270 tenants in this project.

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



## BUSINESS

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

For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, our revenue from Phase III of Harbin Project was RMB15.8 million, RMB20.6 million, RMB36.7 million and RMB9.3 million, respectively. For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, we generated revenue from Phase III of Harbin Project by leasing shop units to tenants. Our lease income significantly increased to RMB36.7 million in 2007 from RMB20.6 million in 2006, primarily due to our increase of the leasing price of Phase III of Harbin Project from 2006 to 2007 when we renewed leases with our tenants after redesigning the lay-out and renovating this project. As of March 31, 2008, the occupancy rate of Phase III of Harbin Project was 100%.

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

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

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

Our Phase I of Guangzhou Project occupies two underground floors and has an aggregate GFA of approximately 47,554 sq.m. We have transferred a GFA of approximately 14,811 sq.m. of commercial space, or approximately 31.1% of the total GFA, to individual owners and hold the remaining GFA of approximately 32,743 sq.m. for rent. As of March 31, 2008, we had 604 tenants engaged in various sectors of the apparel business in this project.

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

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

## BUSINESS

We started transferring operation rights of shop units of Phase I of Guangzhou Project in January 2007 and as of the Latest Practicable Date, we have transferred the operation rights of 462 shop units with an aggregate GFA of 14,811 sq.m. to individual owners for a term covering most of our exclusive-use period. When we transfer the operation rights of the shop units of the Phase I of Guangzhou Project, we typically require the purchasers to pay at least 50% of the consideration upon signing of the transfer agreement and the remaining 50%, either in cash or through bank loans upon the delivery of the operation rights of shop units. If the purchasers need bank loans to finance their purchase of the operation rights of the shop units, such loans typically have a term of three to five years and we normally provide guarantees for such loans.

Most of the tenants have long-term leases for the shop units in the Phase I of Guangzhou Project, with terms ranging from three to six years. For the leases with a term of more than three years, we normally fix the rent for the first few years of the lease term and increase the rent annually at a percentage agreed in the lease agreement for the remaining term. The rent is collected on a monthly basis and is normally due at the beginning of each month. In Guangzhou, we also charge a one-time entry fee, which we did not charge for any of the three projects in Harbin. The amount of such one-time entry fee for each shop unit was determined at our sole discretion based on various factors of the shop unit, including location, size, and monthly rents, etc. For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, our income from the one-time entry fee was nil, RMB5.3 million, RMB14.3 million and RMB3.5 million, respectively. See “Financial Information — Description of Certain Consolidated Income Statement Items — Revenue — Lease Income.” According to the lease agreements, the one-time entry fee, once received, is non-refundable even in the event that our underground shopping centers are taken over by government authorities in China during times of war or in cases of emergency. We grant tenants a right of first refusal for renewal of their lease upon the expiration of the lease term. See “— Leases — Expiries, Renewals and Rent Reviews.”

For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, our revenue from Phase I of Guangzhou Project was nil, RMB31.4 million, RMB280.1 million and RMB387.1 million, respectively. 100% of our revenue generated for the year ended December 31, 2006 was attributable to lease income. Of the revenue generated for the year ended December 31, 2007, RMB90.1 million was attributable to lease income and RMB190.0 million to transfer of operation rights and of that for the three months ended March 31, 2008, RMB21.6 million was attributable to lease income and RMB365.5 million to transfer of operation rights. As of March 31, 2008, the occupancy rate of Phase I of Guangzhou Project was 100%.

### **Projects Under Development**

#### ***Phase I of Zhengzhou Project***

Phase I of Zhengzhou Project is located underneath Datong Road, Fushou Street, Dunmu Road, Qiaojiamen Road and South Qiaojiamen Road and adjacent to the railway station commercial center of Zhengzhou (please refer to the picture below of Phase I of Zhengzhou Project under construction).

The project is adjacent to various apparel distribution centers including the Tianrong Apparel Center and Yinji Commercial Center. The project has an approved aggregate GFA of 100,500 sq.m. for an underground shopping center for the wholesale and retail sale of apparel and accessories. We currently expect to transfer operation rights with respect to 32.3% of the completed GFA of this project and hold the remaining 67.7% of the completed GFA for leasing. We commenced the pre-sale of the

shop units in the Phase I of Zhengzhou Project in July 2008 and, as of the Latest Practicable Date, we have entered into Letters of Intent to Purchase for the transfer of operation rights of shop units with an aggregate GFA of 32,500 sq.m. and collected deposits representing a small portion of the total transfer price. Under the Letters of Intent to Purchase, the transfer agreements in respect of the operation rights of shop units will be entered into upon the completion of the Phase I of Zhengzhou Project and no deposits will be refunded if transferees fail to enter into the transfer agreements.

**Phase I of Zhengzhou Project Under Construction**



The construction drawings of this project was approved by the government authorities in April 2007. The construction of this project commenced on December 15, 2007 and is planned to be completed by October 2008. We expect the construction costs for this project to be no more than RMB8,880 per sq.m. As of March 31, 2008, the total development costs (including construction costs and capitalized finance costs) incurred for this project were approximately RMB129 million. The shopping center is planned to open for business in October 2008.

***Phase I of Shenyang Project***

Phase I of Shenyang Project is located underneath Changjiang Street (between Chongshan Middle Road and Kuanshan Middle Road) and Bitang Park.

The project has an approved aggregate GFA of 167,000 sq.m., of which 158,108 sq.m. space is approved to be used as an underground shopping center for the wholesale and retail sale of apparel and accessories and the remaining 8,892 sq.m. space is approved to be used as a parking lot.

We have obtained approval for the construction drawings of this project and Work Commencement Permit from government authorities. The construction of this project was commenced in July 2008 and the project is planned to be completed by December 2008. We expect the construction cost for this project to be no more than RMB8,880 per sq.m. The shopping center is planned to open for business in December 2008.

**Projects for Future Development**

***Phase IV of Harbin Project***

Phase IV of Harbin Project will be located underneath Songhuajiang Road in Harbin. We currently plan to transfer operation rights with respect to 20% of the completed GFA of this project and hold the remaining 80% of the completed GFA for leasing. The project has a planned aggregate GFA of approximately 15,738 sq.m. We obtained approval for the project proposal and feasibility study report for this project from the government authority in February 2002. The construction of this project is scheduled to commence in March 2010 and the project is expected to be completed in August 2010. We expect the construction cost for this project to be no more than RMB9,531 per sq.m.

***Phase V of Harbin Project***

Phase V of Harbin Project will be located underneath Wenjiao Street in Harbin. The project has a planned aggregate GFA of approximately 10,000 sq.m. We currently plan to transfer operation rights with respect to 20% of the completed GFA of this project and hold the remaining 80% of the completed GFA for leasing. We obtained approval for the project proposal and feasibility study report for this project from the government authority in May 2002 and are currently conducting project planning and other preliminary work. The construction of this project is scheduled to commence in October 2008 and the project is expected to be completed in March 2009. We expect the construction cost for this project to be no more than RMB8,880 per sq.m.

***Phase II of Guangzhou Project***

Phase II of Guangzhou Project will be an extension of Phase I of Guangzhou Project and located underneath Zhanqian Road and Zhannan Road and in the railway station commercial center of Guangzhou. The project has a planned aggregate GFA of approximately 48,000 sq.m. We currently plan to transfer operation rights with respect to 20% of the completed GFA of this project and hold the remaining 80% of the completed GFA for leasing.

We obtained approval for the project proposal for this project from the government authority in July 2006 and are currently conducting project planning and other preliminary work. The construction of this project is scheduled to commence in November 2008 and the project is expected to be completed in May 2009. We expect the construction cost for this project to be no more than RMB9,179 per sq.m.

***Wuhan Project***

Wuhan Project will be located underneath Zhongshan Avenue, Yanjiang Avenue and Youyi South Road and in the Hanzheng Street commercial center of Wuhan.

**A corner of Hanzheng Street commercial center**



The project has a planned aggregate GFA of 126,220 sq.m. for an underground shopping center for the wholesale and retail sale of apparel and accessories. We currently plan to transfer operation rights with respect to 20% of the completed GFA and hold the remaining 80% of the completed GFA of this project for leasing.

We obtained approvals for the project proposal and feasibility study report for this project from government authorities in July 2006 and are currently conducting project planning and other preliminary work. The construction of this project is scheduled to commence in March 2009 and the project is expected to be completed in October 2009. We expect the construction cost for this project to be no more than RMB9,509 per sq.m.

***Phase II of Zhengzhou Project***

Phase II of Zhengzhou Project will be located underneath East Jinshui Road and Hengshan Road in Zhengzhou. The project has a planned aggregate GFA of approximately 350,000 sq.m. We currently plan to transfer operation rights with respect to 20% of the completed GFA of this project and hold the remaining 80% of the completed GFA for leasing.

We obtained approval for the project proposal for this project from the government authority in November 2007. The construction of this project is scheduled to commence in January 2010 and the project is expected to be completed in December 2010. We expect the construction cost for this project to be no more than RMB9,531 per sq.m.

***Tianjin Project***

Tianjin Project will be located underneath Jinzhongqiao street in Tianjin. The project has a planned aggregate GFA of approximately 121,220 sq.m. We currently plan to transfer operation rights with respect to 20% of the completed GFA of this project and hold the remaining 80% of the completed GFA for leasing.

We obtained approval for the project proposal for this project from the government authority in April 2008 and are currently conducting project planning and other preliminary work. The construction of this project is scheduled to commence in November 2008 and the project is expected to be completed in July 2009. We expect the construction cost for this project to be no more than RMB9,179 per sq.m.

***Nanchang Project***

Nanchang Project will be located underneath Bayi Avenue in Nanchang. The project has a planned aggregate GFA of approximately 162,000 sq.m. We currently plan to transfer operation rights with respect to 20% of the completed GFA of this project and hold the remaining 80% of the completed GFA for leasing.

We obtained approval for the project proposal for this project from the government authority in August 2008 and are currently conducting project planning and other preliminary work. The construction of this project is scheduled to commence in January 2009 and the project is expected to be completed in August 2009. We expect the construction cost for this project to be no more than RMB9,509 per sq.m.

***Shenzhen Project***

Shenzhen Project will be located underneath North Huaqiang Road and Huali Road in Shenzhen. The project has a planned aggregate GFA of approximately 160,000 sq.m. We currently plan to transfer operation rights with respect to 20% of the completed GFA of this project and hold the remaining 80% of the completed GFA for leasing.

We obtained approval for the project proposal for this project from the government authority in August 2008 and are currently conducting project planning and other preliminary work. The construction of this project is scheduled to commence in December 2008 and the project is expected to be completed in August 2009. We expect the construction cost for this project to be no more than RMB9,179 per sq.m.

***Phase VI of Harbin Project***

Phase VI of Harbin Project includes two sections: Nangang section and Daoli section. Nangang section will be located underneath Guogeli Avenue, Dong Dazhi Street, Huayuan Street and Jianshe Street in Nangang District, Harbin and Daoli section will be located underneath Shangzhi Avenue, West Twelfth Street and Toulong Street in Daoli District, Harbin. The project has a planned aggregate GFA of approximately 150,880 sq.m. We currently plan to transfer operation rights with respect to 20% of the completed GFA of this project and hold the remaining 80% of the completed GFA for leasing.



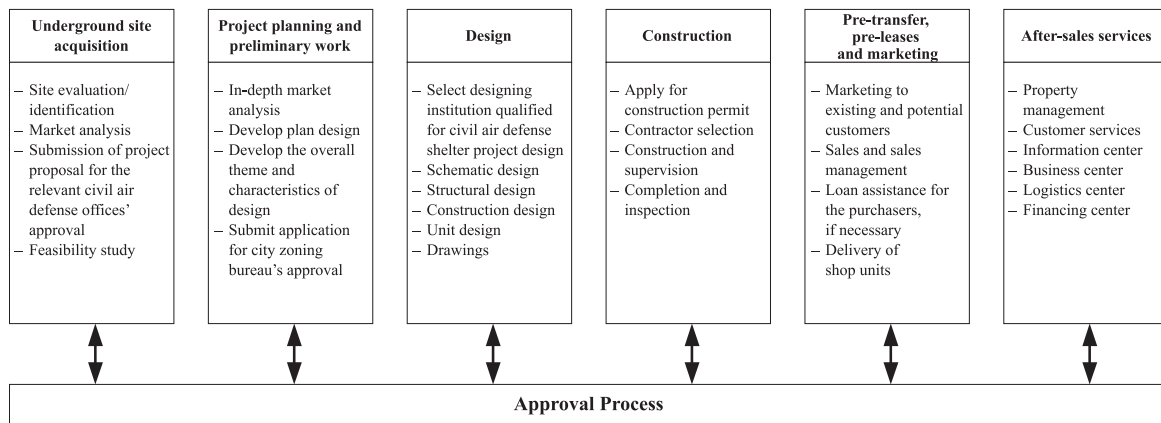
## BUSINESS

We obtained approval for the project proposal for this project from the government authority in September 2008 and are currently conducting project planning and other preliminary work. The construction of this project is scheduled to commence in October 2008 and the project is expected to be completed in March 2009. We expect the construction cost for this project to be no more than RMB8,880 per sq.m.

### OUR PRINCIPAL ACTIVITIES

#### Project Development and Operation

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



#### Strategy Development

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

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

## BUSINESS

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

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

### **Site Selection and Market Analysis**

We place a strong emphasis on site selection and consider it fundamental to the success of our project development. Therefore, we devote significant management resources to selecting appropriate location. In conjunction with our ongoing market research, we identify and evaluate possible cities and sites for new projects. We have a market research and analysis department comprised of approximately 126 employees as of March 31, 2008. Prior to our entering a new city, a market research team will conduct market research on the potential demand for a shopping center, determine how to position the markets that we develop, establish a blueprint of the project design and calculate a gross profit margin for the project. The market research team will then prepare a research report for the senior management to evaluate the potential investment opportunities in certain areas of the city.

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

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



## **Project Approval**

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

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

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

## **Permits and Certificates**

Once we have obtained approvals for project proposal from the National Civil Air Defense Office which permits us to develop our projects, we must obtain a number of certificates, permits and licenses from the PRC government to commence the development process, including:

- the approvals from the National Civil Air Defense Office and its local offices for (i) the feasibility study report and (ii) the construction drawings, which are documents evidencing the right to develop underground civil air defense shelter facilities for commercial use;

## BUSINESS

- the Construction Works Planning Permit (建設工程規劃許可證) issued by the municipal planning bureau of the cities in which the projects are located, which is a certificate that indicates government approval for a developer's overall plan and design of the project and allows a developer to apply for a Work Commencement Permit; and
- the Work Commencement Permit (施工許可證) issued by construction bureau or Approval for Construction Commencement (經批准的開工報告) issued by the civil air defense authorities of the cities in which the projects are located, which is a permit required for commencement of construction.

As of the Latest Practicable Date, we have obtained all necessary approvals and licenses to conduct our business in China.

### Financing of Project Developments

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. Our sources of funding for our project developments include primarily cash flow from operations and borrowings from banks. We may also obtain financing through equity or debt offerings.

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

### Design

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

With a view to bringing fresh design perspectives to our projects and increasing the Company's general profile, after we select a civil air defense shelter design institute, we conduct extensive discussions with the institute to establish architectural concepts that will enhance the commercial viability of our project without undermining its function as a civil air defense shelter. We determine

design criteria in light of market demand and functional requirements, such as the size and layout of retail space, in order to maximize return. We always engage a third-party geology institute to conduct a geological exploratory survey and topographic mapping of the project site, which will provide information to facilitate the architectural design.

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

### **Pre-Construction Coordination**

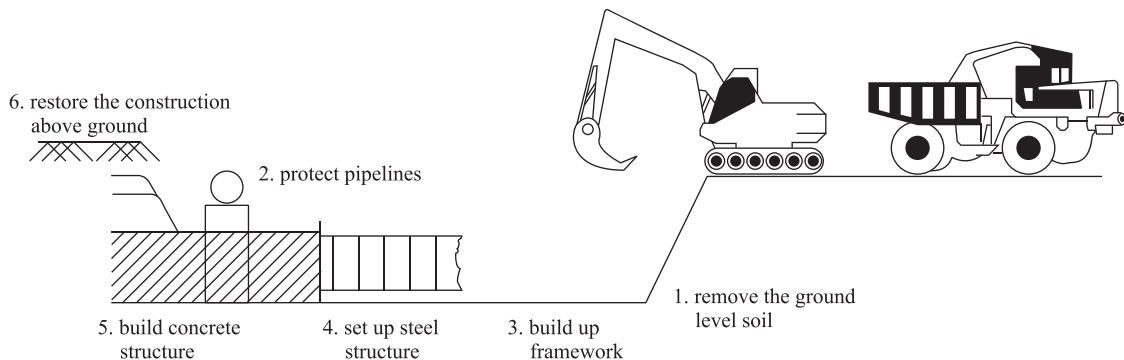
The construction of our underground project beneath the roads of prime commercial areas is complicated and requires the cooperation of various government authorities and utility suppliers. We initiate discussions with various local government authorities including, among others, the city planning bureaus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

### **Procurement and Construction**

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

## BUSINESS

Our current underground projects are typically constructed in the commercial centers of each city. These city center areas are generally locations with heavy traffic and high-rise buildings, and therefore we usually adopt the “reverse construction method.” The reverse construction method is widely used in the construction of underground civil air defense shelter projects and other underground projects. Contractors are required to complete the ground construction of the project within a short period of time. For example, the ground construction was completed within 30 days in our Phase I of Guangzhou Project and 23 days and 18 days in the different sections of our Phase I of Zhengzhou Project. These contractors first remove the ground level soil, coordinate with other contractors engaged by various public utility suppliers and build a strong ceiling for our underground civil air defense shelters first. Once the ceiling is built, the contractors refill the excavation to restore the transportation above-ground. Then, the contractors gradually dig underneath the ceiling from a limited number of entrances on the sides of the road to construct the structure of our underground civil air defense shelters. The method is designed to minimize disruption above-ground and requires adequate equipment as well as extensive experience to properly execute. In addition, civil air defense shelters must meet the requirement to function as protective shelters during times of war, so the construction must adhere to high standard in order to pass the inspections and tests of various authorities. Contractors that can meet these criteria are limited, and we will only select experienced construction companies, most of which have National Class A qualifications. All of our contractors engaged during the Track Record Period possessed requisite qualifications for general construction work, and there are no special qualification requirements under PRC laws and regulations for the civil air defense shelters’ constructions. We have established good working relationships with contractors such as Henan Provincial No. 5 Constructional Engineering Co., Ltd. and China Construction Second Engineering Bureau. Below is a chart demonstrating a typical application of the reverse construction method to the ground construction of a project. All of the contractors engaged by us during the Track Record Period were independent of us except for Heilongjiang Province No. 1 Construction Company No. 2 Construction Team, which was a team of individual construction workers operating under Heilongjiang Province No. 1 Construction Company and led by Mr. Dai Yonggang, a brother of Mr. Dai, CEO and Chairman of the Company. Mr. Dai Yonggang has not previously held, and does not currently hold, any management position in the Group.



Upon selection, the contractor enters into a construction agreement with us. Construction payments are determined primarily based on estimated labor and material costs and fitting requirements, and are adjusted based on actual completed construction in order to reflect any necessary changes during the construction process. The construction contracts we enter into with construction companies typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations in all aspects during their construction

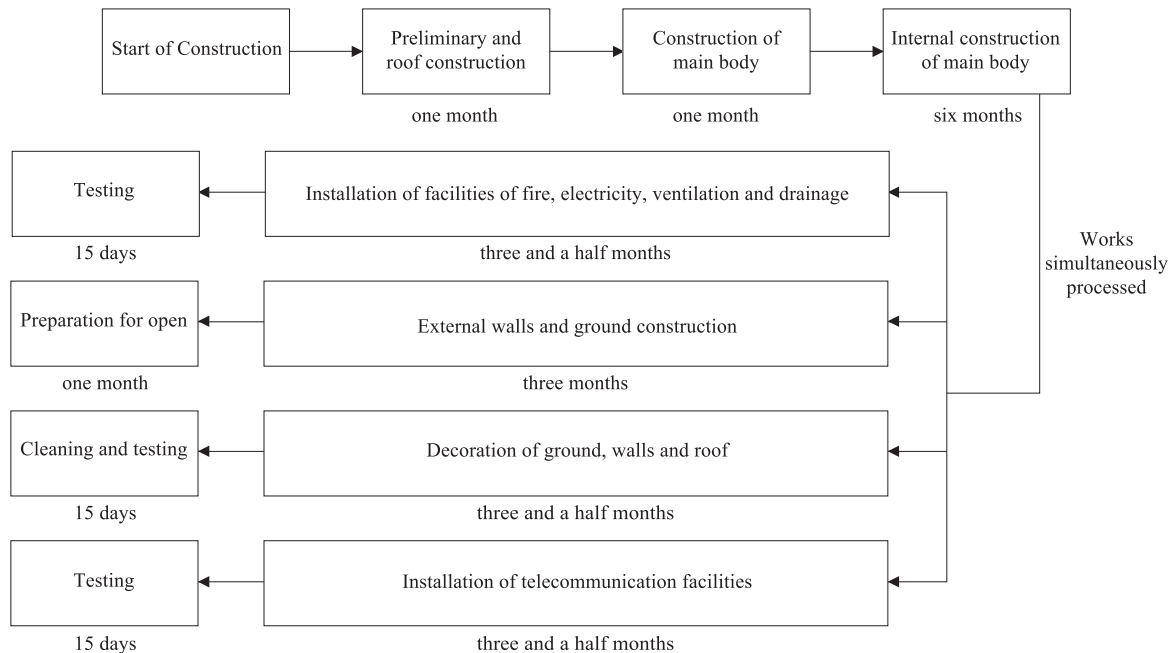
## BUSINESS

process, in particular, those relating to the quality of construction, as well as our own standards and specifications. Our engineer construction department monitors quality, cost and construction progress. In the event of a delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies. The contractors are also subject to our quality control procedures, including appointment of internal on-site quality control engineers, examination of materials and supplies, on-site inspection and periodic submission of progress reports. Our construction agreements typically provide for payments based on construction progress until a specified maximum percentage of the total contract price is paid. For the ground construction and equipment purchase and installment, we will make a prepayment typically ranging from 20% to 60% of the contract sum before the commencement of work and subsequent payments will be made when the progress reaches certain milestones. For the structure construction, consistent with market practice, we typically do not make prepayments but instead, make payments according to the progress on a monthly basis. These monthly payments are 80% of the value of the work carried out in a given month (subject to minor adjustments). When the total amount paid, including the prepayment, reaches 70% to 80% of the contract price, further payments will be suspended until completion of the task. Except for approximately 5% of the contract price, which we generally withhold for one year after completion as retention money to cover any damages as a result of any construction defects, the remaining balance is payable upon the filing of a construction work completion report with the relevant civil air defense offices. We have not had any instances where the retention amount is insufficient to cover our expenses for the construction defects during the Track Record Period. The total amount of fees paid to our contractors for the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008 was approximately RMB71.1 million, RMB184.1 million, RMB101.7 million and RMB110.4 million, respectively.

During the Track Record Period, we were not involved in any dispute with nor was there any case of material personal injury or death involving our contractors that could have a material and adverse effect on our business.

## BUSINESS

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



For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, purchases attributable to our single largest supplier, excluding purchases of land use rights, accounted for approximately 27.0%, 19.9%, 9.4% and 24.6%, respectively, of our total purchases in each period. For the same periods, purchases attributable to our five largest suppliers, excluding purchases of land use rights, accounted for approximately 70.2%, 65.9%, 36.2% and 74.8%, respectively, of our total purchases in each period. Except for Heilongjiang Province No. 1 Construction Company No. 2 Construction Team, our largest supplier for 2006 which was controlled by Mr. Dai Yonggang, a brother of Mr. Dai, CEO and Chairman of the Company, none of our directors, their associates nor any shareholder holding more than 5% of our issued share capital has any interest in any of the five largest suppliers during the Track Record Period. The Directors believe that the transactions with Heilongjiang Province No. 1 Construction Company No. 2 Construction Team were entered into at arm's length under normal commercial terms. For the years ended December 31, 2005 and 2006, purchases from Heilongjiang Province No. 1 Construction Company No. 2 Construction Team, excluding purchases of land use rights, accounted for approximately 1.7% and 19.9%, respectively, of our total purchases in each period. We did not have any transaction with Heilongjiang Province No. 1 Construction Company No. 2 Team in 2007 and for the three months ended March 31, 2008.

### Monitoring and Supervision

*Time control.* To monitor construction progress, we develop a master plan, which sets out the scope and timing of each construction task. In light of varying time pressure we experience during the ground construction period and thereafter, we adopt different time control and management methods during different periods of the construction process. During the ground construction period, we conduct daily meetings with each of the contractors, and our project team works closely with the contractors to ensure strict compliance with the time schedule in the master plan. We subscribe for long-term weather

## BUSINESS

forecasts and make preparations in advance or adjustments to the construction progress accordingly. We also ask the contractors to guarantee the timely completion of ground construction and impose penalties for significant delays.

Once the ground construction is completed and the structure construction commences, we monitor our construction progress through weekly meetings. A weekly meeting is held following the ground construction period, in which all our main contractors and their subcontractors participate. The master plan is adjusted in light of any delay reported by the contractors with a view to completing the overall project according to the original schedule. We have consistently completed our projects according to or ahead of our pre-set time schedules and the deadlines set out in the lease and transfer contracts which are entered into with tenants and purchasers prior to the completion of the projects while maintaining the quality of the developments and keeping our construction costs within our budget by strictly complying with our project development procedures.

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

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

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

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

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

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



## BUSINESS

Our cost control mechanism for selecting our contractors is described above in the paragraph headed “— Overview of Our Principle Activities — Procurement and Construction.”

### **Marketing**

Our sales and marketing activities for leasing and transferring operation rights of our shop units are conducted by each project company. As of March 31, 2008, our marketing team (including market research and analysis team) comprised approximately 126 employees.

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

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

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

### **Leases**

#### ***Tenant Profile***

As of March 31, 2008, other than Gexin section of Phase II of Harbin Project, all of our existing leasable GFA is occupied by individually-owned businesses engaged in apparel wholesale and retail of a variety of clothing, including women’s fashion, men’s fashion, children’s apparel, jeans, casual wear and underwear. The clothing sold by our tenants carries various local brands as well as certain national brands. As of March 31, 2008, our underground shop units were leased to 1,968 wholesale and retail tenants under 2,750 tenancies.

We do not have a concentrated tenant base as our tenants are individuals and none of them lease more than 2% of our gross leasable GFA or contribute more than 2% of our gross lease income. The five largest tenants of our underground shopping centers in terms of lease income accounted for approximately 2.92%, 2.51% and 3.37%, respectively, of total lease income for the years ended



## BUSINESS

December 31, 2005, 2006 and 2007. None of the five largest tenants are connected persons to our Directors, their associates or any shareholders holding more than 5% of the share capital of the Company.

### *Expiries, Renewals and Rent Reviews*

Lease terms for the shop units in our underground shopping centers generally range from one to six years, depending on factors such as demand for the specific property and the operating history and reputation of a particular tenant. As of June 30, 2008, 17.0% of the lease agreements in term of the number of contracts had terms of over three years.

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

### *Delinquency Rates*

No write-offs or provisions for unpaid rents were made during the Track Record Period. This is primarily due to our rent collection policy, which generally requires upfront rent payment for a certain period at the beginning of a lease period.

### *Lease Agreements and Tenancy Management*

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

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

## BUSINESS

that under relevant PRC laws and regulations, we are partly or entirely exempt from liabilities for breach of contract to our tenants due to any force majeure events, including war and any seizure of properties by government due to force majeure.

The majority of leases do not give tenants the right to terminate their leases prior to the scheduled expiration dates. A limited number of tenants, mostly in the Phase I of Guangzhou Project, may terminate the leases with respect to part or all of the leased units by prior notice to us and subject to our consent, provided that any rent-free period will be cancelled and the security deposit will be forfeited. The lease agreements that we entered into with tenants provide that in the event a tenant terminates the lease without our consent, he or she will be responsible for his or her breach of contract and must indemnify us for any losses we incur from such early termination. As of December 31, 2007, none of our tenants had terminated their leases with us prior to the scheduled expiration dates. We have the right to terminate leases upon the occurrence of certain events, such as non-payment of rent or breach of covenants by the tenants. The tenants are required to use the leased units for the purposes specified in the tenancies and permitted under the government approvals.

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

### **Transfer of Operation Rights**

As of the Latest Practicable Date, we have transferred operation rights of a portion of shop units in Phase II of Harbin Project and Phase I of Guangzhou Project. For the Phase I of Guangzhou Project, we commenced the marketing and entered into transfer agreements in the first half of 2006, when the construction progress had not completed. According to Jingtian, our PRC legal advisor, our practice to conclude transfer agreements prior to the completion of construction of the Phase I of Guangzhou Project does not violate any PRC laws and regulations. The agreements that we entered into with transferees have terms covering the remaining time period of our exclusive-use period in the relevant projects, which is 34 years for Baorong section of Phase II of Harbin Project and 39 or 40 years for Phase I of Guangzhou Project so that no operation rights transfer agreement would exceed the minimum period of the exclusive rights that we are granted to commercially use the underground civil air defense shelters. In connection with pre-completion transfers, our transfer agreements provided that 50% of the transfer price be paid upon the execution of such transfer agreements, while the remaining 50%, which the transferees may choose to finance through bank loans, be made within 30 days upon the delivery of the shop units to the transferees. Under the transfer agreement, a transferee may use the shop units itself for legal purposes or lease it to others or further transfer the operation rights to others during the term of the transfer. Our transfer agreements do not have binding effect on the sub-transferees, but any further transfer by the transferees is subject to our consent. Upon the expiration of the term, the transferees must return the shop units to us. We provide transferees an overall introduction of our projects prior to the completion of any transfer so that our transferees have the opportunity to know that our underground shopping center are constructed as civil air defense shelters. All of our operation rights transfer agreements specifically provide that neither the transferees nor we will be liable for any losses to the transferees caused by earthquake, typhoon, flood, lightning strike and other natural disaster, turmoil, war, disease or other social phenomena, action of government or other uncontrollable, unpredictable circumstances that affect the performance of agreement or cause losses. We, however, are required to refund to the transferees the transfer price for the remaining term on a pro rata basis if the transfer agreements are terminated due to such events and we request that the shop units be returned to us.

## BUSINESS

All the transferees of our underground shop units are individuals and none of them were transferred more than 5% of our transferred GFA. We did not generate any income from the transfer of operation rights for the year ended December 31, 2005. For the years ended December 31, 2006 and 2007, the five largest transferees of our underground shop units in terms of income from the transfer of operation rights accounted for approximately 8.64% and 13.46%, respectively, of total revenue from the transfer of operation rights. All five largest transferees are also owners of apparel manufacturing factories, manufacturing apparel including men's and women's fashion, sport coats and leather products. None of the five largest transferees are connected persons to our Directors, their associates or any shareholders holding more than 5% of the share capital of the Company.

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

In addition to our underground shop units, we also lease indoor advertising boards and advertising light boxes and display advertisements and other public information on digital television screens in the corridors of our underground shopping centers. We had 257 advertising boards, 317 advertising light boxes and 124 digital television screens as of March 31, 2008. The advertisers using our advertising boards, advertising light boxes or digital television screens include the tenants of our shop units. We also engage independent third party advertisement companies to help secure advertising clients.

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

	For the years ended December 31,			Three months ended March 31,
	2005	2006	2007	2008
	(RMB in thousand)			
Indoor advertising boards . . .	15	59	5,358	769
Advertising light boxes . . . .	—	—	11,554	2,433
Digital television screens . . .	—	—	2,755	663

### **Property Management**

We, through our project companies that run the operation of each project, manage the shopping centers that we have developed. To date, our management company does not provide services to projects owned by third parties. Each of our project companies in the PRC is responsible for operating its project, collecting rents from tenants and effecting purchase and expense settlement for each project. Our project companies also provide a range of services for our shop units, including security services, maintenance, cleaning of public areas, operation of business centers and other services.

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

## BUSINESS

preparing maintenance and renovation plans with respect to our shopping centers and public facilities. The lease agreements also set forth the payment arrangements of management fees, which are normally fixed for certain period and can be adjusted periodically thereafter.

### **Properties We Occupy for Our Own Use**

As of the Latest Practicable Date, we leased office space comprising a GFA of approximately 1,931 sq.m. in Harbin. The premises are leased from Harbin Jurong New Energy Co., Ltd. in which Mr. Dai Yongge and Ms. Zhang Xingmei, directors of the Company, effectively control over 50% of the equity interests. See “Connected Transactions — Exempt Continuing Connected Transaction — Office Lease.” The lease term commenced on January 1, 2008, and will end on December 31, 2008, and the current monthly rental is RMB100,000.


### **Competition**

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

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

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

### Intellectual Property Rights

Renhe Group has submitted an application for registering with the PRC Trademark Office the trademark of the name “地壹大道”. Renhe Group agreed to transfer this trademark to us, for nominal consideration, upon the completion of the registration process. Renhe Group is also in the process of transferring to us the  trademark registration in the classes relevant to our business. To protect our trademarks overseas, we have also applied for the trademark registration of portfolio of trademarks including the name “地一大道” in the PRC and Hong Kong, the details of which are set out in the section headed “Statutory and General Information — Further Information about our Business — Intellectual Property Rights” in Appendix VII.

### Insurance

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

As of the Latest Practicable Date, we had not experienced any significant loss or damage arising from our projects.

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

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

## BUSINESS

### Employees and Training

As of March 31, 2008, we had 862 full-time employees. The following table provides a breakdown of our employees by responsibilities as of March 31, 2008:

	<u>Number of employees</u>	<u>% of total</u>
Management	21	2.4
Administration and Finance	31	3.6
Market Research and Analysis; Marketing	126	14.6
Planning and Development	151	17.5
Commercial Management and Operations	<u>533</u>	<u>61.9</u>
Total	<u><u>862</u></u>	<u><u>100.0</u></u>

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

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

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

### Environmental Matters

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

## BUSINESS

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

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

The total amount of fees paid for the compliance of environmental assessment requirement for the years ended December 31, 2005, 2006 and 2007 was approximately RMB85,000, nil and RMB35,000, respectively.

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

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

### **Health and Safety Matters**

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

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



## BUSINESS

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

We had six employees responsible for the supervision of safety matters during the construction process of our projects. These employees have more than five years experience in supervising project constructions.

### **Regulatory Matters**

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

Our subsidiaries in the PRC have obtained certificates from relevant tax authorities as to the full payment of any and all tax returns applicable to each of them. For any potential liabilities for any property tax that may be levied on us for the period prior to the Listing pursuant to "the Ministry of Finance and the State Administration of Taxation, notice on the levy of property taxes relating to underground buildings with housing function," Super Brilliant and Mrs. Hawken have agreed to indemnify us for any losses or liabilities in connection therewith.

### **Corporate Governance Measures**

We have established three committees under the board of directors: Audit Committee, Remuneration Committee and Nomination Committee. See "Directors, Senior Management and Employees — Board Committee."

### **Legal Proceedings**

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



## BUSINESS

In March 2008, we received an administrative notice (the “Notice”) from the Guangzhou City Planning Bureau (the “Bureau”). The Notice stated that we had altered the use and design of certain parts of Phase 1 of the Guangzhou Project in violation of the construction planning permit originally issued for this project. The Notice stated that we had improperly converted into leasable GFA 6,196 sq.m. of space originally approved as a parking lot. In addition, we constructed an additional floor with a GFA of 2,179 sq.m., altered the design of certain entrances and exits, and installed certain structures as well as outdoor advertisement and sign boards. We had leased out all of the 6,196 sq.m. space and a portion of the 2,179 sq.m. space. Following receipt of the Notice, we terminated all leases in the 2,179 sq.m. space as of the end of July 2008 and are currently using the space only to house equipment in compliance with the Notice. For the year ended December 31, 2007 and the three months ended March 31, 2008, our lease income from the 2,179 sq.m. space was RMB1.1 million and RMB0.1 million, respectively. We also removed the non-complying external structures and exterior boards and signs. As for the 6,196 sq.m. space, we are permitted to use it provisionally for commercial purposes until February 2010, but may be required to restore it to its approved use as a parking lot before such time if so required by the municipal government due to city planning needs. For the year ended December 31, 2007 and the three months ended March 31, 2008, our lease income from the 6,196 sq.m. space was RMB12.1 million and RMB3.0 million, respectively. The 6,196 sq.m. space is currently leased out to 248 tenants under leases that will be terminated before February 2010. As of March 31, 2008, we have fully paid a fine of RMB1,782,000 as assessed in the Notice. The Company also requested its department in charge of construction inspections and supervision to strictly follow the approved design during the construction process and not to make any alteration without obtaining written consent from relevant government authorities. The Controlling Shareholders have agreed to indemnify us against all damages we may suffer as a result of this incident.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### EXECUTIVE DIRECTORS

**Mr. DAI Yongge (戴永革)**, age 40, was appointed as our executive Director in December 2007 and as the Chief Executive Officer on February 26, 2008. He was also appointed as the Chairman of our Company on August 25, 2008. With over 12 years of experience in the management of underground shopping centers, Mr. Dai is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. Dai has been a director of Harbin 3 Century, the vice chairman of Guangzhou Renhe and the chairman of Zhengzhou Renhe since 2003, 2005 and 2007 respectively and is responsible for the Group's strategic planning and management of the underground shopping centers in Harbin, Guangzhou and Zhengzhou. He was appointed as the chief executive officer of Renhe Group in 1999 and was responsible for the strategic planning and management of Renhe Group until 2003. Mr. Dai was also involved in the management of a number of retail businesses in the PRC for over 10 years before becoming the chairman of Renhe Group in 1999. Mr. Dai is a brother of Mrs. Hawken and the spouse of Ms. Zhang Xingmei.

**Mr. ZHANG Dabin (張大濱)**, age 50, was appointed as our executive Director in December 2007 and as the Executive President (Project Construction) of our Company on February 26, 2008. Mr. Zhang joined our Group in 1999 and has more than 15 years of experience in real estate planning related businesses. From 1999 to 2003, Mr. Zhang was appointed as the chairman of Renhe Group. Since 2003, he has been the chief executive officer and a director of Renhe Group. Mr. Zhang was appointed as a director of Harbin 2 Baorong, Harbin 3 Century, Guangzhou Renhe and Zhengzhou Renhe in 2000, 2002, 2005 and 2007 respectively, in which he was in charge of the overall strategic planning and construction of our Group's projects. Prior to joining our Group, he worked at Heilongjiang Province Urban Real Estate Development Company<sup>▲</sup> (黑龍江省城鎮房屋開發公司) as an assistant general manager from 1990 to 1992 and a deputy general manager from 1992 to 1999 and was responsible for overseeing the development of the real estate projects. Mr. Zhang was one of the members of the National Defense General Staff Corps of Engineers Construction Engineering Design<sup>▲</sup> (工程兵國防人防工程施工圖設計文件審查中心專家組) in 2007.

**Mr. WANG Hongfang (王宏放)**, age 48, was appointed as our executive Director in December 2007 and as the Executive President (Investments and Operations) of our Company on February 26, 2008. Mr. Wang joined our Group in 2003 and has almost 14 years of management experience. He is primarily responsible for the management of our Group's operations. In 2003, he was appointed as the vice president of Renhe Group and became the executive president in 2006. Prior to joining our group, he was assigned management positions in a number of companies in the PRC during the period of 1994 to 2000. From 2001 to 2003, Mr. Wang was the president of Harbin Jurong in which he was responsible for the overall planning and management of its business. Mr. Wang graduated from Harbin Institute of Technology<sup>▲</sup> (哈爾濱工業大學) with a bachelor's degree in automatic control mechanics<sup>▲</sup> (自動化控制) in 1982 and a master's degree in politics and economics in 1991.

**Ms. WANG Chunrong (王春蓉)**, age 39, was appointed as our executive Director in December 2007 and as Vice President (Finance) of our Company on February 26, 2008. Ms. Wang joined our Group in 1996 and has almost 18 years of experience in financial management. Ms. Wang is primarily responsible for overseeing the finance division of our Group. She worked as a manager at the finance department of Harbin 1 Renhe from 1996 to 2000 and was later appointed as a director of Harbin 1 Renhe since 2002. She is responsible for the financial management of the company. Prior to joining the Group, she worked at the accounting department of Heilongjiang Province Technology Information

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Research Office<sup>▲</sup> (黑龍江省科技情報研究所) from 1990 to 1996. She has also been appointed as the deputy executive director of Renhe Group in 2003. Ms. Wang graduated from Harbin Radio and TV University<sup>▲</sup> (哈爾濱廣播電視大學) with a college degree in accounting in 1990.

**Mr. WANG Luding (王魯丁)**, age 39, was appointed as an executive Director in December 2007 and as the Vice President (Marketing) of our Company on February 26, 2008. Mr. Wang joined our Group in 2002 and has over 16 years of experience in the management and marketing of retail businesses. He was a director of Harbin 3 Century from 2002 to 2006. Since 2006, he has been appointed as the general manager of Guangzhou Renhe and he is responsible for the marketing and promotion of our Group projects. Prior to joining our Group, Mr. Wang worked at Guomao City Underground Shopping Center<sup>▲</sup> (國貿城地下商場) from 1992 to 1996 in which he progressed from being a retail staff to the head of retail department and deputy general manager of the underground shopping mall and was responsible for promotional events nationwide. In 1997, Mr. Wang joined China Heilongjiang Harbin Manhattan Multi-Line Group<sup>▲</sup> (曼哈頓多元集團) and was responsible for the management and marketing of its commercial building projects. Mr. Wang has been a deputy executive director of Renhe Group since 2003 and he was responsible for the sales and marketing. Mr. Wang graduated from Heilongjiang China Communist Committee School<sup>▲</sup> (中共黑龍江省委黨校) with a Bachelor's degree in economic management in 2002.

### NON-EXECUTIVE DIRECTORS

**Mrs. HAWKEN Xiu Li (秀麗.好肯)**, age 45, was appointed as our non-executive Director in November 2007. Mrs. Hawken joined our Group in 1996 and is responsible for assisting our executive Directors to formulate our Group's strategies. She was appointed as a director of Harbin 1 Renhe since 1996 and was appointed as its chairperson in 2002 until present. She has also been a director of Harbin 2 Baorong since 2000. In 2007, she was appointed as the director of our overseas and Hong Kong Group companies, namely Fine Genius, Billion Luck, Fast Reach, King Wealthy, Superb Power, Victory Faith, Magic Dynasty, Bright Smart, Cheerfar, Brilliant China, Proper Way, Allyking, Renhe Management, China Supreme, Globe Home, Gold Track, Longain Park, Star Legend, Lead Wealthy, Best Record, Easy Trip, Join Gain, Total Nice, Super Ally and other dormant companies. Mrs. Hawken graduated from Heilongjiang University<sup>▲</sup> (黑龍江大學) with a Bachelor's degree in Chinese Literature in 1986. Mrs. Hawken is a sister of Mr. Dai.

**Ms. JIANG Mei (蔣梅)**, age 36, was appointed as our non-executive Director in December 2007. Ms. Jiang joined our Group in 2002 and is responsible for assisting our executive Directors to formulate our Group's strategies. Since 2002 she has been a director of Harbin 3 Century. She has also been a director of Guangzhou Renhe and a director of Zhengzhou Renhe since 2005 and 2007, respectively. Prior to joining our Group, she was the deputy general manager of an advertising company in the PRC from 1993 to 2000. Ms. Jiang graduated from Beijing Dance Academy<sup>▲</sup> (北京舞蹈學院) in 1991.

**Ms. ZHANG Xingmei (張興梅)**, age 39, was appointed as our non-executive Director in December 2007. Ms. Zhang joined our Group in 1996 and has over 12 years of management experience of the underground shopping centers in the PRC. Since 1996, Ms. Zhang has been appointed as a director of Harbin 1 Renhe. Since 2000, she has been a director of Harbin 2 Baorong. She has also been the chairperson of Harbin 3 Century since 2002. She has been appointed as a director of Guangzhou Renhe and Zhengzhou Renhe since 2005 and 2007 respectively and is responsible for overseeing the

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

operation of their underground shopping mall projects. Ms. Zhang graduated from Heilongjiang Institute of Economic Management<sup>▲</sup> (黑龍江省哈爾濱經濟管理幹部學院) with a college degree in business administration in 1992. Ms. Zhang is the spouse of Mr. Dai.

**Mr. HO Gilbert Chi Hang (何智恒)**, age 32, was appointed as our non-executive Director in December 2007 and is only responsible for assisting our executive Directors in formulating our Group's strategies and does not have any executive function or active participation in the day-to-day management and operation of our Group. Mr. Ho is the senior investment director of New World Development Company Limited and an executive director of New World Strategic Investment Limited. Mr. Ho has extensive experience in the area of corporate finance and merger and acquisition transactions and was a partner of an international law firm Fried, Frank, Harris, Shriver and Jacobson LLP prior to joining New World Development Company Limited. He is a Committee Member of the Chinese People's Political Consultative Conference of Shenyang and a Member of China Overseas Chinese Entrepreneurs Association. Mr. Ho holds a Bachelor of Commerce degree and a Bachelor of Laws degree from the University of Sydney, Australia and is a solicitor admitted in New South Wales, Australia and England and Wales.

**Mr. HO Hsiang-Ming, James (賀象民)**, age 49, was appointed as our non-executive Director in December 2007 and is only responsible for assisting our executive Directors to formulate our Group's strategies and does not have any executive function or active participation in the day-to-day management and operation of our Group. Mr. Ho is also the vice president of Capital International, Inc. responsible for private equity in Asia. Prior to joining Capital International, Inc. in 1996, Mr. Ho was the vice president of global equity investments at the Bank of America in Hong Kong. Mr. Ho is also a director of Pacific Textiles Holdings Limited, listed on the Hong Kong Stock Exchange and China Digital TV Holding Company, listed on the New York Stock Exchange. Mr. Ho was a director of ON\*Media Corporation, a Korea listed company, from June 2000 to March 2007. He received a Bachelor of Arts in economics from the National Taiwan University and an MBA from the Wharton School of Business at the University of Pennsylvania.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. FAN Ren-Da, Anthony (范仁達)**, aged 48, is our independent non-executive Director and is currently a PhD candidate at Shanghai Jiao Tung University. He holds a Master's Degree in Business Administration from the United States of America. Mr. Fan has over 12 years of experience in corporate finance, business management, corporate restructuring, mergers and acquisitions and venture capital. He is currently the chairman and managing director of Asialink Capital Limited. He is also an independent non-executive director of CITIC Resources Holdings Limited and Uni-President China Holdings Ltd, as well as an independent non-executive director and a member of the audit committee, nomination committee and remuneration committee of Raymond Industrial Ltd, all of which are companies listed on the Stock Exchange. Mr. Fan was an independent non-executive director of Roly International Holdings Limited from July 2002 to August 2007, a company which was voluntarily delisted from the Singapore Exchange Securities Trading Limited in April 2007. He is a member of the All-China Federation of Industry and Commerce. He has previously held senior positions with various international financial institutions and has gained extensive experience in reviewing and analysing financial statements of public and private companies from these positions.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. WANG Shengli (王勝利)**, age 58, is our independent non-executive Director. Mr. Wang is a retired military officer in the PRC with over 40 years of experience in the national defense force. Mr. Wang is currently the vice president of the China Commercial Real Estate Association<sup>▲</sup> (中國商業地產聯盟), a national association for the commercial real estate industry in the PRC which has a very close working relationship with the Ministry of Commerce of the PRC, Ministry of Construction of PRC and similar government agencies. Mr. Wang is also currently the vice chairman of the civil air defense sub-division of China Civil Engineering Society<sup>▲</sup> (中國土木工程協會防護工程分會副理事長), the consultant of Beijing Civil Defense Association<sup>▲</sup> (北京民防協會) and the consultant of Shandong Province Civil Defense Association<sup>▲</sup> (山東民防協會). From 1985 to 2005, he was an officer of the Civil Air Defense Department of the PRC<sup>▲</sup> (中國國家人民防空辦公室). Mr. Wang graduated from Liaoning University<sup>▲</sup> (遼寧大學) in 1985 with a Bachelor's degree in Chinese and politics.

**Mr. WANG Yifu (王一夫)**, age 58, is our independent non-executive Director. Mr. Wang has over 30 years' experience in the banking and finance industry. Mr. Wang worked at several branches of the China People's Construction Bank<sup>▲</sup> (中國人民建設銀行) in Harbin from 1975 to 1993, during which he had worked at the accounting and investment divisions of various branches. He was appointed as the director (行長) of the marketing division and the senior economist of Harbin main branch of the China People's Construction Bank<sup>▲</sup> in 1991 and 1993, respectively. In 1996, Mr. Wang was appointed as the supervisor (監事長) of the internal auditing department of Harbin Commercial Bank<sup>▲</sup> (哈爾濱商業銀行) and was promoted to vice-governor (副行長) of the same department in 1999. Since 2004, Mr. Wang has been the inspector (調研員) of Harbin Commercial Bank<sup>▲</sup> (哈爾濱商業銀行). Mr. Wang graduated from Northeast Heavy Machinery College<sup>▲</sup> (東北重型機械學院) with a college degree in mechanical engineering in 1975.

### SENIOR MANAGEMENT

**Mr. CHU Chengfa (楚成發)**, age 40, is a deputy general manager of our business administration and legal compliance department. Mr. Chu joined our Group in 1999 and has almost 17 years of experiences in the legal compliance field. Mr. Chu was appointed as the head of the legal department of Renhe Group in 1999 and deputy executive director of Renhe Group in 2003, advising the overall legal compliance of all the Group's projects. Prior to joining our Group, Mr. Chu worked at Heilongjiang Province Hongsheng Trade Co.<sup>▲</sup> (黑龍江省宏盛經貿公司) as the head of the legal department and the deputy general manager of the company from 1991 to 1999. Mr. Chu graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1991.

**Mr. HUNG Fan Kwan (孔繁崑)**, *FCPA, FCCA*, age 44, is our chief financial officer, qualified accountant and company secretary, and is primarily responsible for overseeing our Group's financial reporting procedures, internal controls and compliance with the requirements under the Hong Kong Listing Rules with regard to financial reporting and other accounting-related issues. Mr. Hung joined our Group in March 2008, is retained by us on a full-time basis and has over 20 years experience in accounting, finance and treasury functions. Prior to joining our Group, Mr. Hung was appointed to a number of senior accounting and financial positions with various listed and private companies in Hong Kong, including as executive director, chief financial officer and qualified accountant of Modern Beauty Salon Holdings Limited, a company listed on the Main Board of the Stock Exchange, and was previously a vice audit manager at Coopers & Lybrand (currently known as PricewaterhouseCoopers). Mr. Hung graduated with a Professional Diploma in Accountancy from the Hong Kong Polytechnic



## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

University and is a fellow member of the Chartered Association of Certified Accountants, a fellow member of the Hong Kong Society of Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

**Mr. YUE Taoming**<sup>▲</sup> (岳陶明), age 45, is a deputy general manager of our project construction department. Mr. Yue joined our Group in 1999 and has over nine years of experience in managing underground construction projects. From 1999 to 2006, he was a deputy executive director of Renhe Group and was responsible for overseeing the underground construction projects of the group. Since 2006, he has been the general manager of Zhengzhou Renhe and is responsible for the overall management of underground shopping mall units. Mr. Yue graduated from Hebei Institute of Industrial (河北工業職業技術學院, formerly, 河北外貿學校) with a college degree in trading in 1990.

**Mr. SUN Qiwei**<sup>▲</sup> (孫啟偉), age 48, is a deputy general manager of our project construction department. Mr. Sun joined our Group in 1996 and has over 12 years of experience in business administration and management of underground construction projects. He was the office head of Harbin 1 Renhe from 1996 to 1999. From 1999 to 2003, he was appointed as an assistant general manager and head of the executive office of Renhe Group. From 2006 to 2007, Mr. Sun was appointed as a general manager of Guangzhou Renhe. Since 2007, he has been appointed as the vice general commander of the construction command office of Zhengzhou Renhe. From 2003 to 2006, he was an executive deputy general manager of Harbin Hada Fruits and Vegetables Wholesale Market Co. Limited.<sup>▲</sup> (哈達果菜批發市場有限公司). Mr. Sun graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) with a college degree in Chinese journalism in 1988.

**Mr. CHEN Bangju**<sup>▲</sup> (陳幫聚), age 54, is a general manager of our project construction department, primarily responsible for the engineering design of the construction projects. Mr. Chen has over 38 years of experience in the engineering of civil defense constructions. Mr. Chen joined our group in 2007 and has been appointed as the vice general commander of the construction command office of Zhengzhou Renhe. Prior to joining our Group, Mr. Chen had worked at Heilongjiang Province Civil Defense Office (黑龍江省人防辦公室) since 1970 and had been the vice commissioner of the engineering design department and the commissioner of the same department. From 2006 to 2007, he was appointed as a senior counselor of Heilongjiang Province Civil Defense Office (黑龍江省人防辦公室). Mr. Chen graduated from Harbin Institute of Construction<sup>▲</sup> (哈爾濱建工學院) in 1984, specialised in industrial and residential construction engineering.

**Mr. GENG Xiaoguo**<sup>▲</sup> (耿孝國), age 43, is a deputy general manager of our project construction department. Mr. Geng joined our Group in 2001 and has over seven years of experience in project construction, mainly involved in the application process of the construction projects when they first commenced. Since 2006, Mr. Geng has been appointed as a director of Guangzhou Renhe. Mr. Geng graduated from Heilongjiang University (黑龍江大學) with a Bachelor's degree in law in 1987.

**Ms. LI Dongling** (李冬玲), age 36, is a deputy general manager of our investments and operations department. Ms. Li joined our Group in 2003 and has over seven years of experience in the field of marketing and sales. Since 2003, Ms. Li has been appointed a deputy general manager of the sales and marketing department of Renhe Group. Prior to joining our Group, she worked at the business management department as well as the sales and marketing department of Harbin Hong Bo Trade

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Group<sup>▲</sup> (哈爾濱紅博商貿集團) from 1999 to 2003 and she was promoted as the head of both departments in early 2003. Ms. Li graduated from Harbin Polytechnic University (哈爾濱理工大學) with a college degree in business administration in 1995.

**Ms. YAO Zhiyun** (姚志雲), age 34, is a deputy general manager of our finance department. Ms. Yao joined our Group in 2001 and has over seven years of experience in the field of accounting and finance. Since 2001, Ms. Yao has been appointed as the head of the finance department of Renhe Group and is equipped with skills in operation analysis, cost control, tax planning and other financial management related tasks. Ms. Yao was qualified as a senior accountant in 2002 by Heilongjiang Province Government (黑龍江省人事廳). Ms. Yao graduated from Shenyang Industrial University (瀋陽工業大學) with a bachelor's degree in accounting in 1998.

**Ms. JIN Ling** (金玲), age 37, is an assistant to the general manager of our business management department. Ms. Jin joined our Group in 2005 and has over nine years of experience in business management. In 2005, she was appointed as a deputy general manager of business administration and human resource department of Renhe Group. Prior to joining our group, she was the head of the export department and trading department of a medical company in the PRC from 1999 to 2002. From 2004 to 2005, she was a head of the executive office of Harbin Gong Da Group Co., Ltd. (哈爾濱工大集團股份有限公司)<sup>▲</sup>. Ms. Jin graduated from Heilongjiang Chinese Medicines University<sup>▲</sup> (黑龍江中醫藥大學) with a bachelor's degree in Chinese medicines in 1993.

**Ms. QU Zhenping<sup>▲</sup>** (曲振平), age 36, is a deputy general manager of our business management department. Ms. Qu joined our Group in 1996 and has over 12 years of experience in building management and sales of shopping mall units. From 1999 to 2000, she was the head of business management department and sales department of Harbin 1 Renhe. From 2000 to 2003, she was an assistant to the general manager of Harbin 1 Renhe. From 2003 to 2004, she was appointed as a general manager of Harbin 2 Baorong. Since 2004, she has been a general manager of both Harbin 1 Renhe and Harbin 2 Baorong. Prior to joining the group, she worked at the business administration and sales department of Manhattan Commercial Building<sup>▲</sup> (曼哈頓商廈) from 1996 to 1999. Ms. Qu graduated from Northwest Institute of Light Industry<sup>▲</sup> (西北輕工業學院) with a bachelor's degree in material engineering in 1994.

**Ms. ZHANG Guiru** (張桂茹), age 36, is a deputy general manager of our business administration department. Ms. Zhang joined our Group in 2003 and has over ten years of experience in business management. Ms. Zhang has been appointed as a general director of Harbin 3 Century in 2003 and is primarily responsible in management of the business of Harbin 3 Century. She had worked at Hong Bo Center<sup>▲</sup> (紅博廣場) since 1997 and was appointed as the head of business management department of Hong Bo Center<sup>▲</sup> (紅博廣場) in 2003. Ms. Zhang graduated from Heilongjiang University with a bachelor's degree in computer software<sup>▲</sup> (計算機軟件) in 1994.

**Mr. SONG Lei** (宋磊), age 36, is a deputy general manager of our business management department. Mr. Song joined our Group in 2002 and has over 11 years of experience in business management. Since 2002, he has been appointed as a deputy general manager of business management department of Renhe Group and assumed an important role in the sales and marketing of the project at its inception. Prior to joining our group, Mr. Song was a deputy general manager of business

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

management department of Harbin Manhattan Multi-Line Group<sup>▲</sup> (哈爾濱曼哈頓多元集團有限公司) from 1997 to 2002. Mr. Song graduated from Beijing University (correspondence course/函授課程) with a bachelor's degree in investment management in 1999.

**Ms. YANG Yuhua (楊玉華)**, age 45, is a deputy general manager of our finance department. Ms. Yang joined our Group in 2006 and has over 14 years of experience in the field of investment. In 2006, she was appointed as a deputy head of Renhe Group, overseeing the investments and operations of the group. Prior to joining our Group, Ms. Yang worked at a branch office of Industrial and Commercial Bank of China (中國工商銀行) from 1983 to 2001, being responsible for financial planning and credit loans services. From 2001 to 2006, she was appointed as a deputy manager and senior investment manager at the investment banking division of New China Life Insurance Holdings Company Limited (新華人壽保險股份有限公司). Ms. Yang graduated from Xi'an Jiaotong University (西安交通大學) in 1999 with a Bachelor's degree in finance.

### COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

**Mr. HUNG Fan Kwan (孔繁崑)**, *FCPA, FCCA*, age 44, is our chief financial officer, qualified accountant and company secretary. His biographical details are set out above under the paragraph headed "Senior Management."

### BOARD COMMITTEES

#### Audit Committee

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

#### Remuneration Committee

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



## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **Nomination Committee**

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

### **EMPLOYEES**

As of March 31, 2008, we had 862 full time employees assigned with responsibilities principally in areas such as Management, Administration and Finance, Market Research and Analysis, Marketing Planning and Development and Commercial Management and Operations.

For further details of the Group's employees, please refer to the section headed "Business — Employees and Training."

### **SHARE OPTION SCHEME**

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in Appendix VII to this prospectus.

### **MANAGEMENT INCENTIVE SCHEME**

In order to reward and motivate our employees, our Controlling Shareholders, through their wholly-owned subsidiary Wealthy Aim Holdings Limited, implemented a management incentive scheme by granting rights to select employees and other individuals who have made contributions to our Group, to purchase Shares from Wealthy Aim Holdings Limited. For further details regarding this arrangement, please refer to the section headed "History and Reorganization — Transfers to Employees".

### **RETIREMENT SCHEMES**

Our employees in the PRC participate in various pension schemes organized by the relevant municipal and provincial government under which we are required to make monthly contributions to these plans. The local government is responsible for the planning, management and supervision of the scheme, including collecting and investing the contributions, and paying out the pensions to the retired employees.

The total amount of contributions we made for such employee pension schemes for the years ended December 31, 2005, 2006 and 2007 was approximately RMB47,000, RMB238,000 and RMB620,000, respectively.

## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT**

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits in kind, including our contribution to the pension scheme for our executive Directors, according to the PRC law. We determine our Directors' (including independent non-executive Directors) salaries based on each Director's qualification, position and seniority. Having considered the additional responsibilities of a Director for managing a listed company, the remuneration of our executive Directors is expected to increase to a reasonably higher level following the Listing. In addition to salaries, our Directors may receive year-end bonuses or options under the Share Option Scheme.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to our Directors for the years ended December 31, 2005, 2006 and 2007 were approximately RMB466,000, RMB636,000 and RMB962,000, respectively. No bonus was paid to our Directors. With reference to the remuneration of each individual director during the Track Record Period as shown in the Accountants' Report in Appendix I to this prospectus, apart from Ms. Zhang Xingmei, the responsibilities of the Chairman and the other executive Directors were spread amongst Renhe Group's various business streams, only one of which consisted of the Group's core business. Consequently, nil or less than expected remuneration appear to have been made for such Directors since their total remuneration was also spread across the businesses of Renhe Group. Upon the Listing, all of these Directors will have resigned from their respective roles in Renhe Group and will be retained exclusively by our Company, and our remuneration policy will reflect this accordingly.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to our five highest paid individuals for the years ended December 31, 2005, 2006 and 2007 were approximately RMB542,000, RMB655,000 and RMB974,000, respectively.

It is estimated that remuneration equivalent to approximately RMB6.8 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2008 under arrangements in force at the date of this prospectus.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the Track Record Period. Further information about the service contracts and letters of appointment entered into between the Company and the Directors is set out in the section headed "Further Information about our Directors, Management, Staff and Experts" in Appendix VII to this prospectus.

### **EMPLOYEE COSTS**

The staff costs of the Group (including Directors' emoluments, which are set out above) charged to the Consolidated Income Statements for each of the three financial years ended December 31, 2005, 2006 and 2007 were approximately RMB6.3 million, RMB9.6 million and RMB15.0 million, respectively.

## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **COMPLIANCE ADVISOR**

We will appoint BOCI as our compliance advisor pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the compliance advisor will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalization Issue and Global Offering, Mrs. Hawken, through Shining Hill and Super Brilliant, will control more than 30% of our issued share capital, irrespective of whether the Over-allotment Option is exercised partially or fully, or at all. For the purpose of the Hong Kong Listing Rules, Mrs. Hawken, Shining Hill and Super Brilliant are our Controlling Shareholders. Neither Mrs. Hawken, Shining Hill, Super Brilliant nor Wealthy Aim Holdings Limited holds or conducts any business which competes, or is likely to compete, either directly or indirectly, with our business.

### NON-COMPETITION UNDERTAKING

Mrs. Hawken, Shining Hill, Super Brilliant and Wealthy Aim Holdings Limited (the “Covenantors”) entered into a non-competition deed (the “Deed”) dated August 25, 2008 in favor of us, pursuant to which each of the Covenantors irrevocably and unconditionally, jointly and severally, warranted and undertook to us (for ourselves and as trustee for each of the other Group companies) that she or it shall not, and shall procure that her or its associates shall not, whether directly or indirectly as principal or agent, whether on her or its own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any Group Company), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved, whether for profit, reward or otherwise, in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with the business carried on by us from time to time (“Restricted Activity”) during the term of the Deed (the “Business”), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise and take any action which interferes with or disrupts or may interfere with or disrupt the Business including, but not limited to, solicitation of any of the customers, suppliers or employees of any Group company, provided that there shall be no restriction on any of the Covenantors holding or being interested in shares or other securities in any company which conducts or is engaged in any Restricted Activity (the “Subject Company”) if such shares or securities are listed on a stock exchange and the total number of shares held by the relevant Covenantor and/or her or its associates in aggregate does not exceed 5% of the issued share capital of the Subject Company and that:

- (i) there is a holder (together where appropriate, with its associates) holding a larger shareholding in the Subject Company than the aggregate shareholding held by the relevant Covenantor and/or her or its associates at all times; and
- (ii) the total number of the relevant Covenantor’s representatives on the board of directors of the Subject Company is not significantly disproportionate in relation to her or its shareholding in the Subject Company.

Each of the Covenantors further irrevocably and unconditionally and jointly and severally undertakes that:

- (a) she shall not appoint directly or indirectly any executive director in the Subject Company; and

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) if she or it and/or her or its associates receive any business investment or other business opportunities in relation to Business (“Business Opportunities”), she or it shall refer such Business Opportunities to us first on a timely basis and shall give written notice to the Company of the Business Opportunity within seven days identifying the target company (if relevant) and the nature of the Business Opportunity, the investment or acquisition costs and detailing all information reasonably necessary for us to consider whether to pursue the Business Opportunity (“Offer Notice”).

The Company shall seek approval from the Board or a Board committee, in each case, comprising, among others, independent non-executive Directors who do not have a material interest in the matter being considered (“**Independent Board**”), as to whether to pursue or decline the Business Opportunity and will inform the Covenantor accordingly. Any Director who has an actual or potential material interest in the Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards quorum for, any meeting or part of a meeting convened to consider any Business Opportunity. The Independent Board shall consider the financial impact of pursuing the Business Opportunity offered and if appropriate, it may appoint independent financial advisors to assist in the decision-making process in relation to such Business Opportunity. If there is any material change in the nature, terms or conditions of such Business Opportunity pursued by the relevant Covenantor, she or it shall refer such Business Opportunity as so revised to the Company in the manner as if it were a new Business Opportunity.

The undertakings mentioned above are conditional upon the fulfilment of the conditions stated in the paragraph headed “Conditions of the Hong Kong Public Offering” under the section headed “Structure of the Global Offering” in this prospectus. If any of such conditions is not fulfilled on or before the date falling 30 days after the date of this prospectus, the Deed shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed.

The Deed shall terminate on the earliest of the date on which (i) the Covenantors shall cease to hold in aggregate 30 per cent. or more of the entire issued share capital of the Company or otherwise cease to be a controlling shareholder of us; or (ii) the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

Our independent non-executive Directors will review, on an annual basis, the compliance by the Covenantors with their non-competition undertaking and in particular, the right of first refusal in relation to any Business Opportunities. In this connection, the Covenantors shall provide all necessary information, including without limitation, details of any proposed investment constituting the New Opportunity, to the independent non-executive Directors for their review, and the independent non-executive Directors shall be entitled to seek independent professional advice at the expense of the Company.

Each of the Covenantors has undertaken to provide all information necessary for (i) the annual review by the independent non-executive Directors in respect of the compliance with the Deed by her or it; and (ii) the enforcement of the Deed. Each of the Covenantors shall make an annual declaration and disclosure in compliance with the Deed in the annual report of us. The declaration and disclosure on

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

how the Deed is complied with and enforced shall be consistent with the principles of making voluntary disclosures in the Corporate Governance Report of the Company to be issued in accordance with Appendix 23 to the Hong Kong Listing Rules.

We will disclose decisions on matters reviewed by our independent non-executive directors relating to the compliance and enforcement of the Deed (if any) in our annual report or by way of announcements to the public.

Please refer to the section headed “Underwriting” in this prospectus for more details on the lock-up arrangements restricting the sale or disposal of Shares by certain Shareholders.

Apart from our Controlling Shareholders, Mr. Dai, as with all of our executive Directors, are also subject to standard non-competition covenants under their respective service agreements.

## CONNECTED TRANSACTIONS

### OVERVIEW

Following completion of the Global Offering, we will continue to have certain transactions that constitute connected transactions within the meaning of the Hong Kong Listing Rules. All of our continuing connected transactions are less than HK\$1,000,000 and accordingly they will be categorized as exempt continuing connected transactions under Rule 14A.33. Set out below is an overview of such continuing connected transactions:

#### Exempt Continuing Connected Transactions

Following the Listing, the following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Hong Kong Listing Rules.

##### 1. *Office Lease*

Pursuant to a lease agreement dated December 30, 2007 entered into between Harbin Jurong (in which Mr. Dai and Ms. Zhang Xingmei, Directors of the Company, effectively control in aggregate over 50% of the equity interests) and Harbin 1 Renhe, Harbin Jurong agreed to lease to us an office premises of approximately 1,931 sq.m. located at 哈爾濱市南崗區美順街29號 (29 Mei Shun Street, Nan Gang District, Harbin, Heilongjiang Province, the PRC)<sup>▲</sup> (further details of this property is set out under paragraph 7 of the section "Valuation Certificate — Group III — Property interests rented by the Group in the PRC" of the property valuation report as set out in Appendix IV to this prospectus) for a term commencing from January 1, 2008 to December 31, 2008 at a fixed monthly rental of RMB100,000, which was determined with reference to an independent valuation as set out in the valuation report in Appendix IV to this prospectus. Accordingly, the total rent payable by us for the remaining term of this lease as from the Listing is approximately RMB300,000. Prior to the lease agreement above taking effect, we occupied the same premises from September 2007 to December 2007, without actually paying any rentals.

##### 2. *Office Lease*

Pursuant to a lease agreement effective as from April 1, 2008 entered into between Jade Century and Renhe Management, Jade Century agreed to lease to Renhe Management an office premises with a saleable area of approximately 1,962 sq.ft. sq.m located at 12/F, Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong (further details of this property is set out under property 12 of the property valuation report as set out in Appendix IV to this prospectus) for a term commencing from April 1, 2008 to December 31, 2008 at a fixed monthly rental of HK\$51,500, which was determined with reference to an independent valuation as set out in the valuation report in Appendix IV to this prospectus. Accordingly, the total rent payable by Renhe Management under the term of this lease is approximately HK\$463,500. This lease may be terminated at our discretion Renhe Management during the lease term by giving Jade Century one month's notice. Our Company did not occupy these premises prior to the commencement of lease agreement.



## CONNECTED TRANSACTIONS



### 3. *Shop Unit Leases*

The Company leases certain shop units to certain associates of Mr. Dai in respect of shop units occupying an aggregate area of approximately 87.46 sq.m. at an aggregate annual rental of approximately RMB384,600. The aggregate annual rental for shop lease(s) to associates of Mr. Dai for each of the three years ended December 31, 2005, 2006 and 2007 were approximately RMB144,000, RMB168,000 and RMB267,000 respectively.

The Company leases a corridor shop stall to Ms. Wang Chunrong, an executive Director of the Company, at an annual rental of approximately RMB19,000. The aggregate annual rental for shop lease(s) to Ms. Wang Chunrong for each of the three years ended December 31, 2005, 2006 and 2007 were approximately RMB19,000, RMB19,000 and RMB19,000 respectively.

All these leases were entered into by the Group in the ordinary course of its business and at prices substantially the same as market rate.

### 4. *Trademark License Agreement*

Pursuant to a trademark license agreement dated August 25, 2008 entered into between Renhe Group and the Company, Renhe Group granted to the Company an exclusive, royalty-free licence to use the “地壹大道” and  trademarks, with an obligation to transfer the registration and ownership in those trademark classes to the Company for RMB1.00 upon the approval of the registration application of the trademarks. As at the Latest Practicable Date, the  trademark has been successfully registered and application has been made to transfer the relevant classes of that trademark to the Group. During the term of the licence, the Company has the right to sub-license the use of the trademarks to any member of our Group. Our PRC legal advisors have advised that there should be no legal impediment to the transfer of a trademark registration in the PRC after Renhe Group successfully completes the application of the trademark and the application of transferring of Renhe Group's trademarks as registered trademarks to the Group is approved, which in the ordinary course may take approximately two to three years from the date of the application for the registration to be granted, and may take approximately one year for it to be transferred.

Our Directors, including the independent non-executive Directors, are of the opinion that the transactions described under paragraphs 1 to 4 above have been entered into, and will be carried out following the completion of the Global Offering, in the ordinary and usual course of business of our Group and on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

## SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and the Share Adjustments are not effected), Mrs. Hawken, Shining Hill and Super Brilliant will be our Controlling Shareholders:

<u>Name</u>	<u>Number and class of securities</u>	<u>Approximate percentage of shareholding</u>
Super Brilliant . . . . .	13,791,907,217 Shares	68.96%
Shining Hill . . . . .	13,791,907,217 Shares	68.96%
Mrs. Hawken . . . . .	13,791,907,217 Shares	68.96%

So far as our Directors are aware, the following persons will, immediately following completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and the Share Adjustments are not effected), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

<u>Name</u>	<u>Capacity/Nature of interest</u>	<u>Number and class of securities</u> <i>(note 1) (note 2)</i>	<u>Approximate percentage of interest</u>
Super Brilliant <i>(note 3)</i>	Beneficial owner	12,856,907,217 Shares (L)	64.28%
	Interest in a controlled corporation	935,000,000 Shares (L)	4.68%
	Interest in a controlled corporation	935,000,000 Shares (S)	4.68%
Shining Hill <i>(note 3)</i> . .	Interest in a controlled corporation	13,791,907,217 Shares (L)	68.96%
	Interest in a controlled corporation	935,000,000 Shares (S)	4.68%
Mrs. Hawken <i>(note 3)</i> .	Interest in a controlled corporation	13,791,907,217 Shares (L)	68.96%
	Interest in a controlled corporation	935,000,000 Shares (S)	4.68%
Cheng Yu Tung Family (Holdings) Limited (“CYTFH”) <i>(note 4)</i>	Interest in a controlled corporation	1,449,058,600 Shares (L)	7.24%
Centennial Success Limited (“Centennial”) <i>(note 5) (note 6)</i> . . . .	Interest in a controlled corporation	1,449,058,600 Shares (L)	7.24%

## SUBSTANTIAL SHAREHOLDERS

*Notes:*

- (1) The letter “L” denotes the person’s long position in such Shares.
- (2) The letter “S” denotes the person’s short position in such Shares. It represents the number of Shares in respect of which Wealthy Aim Holdings Limited, a controlled corporation of Mrs. Hawken, has granted purchase rights to our employees and other select individuals subject to certain terms and conditions.
- (3) Mrs. Hawken is interested in the entire issued share capital of Shining Hill which in turn is interested in the entire issued share capital of Super Brilliant and therefore, Mrs. Hawken and Shining Hill are deemed or taken to be interested in the Shares beneficially owned by Super Brilliant for the purposes of the SFO.
- (4) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares deemed to be interested by Centennial for the purposes of the SFO.
- (5) Centennial holds 100% interest in each of Chow Tai Fook Enterprises Limited (“CTF”) and Fast Flow Investments Limited, and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF and Fast Flow Investments Limited for the purposes of the SFO.
- (6) CTF, together with its subsidiaries, is interested in more than one-third of shares in New World Development Company Limited and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by New World Development Company Limited for the purposes of the SFO. New World Development Company Limited is deemed to have an interest in the shares held by its indirect subsidiaries Elite Wealth Investment Limited, Vivid China Investment Limited and Skybird International Limited.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and the Share Adjustments are not effected), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of our subsidiaries.

## SHARE CAPITAL

The authorized and issued share capital of the Company is as follows:

<b>Authorized share capital:</b>	<b>HK\$</b>
40,000,000,000 Shares	400,000,000
<b>Issued and to be issued, fully paid or credited as fully paid:</b>	<b>HK\$</b>
1,843,000 Shares in issue at the date of this prospectus	18,430
16,998,157,000 Shares to be issued pursuant to the Capitalization Issue	169,981,570
<u>3,000,000,000</u> Shares to be issued pursuant to the Global Offering	<u>30,000,000</u>
Total:	
<u>20,000,000,000</u> Shares	<u>200,000,000</u>

### ASSUMPTIONS

The above table assumes the Global Offering and the Capitalization Issue have become unconditional. It takes no account of the Shares which may be issued pursuant to any exercise of the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be issued or repurchased pursuant to the Issuing Mandate or the Repurchase Mandate, as the case may be. Details of the Issuing Mandate and the Repurchase Mandate are summarized in the paragraph headed “Further information about the Company — 3. Resolutions of our Shareholders” in Appendix VII to this prospectus. If the Over-allotment Option is exercised in full, 450,000,000 additional Shares will be issued resulting in a total of 20,450,000,000 issued Shares.

### RANKING

The Hong Kong Offer Shares will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalization Issue.

### CAPITALIZATION ISSUE

Pursuant to the resolutions of our Shareholders passed on August 25, 2008, subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of Hong Kong Offer Shares pursuant to the Global Offering, our Directors are authorized to allot and issue a total of 16,998,157,000 Shares credited as fully paid at par to the holders of Shares on the register of members of the Company at the close of business on August 25, 2008 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalization of the sum of HK\$169,981,570 standing to the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

## SHARE CAPITAL

### GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in “Structure of the Global Offering — Conditions of the Hong Kong Public Offering,” our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Global Offering and to be issued under the Capitalization Issue referred to in paragraph e of “A. Further Information about the Company — 3. Resolutions of our Shareholders” in Appendix VII to this prospectus; and
- (b) the aggregate nominal value of the share capital of the Company repurchased pursuant to the authority granted to our Directors referred to in “General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of the Company’s next annual general meeting;
- (b) the expiration of the period within which the Company’s next annual general meeting is required to be held by any applicable laws or the Memorandum of Association and Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to “A. Further Information about the Company — 3. Resolutions of our Shareholders” in Appendix VII to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in “Structure of the Global Offering — Conditions of the Hong Kong Public Offering,” our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognized by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of the Company’s share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme).

## **SHARE CAPITAL**

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Hong Kong Listing Rules. A summary of the relevant Hong Kong Listing Rules is set out in the sub-section headed “Repurchases of our own securities” in Appendix VII to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of the Company’s next annual general meeting;
- (ii) the expiration of the period within which the Company’s next annual general meeting is required to be held by any applicable laws or the Memorandum of Association and Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to “A. Further Information about the Company — 3. Resolutions of our Shareholders” in Appendix VII to this prospectus.

### **SHARE OPTION SCHEME**

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarized in the sub-sections headed “D. Share Option Scheme” as set out in Appendix VII to this prospectus.

## FINANCIAL INFORMATION

*You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set forth in “Appendix I — Accountants’ Report.” The consolidated financial statements have been prepared in accordance with IFRSs. The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please see the section entitled “Risk Factors” in this prospectus.*

*All applicable new and revised IFRSs, which are generally effective for the Track Record Period and are relevant to us, have been applied for the Track Record Period. Our financial information has been prepared under the historical cost convention with the exception of certain assets and liabilities, which (where appropriate) were measured at fair value.*

### **BASIS OF PRESENTATION**

In preparation for the Global Offering, we were incorporated in the Cayman Islands on November 20, 2007. All of our subsidiaries consolidated in the financial statements are under common control of Mrs. Hawken during the Track Record Period.

For the purposes of this prospectus, the consolidated income statements, consolidated balance sheets, consolidated statements of changes in equity, consolidated statements of cash flows and other consolidated financial and operational data of the Company and its subsidiaries for the Track Record Period have been prepared as if the current Group structure had been in existence and in accordance with the respective equity interests in the individual companies attributable to the existing shareholders throughout the Track Record Period or since their respective dates of incorporation or establishment, whichever is the shorter period.

All intra-Group transactions and balances have been eliminated on consolidation.

### **OVERVIEW**

We are the largest privately-owned operator and developer of stand-alone underground shopping centers for wholesale and retail sales of apparel and accessories in China in terms of GFA under operation as of December 31, 2007, according to the Euromonitor Report. We have developed and currently operate three underground shopping centers in Harbin (all of which are interconnected except for Gexin section of Phase II of Harbin project) and one in Guangzhou, with an aggregate GFA of 111,318 sq.m. We also have two projects under development in Zhengzhou and Shenyang and nine projects for future development in Harbin, Guangzhou, Wuhan, Zhengzhou, Tianjin, Nanchang and Shenzhen, with an aggregate GFA of approximately 1,411,558 sq.m. All of our projects are located underground in prime commercial areas of their respective cities. We hold and lease most of the shop units of our projects, while we transfer the operation rights for a small portion of the shop units to third-party purchasers.



## FINANCIAL INFORMATION

For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, our revenue was RMB65.2 million, RMB162.7 million, RMB366.5 million and RMB409.8 million, respectively, and our profit for the same periods was RMB11.9 million, RMB48.5 million, RMB266.7 million and RMB279.0 million, respectively. For the same periods, our revenue from leasing activities was RMB65.2 million, RMB100.8 million, RMB176.5 million and RMB44.2 million, respectively, and revenue from the transfer of operation rights of shop units was nil, RMB61.9 million, RMB190.0 million and RMB365.5 million, respectively.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control. Significant factors include, among others, the following:

#### **PRC Economic Condition and Regulatory Environment**

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

- continued growth in the PRC's economy and population and increase in urbanization rate, which drive the demand for underground shopping centers;
- the regulatory and fiscal environment of the PRC affecting the underground shopping center industry, including tax policies, policies on pre-transfer of operation rights, zoning policies, policies on interest rates and policies concerning the development and use of underground civil air defense shelters; and
- the performance of the PRC's wholesale and retail markets, in particular, those for apparel and accessories and other merchandise, and the supply and demand for underground and other shopping space in Harbin, Guangzhou, Zhengzhou, Wuhan, Shenyang, Tianjin and other cities in which our future projects will be developed.

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

#### **Ability to Secure Suitable Underground Sites for Future Development**

Our continuing growth will depend in large part on our ability to secure quality underground sites from the National Civil Air Defense Office and its local offices. Based on our current development plans, we have obtained, or are in the process of obtaining, government approvals for the development of new underground sites in the next several years. However, there is no assurance that we will eventually obtain approvals for those projects that have not yet been approved. As the PRC economy

## FINANCIAL INFORMATION

continues to grow and the demand for underground shopping centers remains relatively strong, we expect that some other companies that are not currently engaged in developing underground shopping centers may enter this sector and the competition among developers for quality underground sites may intensify. Competition may also come from the aboveground shopping centers.

### **Access to Adequate Financing and Capital Resources**

Bank borrowing is one of the sources of funding for our project developments. As of December 31, 2005, 2006 and 2007 and March 31, 2008, our outstanding loans amounted to RMB192.6 million, RMB214.8 million, RMB19.2 million and nil, respectively. As commercial banks in China generally link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates is likely to increase the interest costs that we might incur in the future. Our access to capital and cost of financing might also be affected by changes in banks' reserve requirement adjusted from time to time by the PRC government.

### **Pledge of Cash and Restricted Bank Deposits**

We provided guarantees to banks and made deposits as security to help the transferees of our Guangzhou shop units finance their acquisition of operation rights of our shop units. Most of the transferees who acquire the operation rights of our shop units pay a portion of the total transfer price and rely on bank loans to fund the remaining transfer price. Guangzhou Renhe has entered into an agreement with Bank of China with respect to loans to the transferees of operation rights under which we provided guarantees, and made restricted bank deposits as security for the repayment of the loans. The amount of our guarantee is equivalent to the principal amount of the loans which, according to our internal policy, is up to 50% of the operation right transfer price. Prior to the provision of guarantee, we conduct credit review of the guaranteed transferees, which includes a review of the business activities of the transferees, their experience in business operations and their financial background. The amount of our restricted bank deposit used to be equal to the principal amount of loans plus an additional 16% of the principal amount and the Bank of China has recently agreed to reduce such restricted bank deposits to 15% of the principal amount of the loan. See "Risk Factors — Risks Relating to Our Business — Our cash pledged as security for the repayment of the loans provided to the transferees of our shop units negatively affects our liquidity." Even though the transfer of operation rights helped us recover the construction costs of our Guangzhou project, pledge of cash in restricted deposit accounts reduced the cash inflow from the transfers and negatively affected our liquidity. For example, in 2006 when we completed our Guangzhou project, the balance of our restricted bank deposit increased by RMB229.1 million, which was the largest line item that caused cash outflow from our operating activities. During the Track Record Period, none of the transferees of operation rights of our shop units defaulted on the repayment of loans for which we provided guarantees and made restricted cash deposits as security.

### **Timing of Project Development**

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

## FINANCIAL INFORMATION

### **The Size and Product Mix of Our Properties**

We have held in the past and intend to hold in the future most of our shop units for recurring lease income while transferring the operation rights of a small portion of our shop units to third-party purchasers. As a result, our results of operations and the sources and amount of our cash from operations may vary significantly from period to period, depending on the GFA of our completed projects that we transfer operation rights or lease and the timing when our projects in various stages of development are to be completed. Our results of operations and cash flow will also vary depending on the market demand at the time when we transfer or let our shop units, the occupancy rates of our investment properties and the transfer prices for our shop units. The transfer price, rental price and occupancy rate of our project developments depend on local supply and demand conditions.

### **Price Volatility of Construction Materials**

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

### **CRITICAL ACCOUNTING POLICIES**

Critical accounting policies are those accounting policies that reflect significant judgments and uncertainties and may potentially yield materially different results under different assumptions and conditions. The critical accounting policies adopted and estimates made in preparation of our consolidated financial statements include the following:

#### **Revenue Recognition**

Our revenue consists of lease income from operating leases and revenue from the transfer of operation rights. Revenue arising from lease income from operating leases, including both the upfront rental payments and the one-time entry fee that we collect for certain of our projects upon the signing of the leases, is recognized on a straight-line basis over the term of the lease. For our Harbin Projects, most of the leases have a term ranging from one to six years. We normally fix the rent for the entire lease term and require that the tenants pay rent for the entire term of the lease upfront or on an annual basis at the beginning of each lease period during the term. The rent collected upfront and the one-time entry fee are recorded as trade and other payables (receipt in advance) until recognized as revenue. For the shop units in Phase I of Guangzhou Project, most of the tenants have long-term leases ranging from three to six years. For the leases with a term of more than three years, we normally fix the rent for the first few years of the lease term and increase the rent annually at a percentage agreed in the lease agreement for the remaining term. The rent is collected on a monthly basis and is normally due at the beginning of each month.

## FINANCIAL INFORMATION

Revenue from transfer of operation rights is recognized when the significant risks and rewards of the operation rights have been transferred to the purchaser. In 2006, 2007 and three months ended March 31, 2008, we transferred operation rights of shop units in Phase II of Harbin Project and Phase I of Guangzhou Project. For certain shop units of Phase I of Guangzhou Project that were transferred, we granted the purchasers a trial period, which was normally four months. In addition, we entered into simultaneous lease agreements and transfer of operation right agreements with certain transferees under which we would lease the shop unit to the transferees for the first year and then transfer the operation rights after the end of the lease. For such contracts, we recognized revenue generated during the first year as lease income on a straight-line basis and then recognized revenue from transfer of operation rights after the end of lease term when the significant risks and rewards of the operation rights were transferred. Revenue from transfer of operation rights is net of sales tax.

For the proceeds that we received for the transfer of operation rights which are pending to be recognized as revenue according to our accounting policy, we recorded them as “Receipt in advance,” which constitute a significant part of our “Trade and other payables.”

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

### **Property and Equipment**

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

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

## FINANCIAL INFORMATION

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

- buildings situated under leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.
- machinery 10 years
- decoration 5 years
- office equipment 5 years
- vehicles 5 years

Construction in progress represents buildings and various machinery and equipment under construction and pending installation, and is stated at cost less impairment losses. Cost comprises direct and indirect costs of construction incurred during the periods of construction. Construction in progress is transferred to property and equipment when the asset is substantially ready for its intended use. No depreciation is provided for construction in progress.

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

### **Investment Properties**

Investment properties are properties held to earn rental income, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. The depreciation policy is the same as that of property and equipment.

Investment properties will be transferred to inventories when, and only when, there is a change in use, i.e. the properties are no longer available for rent, but for transferring operation rights.

Property that is being constructed or developed for future use as investment property is classified as property and equipment and stated at cost until construction or development is completed.

### **Inventories**

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

## FINANCIAL INFORMATION

### RESULTS OF OPERATIONS

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

	Year ended December 31,						Three months ended March 31,			
	2005		2006		2007		2007		2008	
	(RMB in thousands, except percentages)									
Revenue . . . . .	65,162	100.0%	162,662	100.0%	366,495	100.0%	230,251	100.0%	409,758	100.0%
Cost of sales . . . . .	<u>(17,072)</u>	<u>(26.2)</u>	<u>(38,047)</u>	<u>(23.4)</u>	<u>(81,138)</u>	<u>(22.1)</u>	<u>(52,846)</u>	<u>23.0</u>	<u>(86,813)</u>	<u>(21.2)</u>
Gross profit . . . . .	48,090	73.8	124,615	76.6	285,357	77.9	177,405	77.0	322,945	78.8
Other operating income . . . . .	7,919	12.2	5,214	3.2	54,237	14.8	9,243	4.0	21,766	5.3
Administrative expenses . . . . .	(8,089)	(12.4)	(15,540)	(9.5)	(12,892)	(3.5)	(2,450)	(1.0)	(5,005)	(1.2)
Other operating expenses . . . . .	<u>(12,880)</u>	<u>(19.8)</u>	<u>(33,436)</u>	<u>(20.6)</u>	<u>(34,032)</u>	<u>(9.3)</u>	<u>(8,016)</u>	<u>(3.5)</u>	<u>(8,686)</u>	<u>(2.1)</u>
Profit from operations . . . . .	35,040	53.8	80,853	49.7	292,670	79.9	176,182	76.5	331,020	80.8
Finance income . . . . .	13	0.0	378	0.2	3,131	0.9	645	0.3	7,737	1.9
Finance expenses . . . . .	<u>(15,421)</u>	<u>(23.6)</u>	<u>(15,261)</u>	<u>(9.4)</u>	<u>(17,835)</u>	<u>(4.9)</u>	<u>(4,382)</u>	<u>(1.9)</u>	<u>(2,257)</u>	<u>(0.6)</u>
Net finance (expenses)/ income . . . . .	<u>(15,408)</u>	<u>(23.6)</u>	<u>(14,883)</u>	<u>(9.1)</u>	<u>(14,704)</u>	<u>(4.0)</u>	<u>(3,737)</u>	<u>(1.6)</u>	<u>5,480</u>	<u>1.3</u>
Profit before income tax . . . . .	19,632	30.2	65,970	40.5	277,966	75.9	172,445	74.9	336,500	82.1
Income tax . . . . .	<u>(7,728)</u>	<u>(11.9)</u>	<u>(17,480)</u>	<u>(10.7)</u>	<u>(11,291)</u>	<u>(3.1)</u>	<u>(1,841)</u>	<u>(0.8)</u>	<u>(57,491)</u>	<u>(14.0)</u>
Profit for the year/period	<u>11,904</u>	<u>18.3%</u>	<u>48,490</u>	<u>29.8%</u>	<u>266,675</u>	<u>72.8%</u>	<u>170,604</u>	<u>74.1%</u>	<u>279,009</u>	<u>68.1%</u>

### RECENT DEVELOPMENT

For the three months ended June 30, 2008, our revenue increased slightly as compared to the same period in 2007, but our profit decreased substantially. The decrease of profit was primarily due to the increase of administrative expenses for the three months ended June 30, 2008 as a result of the management incentive scheme expenses of RMB17 million and a donation of RMB5 million in connection with the Sichuan earthquake. For a more detailed discussion of the management incentive scheme, see “History and Reorganization — Transfers to Employees.”

## FINANCIAL INFORMATION

### DESCRIPTION OF CERTAIN CONSOLIDATED INCOME STATEMENT ITEMS

#### Revenue

Our revenue consists of lease income from our investment properties and income from the transfer of operation rights, net of business tax, during the Track Record Period. The following table sets forth our revenue by category in 2005, 2006 and 2007 and the three months ended March 31, 2007 and 2008, respectively.

	Year ended December 31,						Three months ended March 31,			
	2005		2006		2007		2007		2008	
	(RMB in thousands, except percentages)									
Lease income . . . . .	65,162	100.0%	100,781	62.0%	176,505	48.2%	40,261	17.5%	44,249	10.8%
Transfer of operation rights . . . . .	—	—	61,881	38.0%	189,990	51.8%	189,990	82.5%	365,509	89.2%
Revenue . . . . .	<u>65,162</u>	<u>100.0%</u>	<u>162,662</u>	<u>100.0%</u>	<u>366,495</u>	<u>100.0%</u>	<u>230,251</u>	<u>100.0%</u>	<u>409,758</u>	<u>100.0%</u>

During the Track Record Period, both our lease income and income from the transfer of operation rights increased significantly. However, we derived an increasing portion of revenue from our transfer of operation rights compared to our lease income, primarily due to the increase of areas transferred and a higher average transfer price per sq.m. we achieved in 2007 for the transfer of operation rights in Phase I of Guangzhou Project as compared to 2006 in Phase II of Harbin Project.

#### Lease Income

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

We recognize revenue from the lease of a shop unit, including the one-time entry fee that we collect upfront, on a straight-line basis over the term of the relevant lease. For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, we recognized lease income of RMB65.2 million, RMB100.8 million (including the one-time entry fee of RMB5.3 million), RMB176.5 million (including the one-time entry fee of RMB14.3 million) and RMB44.2 million (including the one-time entry fee of RMB3.5 million), respectively, in connection with the lease of space in our shopping centers with an aggregate GFA of 63,418 sq.m., 103,315 sq.m., 103,315 sq.m. and 93,490 sq.m., respectively, representing a lease income per sq.m. (calculated by dividing the revenue from the leasing income by the aggregate GFA leased as of the period end) of RMB1,027.5, RMB975.5, RMB1,708.4 and RMB473.3, respectively. The decrease in lease income per sq.m. from 2005 to 2006 was due to the commencement of operation of Phase I of Guangzhou Project in August 2006, which generated lease income for less than five months as opposed to the whole year. The



## FINANCIAL INFORMATION

increase in lease income per sq.m. from 2006 to 2007 was primarily due to (1) the leasing price per sq.m. of Phase I of Guangzhou Project was higher than those of the projects in Harbin; and (2) our increase of the leasing price of Phase III of Harbin Project from 2006 to 2007.

The following table sets forth lease income by project for the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, respectively.

	Year ended December 31,						Three months ended March 31,	
	2005		2006		2007		2008	
(RMB in thousands, except percentages)								
<b>Projects</b>								
Phase I of Harbin Project . . . . .	26,138	40.1%	27,370	27.2%	28,520	16.2%	7,375	16.7%
Baorong section of Phase II of Harbin Project . . . . .	19,383	29.8	16,602	16.5	16,247	9.2	4,527	10.2
Gexin section of Phase II of Harbin Project . . . . .	3,844	5.9	4,838	4.8	4,997	2.8	1,397	3.2
Phase III of Harbin Project . . . . .	15,797	24.2	20,593	20.4	36,665	20.8	9,316	21.0
Phase I of Guangzhou Project . . . . .	—	—	31,378	31.1	90,076	51.0	21,634	48.9
Total lease income . . . . .	<u>65,162</u>	<u>100.0%</u>	<u>100,781</u>	<u>100.0%</u>	<u>176,505</u>	<u>100.0%</u>	<u>44,249</u>	<u>100.0%</u>

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

	Lease income				Leasable GFA				Lease income per sq.m. <sup>(1)</sup>			
			Three months ended				As of				Three months ended	
			March 31,				March 31,				March 31,	
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008 <sup>(1)</sup>
(RMB in thousands)				(sq.m.)				(RMB per sq.m.)				
<b>Projects</b>												
Phase I of Harbin Project . . . . .	26,138	27,370	28,520	7,375	15,920	15,920	15,920	15,920	1,641.8	1,719.2	1,791.5	463.3
Baorong section of Phase II of Harbin Project <sup>(2)</sup> . . . . .	19,383	16,602	16,247	4,527	15,393	10,543	10,543	10,543	1,259.2	1,574.7	1,541.0	429.4
Gexin section of Phase II of Harbin Project . . . . .	3,844	4,838	4,997	1,397	11,090	11,090	11,090	11,090	346.6	436.2	450.6	126.0
Phase III of Harbin Project <sup>(3)</sup> . . . . .	15,797	20,593	36,665	9,316	21,015	21,015	21,015	21,015	751.7	979.9	1,744.7	443.3
Phase I of Guangzhou Project <sup>(4)</sup> . . . . .	—	31,378	90,076	21,634	—	44,747	44,747	34,922	—	701.2	2,013.0	619.5
Total/Average annual realized leasing price . . . . .	<u>65,162</u>	<u>100,781</u>	<u>176,505</u>	<u>44,249</u>	<u>63,418</u>	<u>103,315</u>	<u>103,315</u>	<u>93,490</u>	<u>1,027.5</u>	<u>975.5</u>	<u>1,708.4</u>	<u>473.3</u>

Note:

- (1) Calculated by dividing the lease income for a given project in a given period by the leasable GFA as of the end of such period.

## FINANCIAL INFORMATION

- (2) In 2006, we transferred 4,850 sq.m. of shop units formerly held for lease in the Baorong section of Phase II of Harbin Project, which resulted in a lower leasable GFA as of the end of 2006 and contributed to an increase in the lease income per sq.m. for the project for such year.
- (3) In 2006, we completed the renovation of Phase III of Harbin Project, which enabled us to charge significantly higher rental rates in 2007 and contributed to an increase in the lease income per sq.m. for the project for such year.
- (4) The lease income, the leasable GFA and the lease income per sq.m., as the case may be, includes the following GFA:  
 (i) 2,179 sq.m. of space, a portion of which was leased out but all leases were terminated by the end of July 2008 and  
 (ii) 6,196 sq.m. of space that will be terminated as leasable GFA by February 2010. See “Business — Legal Proceedings.”

### *Transfer of Operation Rights*

We recognize revenue from the transfer of operation rights when the significant risks and rewards of the operation rights have been transferred to the buyers. We did not generate any revenue from the transfer of operation rights in 2005. In 2006, we derived revenue from the transfer of operation rights of shop units in Phase II of Harbin Project. We also entered into transfer agreements for certain shop units in Phase I of Guangzhou Project in 2006, however, we did not recognize the revenue from the transfers in Phase I of Guangzhou Project until 2007 when the risks and rewards have been transferred to the transferees. As of December 31, 2007, we have transferred approximately 19.4% of the total GFA of Phase II of Harbin Project and approximately 10.5% of the total GFA of Phase I of Guangzhou Project. For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, our revenue from the transfer of operation rights was nil, RMB61.9 million, RMB190.0 million and RMB365.5 million, respectively.

The table below sets forth the revenue generated from the transfer of operation rights, the GFA transferred and average transfer price per sq.m. of shop units transferred for the years ended December 31, 2006 and 2007 and the three months ended March 31, 2008, respectively:

	Revenue from the transfer of operation rights			GFA transferred			Average realized transfer price		
	Three months ended March 31,			Three months ended March 31,			Three months ended March 31,		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
(RMB in thousands)			(sq.m.)			(RMB per sq.m.)			
<b>Projects</b>									
Baorong section of Phase II of Harbin Project . . .	61,881	—	—	4,850	—	—	12,759	—	—
Phase I of Guangzhou Project . . . . .	—	189,990	365,509	—	4,986	9,825	—	38,105	37,202
Total . . . . .	<u>61,881</u>	<u>189,990</u>	<u>365,509</u>	<u>4,850</u>	<u>4,986</u>	<u>9,825</u>	<u>12,759</u>	<u>38,105</u>	<u>37,202</u>

### **Cost of Sales**

Cost of sales primarily consists of cost of lease income and cost of transfer of operation rights during the Track Record Period.

## FINANCIAL INFORMATION

The following table sets forth our cost of sales by revenue category for the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2007 and 2008, respectively.

	Year ended December 31,						Three months ended March 31,			
	2005		2006		2007		2007		2008	
	(RMB in thousands, except percentages)									
Lease income . . . . .	17,072	100.0%	23,001	60.5%	37,992	46.8%	9,779	18.5%	7,994	9.2%
Transfer of operation rights . . . . .	—	—	15,046	39.5	43,146	53.2	43,067	81.5	78,819	90.8
Total . . . . .	<u>17,072</u>	<u>100.0%</u>	<u>38,047</u>	<u>100.0%</u>	<u>81,138</u>	<u>100.0%</u>	<u>52,846</u>	<u>100.0%</u>	<u>86,813</u>	<u>100.0%</u>

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

The following table sets forth information relating to cost of sales for lease income for the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, respectively.

	Year ended December 31,						Three months ended March 31,	
	2005		2006		2007		2008	
	(RMB in thousands, except percentages)							
Amortization of land use rights	205	1.2%	289	1.3%	1,257	3.3%	257	3.2%
Depreciation of investment properties . . . . .	16,867	98.8	22,712	98.7	36,735	96.7	7,737	96.8
Total . . . . .	<u>17,072</u>	<u>100.0%</u>	<u>23,001</u>	<u>100.0%</u>	<u>37,992</u>	<u>100.0%</u>	<u>7,994</u>	<u>100.0%</u>

The following table sets forth information relating to cost of sales for transfer of operation rights for the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, respectively.

	Year ended December 31,						Three months ended March 31,	
	2005		2006		2007		2008	
	(RMB in thousands, except percentages)							
Land use rights . . . . .	—	—	538	3.6%	4,691	10.9%	8,985	11.4%
Construction cost . . . . .	—	—	14,508	96.4	38,455	89.1	69,834	88.6
Total . . . . .	<u>—</u>	<u>—</u>	<u>15,046</u>	<u>100.0%</u>	<u>43,146</u>	<u>100.0%</u>	<u>78,819</u>	<u>100.0%</u>

## FINANCIAL INFORMATION

### *Amortization of Land Use Rights*

Land use rights represent land premiums paid by us to the government in connection with the land use right certificates from the government for the underground site of our projects. Although we are not required to pay the land use right premiums nor obtain the land use right certificates for the development and operation of our underground shopping center projects under current laws, we did so in the past so that we could receive mortgage loans from PRC banks by pledging the land use rights. The land use right premiums were determined based on our negotiation with local land administrative authorities, taking into consideration the nature of our projects as civil air defense shelters. Jingtian, our PRC legal advisor, has advised us that the land use right certificates that we received are not mandatorily required under the applicable PRC laws and do not represent land use rights or any other rights for our projects. We, therefore, do not have land use rights under the land use right certificates according to the applicable PRC laws. We amortize the land use rights on a straight-line basis over the period of the land use rights, which is typically 40 years. Because we expect to fund our future project developments from the issuance of shares of our Company and internal funds from operations and available credit financing, we do not plan to obtain land use right certificates for any of our future projects and therefore, no additional expenditures on land use rights are expected to be incurred.

### *Depreciation of Investment Properties*

Investment properties are properties held to earn rental income, but not for sale in the ordinary course of business, use in the production of or supply of goods or services or for administrative purposes. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. The costs of investment properties comprise aggregate cost of development, materials and suppliers, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalized. Depreciation of investment properties is recognized on a straight-line basis over the estimated useful life of each item of property. For our consolidated income statements, the estimated useful life is deemed to be their estimated useful lives, being no more than 40 years after the date of completion for buildings.

### *Construction Cost*

Construction cost is the main component of cost of sales for the transfer of operation rights. Construction cost includes all of the costs for the design and construction of a project, including payments to contractors, designers and supervision companies, payments for the purchase and installment of equipment, the fitting out costs, and other direct expenses, such as wages directly attributable to the project. Historically, construction material cost (which is generally included in the payments to our construction contractors), particularly the cost of steel and cement, has been a major cause of fluctuation in our construction cost. See “— Key Factors Affecting Our Results of Operations and Financial Condition — Price volatility of construction materials.” According to “Information on the benchmark price of construction materials” released by various local construction cost administration authorities, the average market price of steel per ton in 2005, 2006 and 2007 was RMB3,100 to RMB3,150, RMB3,150 to RMB3,200 and RMB4,300 to RMB4,600, respectively and the weighted average market price of cement per ton in 2005, 2006 and 2007 was RMB317, RMB340 and RMB360, respectively.

## FINANCIAL INFORMATION

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

### Other Operating Income

Other operating income comprises revenue from property management and relevant services and net gain or loss on sales of property and equipment. Other operating income was RMB7.9 million, RMB5.2 million, RMB54.2 million and RMB21.8 million for 2005, 2006 and 2007 and the three months ended March 31, 2008, respectively.

The table below sets forth our other operating income by type for each year/period during the Track Record Period.

	Year ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	(RMB in thousands)				
Revenue from property management and relevant services. . . . .	7,919	5,426	50,579	9,243	11,082
Net gain/(loss) on sales of property and equipment. . . . .	—	(212)	3,658	—	—
Waived bank loan . . . . .	—	—	—	—	10,684
Total . . . . .	7,919	5,214	54,237	9,243	21,766

The principal components of our revenue from property management and relevant services include cleaning and security charge, early opening market charge, promotion fee income, property management fee, income from lease of advertising light boxes and commission fee. The significant increase in our other operating income in 2007 was primarily due to the commencement of operation of our Phase I of Guangzhou Project in which we provided more services than our projects in Harbin such as the logistics and maintenance services and the provision of light boxes and digital screens for advertisements.

### Administrative Expenses

Administrative expenses include travel expenses, depreciation of office equipment and assets, office expenses, consulting fees, vehicle expenses and advertisement expenses. For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, administrative expenses were RMB8.1 million, RMB15.5 million, RMB12.9 million and RMB5.0 million, respectively.

## FINANCIAL INFORMATION

### Other Operating Expenses

Our other operating expenses primarily consist of staff costs, repair and maintenance costs, utilities, entertainment expenses, and advertisement expenses relating to other operating income. For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, other operating expenses were RMB12.9 million, RMB33.4 million, RMB34.0 million and RMB8.7 million, respectively.

### Finance Income

Finance income represents interest on bank deposits. For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, our finance income was RMB13,000, RMB0.4 million, RMB3.1 million and RMB7.7 million, respectively.

### Finance Expenses

Finance expenses mainly represents interest on our interest-bearing loans. For the years ended December 31, 2005, 2006 and 2007 and the three months ended March 31, 2008, our finance costs were RMB15.4 million, RMB15.3 million, RMB17.8 million and RMB2.3 million, respectively.

### Tax

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

#### *PRC Enterprise Income Tax*

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

For the years ended December 31, 2005, 2006 and 2007, the applicable income tax rate for the Group's subsidiaries in the PRC was 27%, with a state income tax rate of 24% and a local income tax rate of 3%.

According to the Tax Regulation of Foreign Investment on Aerial Defense Project (關於外商投資企業投資人民防空工程有關稅收問題的通知), Harbin 3 Century and Guangzhou Renhe were entitled to an exemption from state income tax for the years 2006 and 2007, and are entitled to a tax reduction of 50% of the state income tax rate for the years 2008 to 2010. Harbin 2 Baorong was entitled to a tax reduction of 50% of the state income tax rate for the years 2005 and 2006. Harbin 3 Century, Harbin 2 Baorong and Guangzhou Renhe are entitled to exemption from local income taxes for the years 2006 to 2015, 2002 to 2011, and 2006 to 2010, respectively.

In accordance with the Enterprise Income Tax Law of the PRC, or New Corporate Income Tax Law, which was approved by the National People's Congress on March 16, 2007 and became effective on January 1, 2008, the corporate income tax rate generally applicable in the PRC has been reduced to 25% from 33%. The New Corporate Income Tax Law introduces a wide range of changes that include,

## FINANCIAL INFORMATION

but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. On December 6, 2007, the State Council of the PRC enacted the Implementation Rules of the Enterprise Income Tax Law, or the Implementation Rules. Under the New Corporate Income Tax Law, enterprises such as subsidiaries in the PRC that have not fully utilized their five-year preferential tax treatments (i.e., two-year exemption and the subsequent three-year 50% reduction of their applicable tax rates) will continue to receive these benefits. Under the Implementation Rules, the non-PRC investors of foreign invested enterprises are subject to PRC withholding tax on the dividend derived from the profits of such foreign-invested enterprises for the year 2008 and thereafter. Currently the withholding tax rate applicable to our Hong Kong subsidiaries which are direct shareholders of our PRC subsidiaries is 5%.

### *Reconciliation*

A reconciliation of the tax expenses calculated at the applicable statutory income tax rates to our actual tax paid as well as a reconciliation of the statutory income tax rate to our effective tax rate during the Track Record Period are as follows:

	Year ended December 31,						Three months ended March 31,	
	2005	2006		2007		2007	2008	
	(RMB in thousands, except percentages)							
Income tax calculated at the rates applicable to respective companies comprising the Group . . . . .	5,301	27.0%	17,812	27.0%	75,051	27.0%	46,560	84,125
Tax effect of non-deductible expenses . . . . .	3,867	19.7	3,790	5.8	4,429	1.6	427	—
Tax effect of non-taxable income from waived bank loan. . . . .	—	—	—	—	—	—	—	(1,843)
Effect of tax exemption/reduction . . . . .	(1,440)	(7.3)	(3,690)	(5.6)	(68,367)	(24.5)	(45,167)	(38,619)
Effect of withholding tax at 5% on the profits of the Group's PRC subsidiaries . . . . .	—	—	—	—	—	—	—	14,455
Others . . . . .	—	—	(432)	(0.7)	178	—	21	(627)
Actual tax charge and effective tax rate . . . . .	<u>7,728</u>	<u>39.4%</u>	<u>17,480</u>	<u>26.5%</u>	<u>11,291</u>	<u>4.1%</u>	<u>1,841</u>	<u>57,491</u>

While our profit before income tax significantly increased to RMB66.0 million in 2006 from RMB19.6 million in 2005, our actual tax charge just increased to RMB17.5 million in 2006 from RMB7.7 million in 2005, representing a decrease of effective tax rate to 26.5% in 2006 from 39.4% in 2005. This is primarily due to the effect of our non-deductible expenses, which primarily consist of the interest expenses incurred for our loans from Harbin Commercial Bank via tenants and individuals. Though the amount of such non-deductible expenses remained at the same level in 2005 and 2006, its effect as a percentage of our profit before income tax decreased to 5.8% in 2006 from 19.7% in 2005.

Our actual tax charge decreased to RMB11.3 million in 2007 from RMB17.5 million in 2006, while our profit before income tax increased to RMB278.0 million in 2007 from RMB66.0 million in 2006, because our subsidiaries related to projects that generated significant revenue and profit such as



## FINANCIAL INFORMATION

Guangzhou Renhe were entitled to full exemption from state and local income tax during the period. Our effective tax rate decreased to 4.1% in 2007 from 26.5% in 2006. When the tax exemption rates applicable to our projects decrease or the exemptions expire, our actual tax charge and effective tax rate will increase significantly and will adversely affect our profit attributable to equity holders.

Our actual tax charge increased significantly to RMB57.5 million for the three months ended March 31, 2008 from RMB1.8 million for the same period in 2007. This is primarily due to (i) the increase of profits before taxation from RMB172.4 million for the three months ended March 31, 2007 to RMB336.5 million for the same period in 2008; (ii) the decrease of tax exemption because Phase III of Harbin Project and Phase I of Guangzhou Project are required to pay 12.5% income tax in 2008, compared with tax exemption in 2007; and (iii) the levy of withholding tax since 2008 under the Implementation Rules.

### *Hong Kong, BVI and Cayman Islands Tax*

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

### *Property Tax*

According to the “Supplementary Provisions of Policies for Encouragement of Foreign Investment in Heilongjiang Province” (Hei Zheng Fa [1991] No. 38), foreign investment enterprises in Heilongjiang province are entitled to property tax exemption for five years from the month during which the business license is obtained. Accordingly, Harbin 2 Baorong and Harbin 3 Century are entitled to property tax exemption for the period from 2000 to 2005, and from 2003 to 2008, respectively.

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

According to the “Notice of the State Administration of Taxation on Several Issues concerning the Levy of Property Tax on Foreign Investment Enterprises” (Guo Shui Fa [2000] No. 44, “No. 44”), foreign investment companies, or FIEs, are exempted from property tax for the civil air defense project since January 1, 2000. According to “the Ministry of Finance and the State Administration of Taxation, notice on the levy of property taxes relating to underground buildings with housing function” (Cai Shui [2005] No. 181, “No. 181”), from January 1, 2006, underground properties are subject to property tax which is levied at 12% of the related income. No specific tax regulations or rules provide that No. 181 is applicable to civil air defense shelters developed by FIEs. Instead, because No. 44 is still valid and applicable, we believe that No. 181 does not apply to FIEs and hence, our subsidiaries in the PRC, all established in the form of FIEs, are currently exempted from property tax. Such position is based on the opinion of Jingtian, our PRC legal advisor. We therefore have not made any provision for property tax in this respect. If the PRC tax authorities issue any regulations in the future clarifying that the requirements of No.181 are also applicable to FIEs, we will need to make property tax provision

## FINANCIAL INFORMATION

accordingly. Since the tax exemption period for our Phase I and Phase II of Harbin Project expired during the Track Record Period, the estimated potential impact of property tax to be recognized in profit or loss amounted to RMB Nil, RMB14,052,000 and RMB6,317,000 for the years ended December 31, 2005, 2006 and 2007, respectively.

### **Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007**

#### *Revenue*

Our revenue increased by 78.0% to RMB409.8 million for the three months ended March 31, 2008 from RMB230.3 million for the three months ended March 31, 2007, primarily due to an increase in revenue from lease income, and a significant increase in revenue from transfer of operation rights from Phase I of Guangzhou Project.

*Lease income.* Revenue generated from lease income increased by 9.9% to RMB44.2 million for the three months ended March 31, 2008 from RMB40.3 million for the three months ended March 31, 2007, primarily due to the increased rental per sq.m. for our completed projects.

*Transfer of operation rights.* Revenue generated from the transfer of operation rights increased by 92.4% to RMB365.5 million for the three months ended March 31, 2008 from RMB190.0 million for the three months ended March 31, 2007, primarily due to the transfer of GFA of 9,825 sq.m. in Phase I of Guangzhou Project for the three months ended March 31, 2008, which was almost double of the GFA transferred for the same period in 2007.

#### *Cost of Sales*

Cost of sales increased by 64.3% to RMB86.8 million for the three months ended March 31, 2008 from RMB52.8 million for the three months ended March 31, 2007, primarily due to an increase in revenue that we achieved from leases and transfers of operation rights.

*Lease income.* Cost of sales relating to lease income decreased by 18.3% to RMB8.0 million for the three months ended March 31, 2008 from RMB9.8 million for the three months ended March 31, 2007, primarily due to the decreased leasable GFA as a result of the transfer of 9,825 sq.m. GFA of Phase I of Guangzhou Project.

*Transfer of operation rights.* Cost of sales relating to the transfer of operation rights increased by 83.0% to RMB78.8 million for the three months ended March 31, 2008 from RMB43.1 million for the three months ended March 31, 2007, primarily due to the transfer of 9,825 sq.m. GFA for the three months ended March 31, 2008, compared with 4,986 sq.m. GFA transferred for the same period in 2007, of Phase I of Guangzhou Project.

#### *Gross Profit*

Gross profit increased by 82.0% to RMB322.9 million for the three months ended March 31, 2008 from RMB177.4 million for the three months ended March 31, 2007. Our gross profit margin increased slightly to 78.8% for the three months ended March 31, 2008 from 77.0% for the three months ended March 31, 2007.

## FINANCIAL INFORMATION

### *Other Operating Income*

Other operating income increased to RMB21.8 million for the three months ended March 31, 2008 from RMB9.2 million for the three months ended March 31, 2007, primarily due to the increase of other income, representing the accumulated interests and penalty that were waived by Everbright Bank.

### *Administrative Expenses*

Administrative expenses significantly increased by 104.3% to RMB5.0 million for the three months ended March 31, 2008 from RMB2.5 million for the three months ended March 31, 2007, primarily due to the increase of other expenses in the amount of RMB1.8 million, representing a fine of RMB1.8 million paid in March 2008 in connection with Phase I of Guangzhou Project. See “Business — Legal Proceedings.”

### *Other Operating Expenses*

Other operating expenses increased by 8.4% to RMB8.7 million for the three months ended March 31, 2008 from RMB8.0 million for the three months ended March 31, 2007, primarily due to the increase of salaries and maintenance expenses.

### *Profit from Operations*

Profit from operations increased by 87.9% to RMB331.0 million for the three months ended March 31, 2008 from RMB176.2 million for the three months ended March 31, 2007, as a result of the cumulative effect of the foregoing factors. Our operating margin increased to 80.8% for the three months ended March 31, 2008 from 76.5% for the three months ended March 31, 2007.

### *Finance Income*

Finance income significantly increased to RMB7.7 million for the three months ended March 31, 2008 from RMB0.6 million for the three months ended March 31, 2007, primarily due to an increase in our bank deposits for the three months ended March 31, 2008 as a result of the proceeds from private placement that was completed in 2007.

### *Finance Expenses*

Finance expenses decreased to RMB2.3 million for the three months ended March 31, 2008 from RMB4.4 million for the three months ended March 31, 2007. Our finance expenses for the three months ended March 31, 2007 were interest expenses for our bank loans while those for the three months ended March 31, 2008 were foreign exchange losses in connection with depositing our private placement proceeds in U.S. dollars.

### *Profit Before Taxation*

Profit before taxation increased by 95.1% to RMB336.5 million for the three months ended March 31, 2008 from RMB172.4 million for the three months ended March 31, 2007. As a percentage of revenue, profit before taxation increased to 82.1% for the three months ended March 31, 2008 from 74.9% for the three months ended March 31, 2007, as a result of the cumulative effect of the foregoing factors.

## FINANCIAL INFORMATION

### *Income tax*

Income tax significantly increased to RMB57.5 million for the three months ended March 31, 2008 from RMB1.8 million for the three months ended March 31, 2007. See “Financial Information — Description of Certain Consolidated Income Statement Items — Tax — Reconciliation.” As a percentage of revenue, income tax increased to 14.0% for the three months ended March 31, 2008 from 0.8% for the three months ended March 31, 2007.

### *Profit for the Year*

Profit for the year increased by 63.5% to RMB279.0 million for the three months ended March 31, 2008 from RMB170.6 million for the three months ended March 31, 2007. As a percentage of revenue, profit for the year decreased to 68.1% for the three months ended March 31, 2008 from 74.1% for the three months ended March 31, 2007, as a result of the cumulative effect of the foregoing factors.

### **2007 Compared to 2006**

#### *Revenue*

Our revenue increased by 125.3% to RMB366.5 million in 2007 from RMB162.7 million in 2006, primarily due to an increase in revenue from lease income, and a significant increase in revenue from transfer of operation rights of the Phase I of Guangzhou Project.

*Lease income.* Revenue generated from lease income increased by 75.1% to RMB176.5 million in 2007 from RMB100.8 million in 2006, primarily due to the increase in lease income from Phase I of Guangzhou Project, which commenced operation in August 2006. The increase in lease income per sq.m. to RMB1,708.4 in 2007 from RMB975.5 in 2006 was primarily due to (i) a higher rental rate for the Phase I of Guangzhou Project and (ii) the increase of our rental rate when we renewed the leases of Phase III of Harbin Project and as a result of our efforts in optimizing lease areas of this project.

*Transfer of operation rights.* Revenue generated from the transfer of operation rights increased by 207.0% to RMB190.0 million in 2007 from RMB61.9 million in 2006, because the shop units transferred in 2007, which were all from Phase I of our Guangzhou Project, realized an average transfer price per sq.m. that was almost three times as high as that of the shop units transferred in 2006, which were all from Phase II of our Harbin Project.

#### *Cost of Sales*

Cost of sales increased by 113.3% to RMB81.1 million in 2007 from RMB38.0 million in 2006, as our revenue from leases and transfers of operation rights increased rapidly during the period which resulted in the increase of corresponding cost of sales during the period.

*Cost of lease income.* Cost of sales relating to lease income increased by 65.2% to RMB38.0 million in 2007 from RMB23.0 million in 2006, primarily due to the increase in cost of lease income for Phase I of Guangzhou Project which commenced operation in August 2006.

## FINANCIAL INFORMATION

*Cost of transfer of operation rights.* Cost of sales relating to the transfer of operation rights increased by 186.8% to RMB43.1 million in 2007 from RMB15.0 million in 2006, primarily due to the increase of areas transferred and a higher construction costs per sq.m. in the Phase I of Guangzhou Project than that in the Phase II of Harbin Project.

### *Gross Profit*

Gross profit increased by 129.0% to RMB285.4 million in 2007 from RMB124.6 million in 2006. Our gross profit margin increased slightly to 77.9% in 2007 from 76.6% in 2006.

### *Other Operating Income*

Other operating income significantly increased to RMB54.2 million in 2007 from RMB5.2 million in 2006, primarily due to the income that we received from the extensive management services that we provided for our shopping center in Guangzhou such as the logistics and maintenance services and the provision of light boxes and digital screens for advertisements.

### *Administrative Expenses*

Administrative expenses decreased by 17.0% to RMB12.9 million in 2007 from RMB15.5 million in 2006, primarily due to a decrease in traveling expenses and office expenses. When the construction of Phase I of Guangzhou Project was completed in July 2006, we incurred a lot of traveling expenses and advertisement expenses in connection with the construction and promotion of Phase I of Guangzhou. In 2007, these expenses decreased significantly as we had already concluded the leases and transfers of shop units in Phase I of Guangzhou Project.

### *Other Operating Expenses*

Other operating expenses increased by 1.8% to RMB34.0 million in 2007 from RMB33.4 million in 2006, primarily due to an increase in staff cost and miscellaneous fees, partially offset by a decrease in advertisement expenses.

### *Profit from Operations*

Profit from operations increased by 262.0% to RMB292.7 million in 2007 from RMB80.9 million in 2006, as a result of the cumulative effect of the foregoing factors. Our operating margin increased to 79.9% in 2007 from 49.7% in 2006.

### *Finance Income*

Finance income significantly increased to RMB3.1 million in 2007 from RMB0.4 million in 2006, primarily due to an increase in our bank deposits in 2007 as a result of increased revenue and the proceeds from private placement that was completed in 2007.

### *Finance Expenses*

Finance expenses increased by 16.9% to RMB17.8 million in 2007 from RMB15.3 million in 2006, primarily as a result of the increased interest rate on our borrowings.

## FINANCIAL INFORMATION

### *Profit before Taxation*

Profit before taxation increased by 321.4% to RMB278.0 million in 2007 from RMB66.0 million in 2006. As a percentage of revenue, profit before taxation increased to 75.9% in 2007 from 40.5% in 2006, as a result of the cumulative effect of the foregoing factors.

### *Income Tax*

Income tax decreased by 35.4% to RMB11.3 million in 2007 from RMB17.5 million in 2006. As a percentage of revenue, income tax decreased to 3.1% in 2007 from 10.7% in 2006, primarily due to a tax exemption on the income from the Phase I of Guangzhou Project. Guangzhou Renhe, our subsidiary operating Phase I of our Guangzhou Project, was entitled to full exemption from state income tax for the years 2006 and 2007 and is entitled to a tax reduction of 50% of the state income tax rate for the years 2008 to 2010. Guangzhou Renhe is also entitled to exemption from local income taxes for the years 2006 to 2010. When the applicable tax exemption rates are reduced or the exemptions expire, our income tax will increase significantly. See “— Description of Certain Consolidated Income Statement Items — Tax.”

### *Profit for the Year*

Profit for the year significantly increased by 450.0% to RMB266.7 million in 2007 from RMB48.5 million in 2006. As a percentage of revenue, profit for the year increased to 72.8% in 2007 from 29.8% in 2006, as a result of the cumulative effect of the foregoing factors.

## **2006 Compared to 2005**

### *Revenue*

Our revenue increased by 149.6% to RMB162.7 million in 2006 from RMB65.2 million in 2005, due to significant increases in revenue from both lease income and transfer of operation rights.

*Lease income.* Revenue generated from lease income increased by 54.7% to RMB100.8 million in 2006 from RMB65.2 million in 2005, primarily due to an increase in the total leasable GFA to 103,315 sq.m. in 2006 from 63,418 sq.m. in 2005, as Phase I of Guangzhou Project commenced operation in August 2006. The decrease in lease income per sq.m. to RMB975.5 in 2006 from RMB1,027.5 in 2005 was also due to the commencement of the operation of Phase I of Guangzhou Project. The average rental price of the Phase I of Guangzhou Project is higher than that of the project in Harbin. However, the lease income generated from the Phase I of Guangzhou Project was from August to December of 2006 only, resulting in the decrease of the lease income per sq.m in 2006.

*Transfer of Operation Rights.* Revenue generated from the transfer of operation rights increased to RMB61.9 million in 2006 from nil in 2005, as a result of our decision to transfer operation rights for a portion of our shop units in the Baorong section of Phase II of Harbin Project.

### *Cost of Sales*

Cost of sales increased by 122.9% to RMB38.0 million in 2006 from RMB17.1 million in 2005, primarily due to an increase in cost of sales for the transfer of operation rights.

## FINANCIAL INFORMATION

*Cost of lease income.* Cost of sales relating to lease income increased by 34.7% to RMB23.0 million in 2006 from RMB17.1 million in 2005, primarily due to the increase in cost of sales for Phase I of Guangzhou Project which commenced operation in August 2006.

*Cost of transfer of operation rights.* We did not transfer any operation rights for our shop units in 2005, while in 2006 we transferred operation rights for certain shop units in the Baorong section of Phase II of Harbin Project and recognized the cost of sales of RMB 15.0 million associated with those shop units.

### *Gross Profit*

Gross profit increased by 159.1% to RMB124.6 million in 2006 from RMB48.1 million in 2005. Our gross profit margin increased to 76.6% in 2006 from 73.8% in 2005. The increase in gross profit margin was primarily due to an increase in the profit margin of our lease income.

### *Other Operating Income*

Other operating income decreased by 34.2% to RMB5.2 million in 2006 from RMB7.9 million in 2005, primarily due to a significant decrease in promotion fee income and a net loss on sales of property and equipment.

### *Administrative Expenses*

Administrative expenses increased by 92.1% to RMB15.5 million in 2006 from RMB8.1 million in 2005, primarily due to an increase in travel expenses, stamp duty and property insurance, which were mainly related to the construction and opening of Phase I of Guangzhou Project.

### *Other Operating Expenses*

Other operating expenses increased by 159.6% to RMB33.4 million in 2006 from RMB12.9 million in 2005, primarily due to an increase in cost of advertisement for the promotion of Phase I of Guangzhou Project, an increase in staff cost and an increase in maintenance expenses.

### *Profit from Operations*

Profit from operations increased by 130.7% to RMB80.9 million in 2006 from RMB35.0 million in 2005, as a result of the cumulative effect of the foregoing factors. Our operating margin decreased to 49.7% in 2006 from 53.8% in 2005.

### *Finance Income*

Finance income significantly increased to RMB0.4 million in 2006 from an insignificant amount in 2005, primarily as a result of an increase in interest from bank deposits.

### *Finance Expenses*

Finance expenses slightly decreased to RMB15.3 million in 2006 from RMB15.4 million in 2005.

## FINANCIAL INFORMATION

### *Profit Before Income Tax*

Profit before income tax increased by 236.0% to RMB66.0 million in 2006 from RMB19.6 million in 2005. As a percentage of revenue, profit before taxation increased to 40.5% in 2006 from 30.2% in 2005, as a result of the cumulative effect of the foregoing factors.

### *Income Tax*

Income tax increased by 126.2% to RMB17.5 million in 2006 from RMB7.7 million in 2005. As a percentage of revenue, income tax decreased to 10.7% in 2006 from 11.9% in 2005, primarily as a result of the state and local tax exemptions applicable to our Phase I of Guangzhou Project, which resulted in a net lower tax payment requirement.

### *Profit for the Year*

As a result of the factors described above, profit for the year increased by 307.3% to RMB48.5 million in 2006 from RMB11.9 million in 2005. As a percentage of revenue, profit for the year increased to 29.8% in 2006 from 18.3% in 2005.



## FINANCIAL INFORMATION

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our working capital, capital expenditures and other capital requirements primarily through proceeds from lease income and the transfer of operation rights.

#### Liquidity

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

	Year ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	(RMB in thousands)				
<b>Net cash generated/(used in)</b>					
<b>from operating activities</b> . .	261,392	227,174	220,331	43,345	(16,429)
<b>Net cash used in investing</b>					
<b>activities</b> . . . . .	(212,247)	(459,362)	(77,960)	(31,584)	(83,748)
<b>Net cash (used in)/from</b>					
<b>financing activities</b> . . . . .	(29,919)	218,752	1,375,857	(11,465)	(31,622)
<b>Net increase/(decrease) in</b>					
<b>cash and cash equivalents</b> .	19,226	(13,436)	1,518,228	296	(131,799)

#### Cash Flows From Operating Activities

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

During the Track Record Period, our profits increased significantly while our net cash generated from operating activities decreased. This is due in part to the transfer of operation rights related to Phase II of Harbin Project and Phase I of Guangzhou Project, which we commenced in 2005 and 2006, respectively, and the collection of the transfer proceeds therefrom. These proceeds were recorded as receipt in advance in 2005 and 2006 and constitute the single largest items that positively affected the net cash flow for the same period. However, according to our accounting policy in terms of revenue recognition, these proceeds were not recorded as revenue until in later years when the significant risks and rewards of the operation rights were transferred and hence did not contribute to our profits in the year of receipt. For example, in 2007, we recognized RMB152.5 million of such receipt in advance as revenue, which, however, did not contribute to the cash inflow during the year ended December 31, 2007.

## FINANCIAL INFORMATION

For the three months ended March 31, 2008, our net cash used in operating activities was RMB16.4 million, which primarily reflected our profit for the three months period of RMB279.0 million, offset by a decrease in trade and other payables of RMB326.9 million.

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

In 2006, our net cash generated from operating activities was RMB227.2 million, which primarily reflected our profit for the year of RMB48.5 million, positively adjusted by (i) an increase in trade and other payables of RMB395.6 million primarily due to the collection of one-time entry fees from new tenants, the upfront rent and receipt in advance from transfer of operation rights related to Phase I of Guangzhou Project and (ii) a depreciation of RMB23.6 million, partially offset by (i) an increase in restricted bank deposit of RMB229.1 million to secure the bank loan payments of our Guangzhou tenants and (ii) an increase in inventory of RMB38.4 million.

In 2005, our net cash generated from operating activities was RMB261.4 million, which primarily reflected our profit for the year of RMB11.9 million, positively adjusted by (i) an increase in trade and other payables of RMB217.0 million primarily due to the collection of the deposits for lease and transfer of operation rights relating to our Phase I of Guangzhou Project and upfront multi-year rent for our Harbin projects and (ii) a depreciation of RMB17.6 million, partially offset by income tax paid in the amount of RMB6.8 million.

### **Cash Flows From Investing Activities**

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

## FINANCIAL INFORMATION

A significant portion of our cash flow from investing activities is attributable to advances to and repayments from related parties. Before the Global Offering and the Reorganization in anticipation of the Listing, we were a private company under the control of Renhe Group. During this period, Renhe Group and its controlling shareholders used advances among the different companies they controlled as a way to allocate cash and resources among the different businesses and entities. In addition, we made advances to our Directors and Controlling Shareholders. The advances to our related parties are unsecured, interest free and have no fixed repayment terms. The following table is a summary of the advances to and repayments from related parties made during the Track Record Period:

	2005		2006		2007		Three months ended March 31, 2008	
	Repayment		Repayment		Repayment		Repayment	
	Advance to	from	Advance to	from	Advance to	from	Advance to	from
	(RMB in thousands)		(RMB in thousands)		(RMB in thousands)		(RMB in thousands)	
HAWKEN Xiu Li . . . . .	—	21,893	—	111	1,000	49	5	—
ZHANG Xingmei . . . . .	53,740	90,909	—	129	8	8	—	—
DAI Yongge . . . . .	9,966	45,386	—	166	—	109	—	—
ZHANG Dabin . . . . .	70	—	—	32	—	67	—	—
WANG Chunrong . . . . .	6,064	6,088	—	—	—	—	—	—
Renhe Group . . . . .	81,462	81,462	357,039	66,068	201,507	129,680	10	14,301
Other related-party companies .	265,420	77,764	439,985	466,690	127,039	252,713	417	—
Total . . . . .	<u>416,722</u>	<u>323,502</u>	<u>797,024</u>	<u>533,196</u>	<u>329,554</u>	<u>382,626</u>	<u>432</u>	<u>14,301</u>

For the three months ended March 31, 2008, our net cash used in investing activities was RMB83.7 million, which was primarily due to the spending on our investment properties in the amount of RMB113.8 million.

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

In 2006, our net cash used in investing activities was RMB459.4 million. Cash used in investing activities in 2006 consisted primarily of (i) advances to related parties of RMB797.0 million, (ii) additions to investment properties of RMB162.0 million, related to the completion of Phase I of Guangzhou Project and (iii) purchase of land use rights of RMB47.9 million. This was partially offset by repayments from related parties of RMB533.2 million.

In 2005, our net cash used in investing activities was RMB212.2 million. Cash used in investing activities in 2005 consisted primarily of (i) advances to related parties of RMB416.7 million, and (ii) purchase of property and equipment of RMB83.4 million, related to Phase I of Guangzhou Project, partially offset by repayments from related parties of RMB323.5 million.

## FINANCIAL INFORMATION

### Cash Flows From Financing Activities

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

Historically, when we needed cash, we received advances from our Controlling Shareholders, Renhe Group or other related-party companies. The following table is a summary of the advances we received from and repayments made to related parties during the Track Record Period:

	2005		2006		2007		Three months ended March 31, 2008	
	Advance from	Repayment to	Advance from	Repayment to	Advance from	Repayment to	Advance from	Repayment to
	(RMB in thousands)		(RMB in thousands)		(RMB in thousands)		(RMB in thousands)	
HAWKEN Xiu Li . . . . .	—	—	—	—	—	—	—	14,032
ZHANG Xingmei . . . . .	—	—	2,844	1,058	14	1,800	—	—
DAI Yongge . . . . .	—	—	—	—	—	—	89	—
Renhe Group . . . . .	121,633	127,959	291,378	119,048	84,645	81,090	777	—
Other related-party companies . . . . .	14,561	10,723	84,779	62,098	26,189	58,213	948	11,119
Total . . . . .	<u>136,194</u>	<u>138,682</u>	<u>379,001</u>	<u>182,204</u>	<u>110,848</u>	<u>141,103</u>	<u>1,814</u>	<u>25,151</u>

For the three months ended March 31, 2008, our net cash used in financing activities was RMB31.6 million, which was primarily due to the repayments to related parties in the amount of RMB25.2 million and the repayments of loan in the amount of RMB8.5 million.

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

In 2006, our net cash generated from financing activities was RMB218.8 million. That year, we received advances from related parties in the amount of RMB379.0 million, capital contributions from equity holders in the amount of RMB25.5 million, receipt of loans in the amount of RMB20.9 million and proceeds from third parties borrowings of RMB10.4 million. This was partially offset by repayments to related parties of RMB182.2 million, dividend payment of RMB20.8 million and interest payments of RMB14.0 million.

In 2005, our net cash used in financing activities was RMB29.9 million, primarily due to (i) repayments to related parties of RMB138.7 million, (ii) repayments of loans in the amount of RMB15.9 million, (iii) repayments of third party borrowings of RMB15.8 million and (iv) interest payment of RMB14.2 million, partially offset by (i) advances from related parties of RMB136.2 million and (ii) capital contributions from equity holders in the amount of RMB24.6 million.

## FINANCIAL INFORMATION

### NET CURRENT ASSET/LIABILITY POSITION

We had net current liabilities of RMB53.2 million and RMB498.7 million as of December 31, 2005 and 2006. Our net current assets as of December 31, 2007 and March 31, 2008 were approximately RMB1,208.3 million (comprising current assets of approximately RMB1,964.6 million and current liabilities of RMB756.3 million) and RMB1,185.6 million (comprising current assets of RMB1,776.4 million and current liabilities of RMB590.8 million), respectively. The change of our net current liability position as of December 31, 2006 into a strong net asset position as of December 31, 2007 was primarily due to the receipt of share capital in the amount of RMB1,416.7 million as result of investment by NW Investors, the Capital Funds and Sequoia and other Investors in December 2007. As of the same date, our current assets consisted of cash and cash equivalents, amounts due from related parties, restricted bank deposits and trade and other receivables, and our current liabilities consisted of primarily trade and other payables, loans, amounts due to related parties, current taxation, rental deposits and dividends payable. Historically, we have received financing from Harbin Commercial Bank via tenants and individuals, which, as advised by Jingtian, our PRC legal advisor, did not violate the existing laws and regulations in China. The balance of such financing via tenants and individuals was RMB176,120,000, RMB197,000,000 and nil as of December 31, 2005, 2006 and 2007. However, we do not intend to continue such financing arrangement in the future because the interests incurred thereon are treated as non-deductible expense and would negatively affected our effective tax rate. We believe we have sufficient working capital to meet our requirements and foreseeable debt repayment obligations for the 12 months from the date of this prospectus, after taking into account the estimated net proceeds from the Global Offering, and cash flows from our operations. In 2008, we expect to continue receiving proceeds from our completed four projects and start receiving proceeds from the Phase I of Zhengzhou Project and Phase I of Shenyang Project.

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

### RESTRICTED CASH

Our restricted cash is composed of bank deposits. Our subsidiary, Guangzhou Renhe, has entered into agreements with a bank with respect to bank loans provided to buyers of operation rights. Guangzhou Renhe makes deposits as security for repayment of the loans under these agreements. These deposits are released when the loans are repaid by the buyers. As of December 31, 2005, 2006 and 2007 and March 31, 2008, such deposits amounted to approximately nil, RMB229.1 million, RMB206.7 million and RMB196.5 million, respectively.

## FINANCIAL INFORMATION

### INDEBTEDNESS AND OBLIGATIONS

#### Interest-Bearing Bank Loans and Other Borrowings

Our bank and other borrowings as of December 31, 2005, 2006 and 2007, and July 31, 2008, the date being the latest practicable date for the purpose of this indebtedness statement, were as follows:

	As of December 31,			As of July 31,
	2005	2006	2007	2008
	(RMB in thousands)			
Long-term loans, unsecured . . . . .	16,513	—	—	—
Long-term loans due within one year, unsecured . . . . .	—	17,759	19,184	—
Short-term loans, secured . . . . .	176,120	197,000	—	—
	192,633	214,759	19,184	—
 Borrowings from third parties				
— Advances from third parties . . . . .	—	8,200	—	—
 Borrowings from related parties				
— Amounts due to related parties . . . . .	30,920	239,552	29,342	1,109
 Total . . . . .	223,553	462,511	48,526	1,109

Our short-term loans are secured and have interest rates set at fixed rates that carry interest at market rates ranges from 7.137% to 7.956% per annum for 2005, 2006 and 2007. Unsecured loans have interest rates set at 11.088% per annum for 2005, 2006 and 2007. The borrowings from third parties and related parties are unsecured, interest free and no fixed repayment terms. We expect that all of the outstanding amounts due to related parties will be settled before the Listing.

As of July 31, 2008, the latest practicable date for the purpose of the indebtedness statement above, we also had guarantees in place of our transferees' borrowings in an aggregate amount of RMB131 million and did not have any outstanding guarantees to our related parties and third parties for bank loans.

Except as disclosed in the section headed "Financial Information — Indebtedness and Obligations" in this prospectus, we did not have any outstanding debt securities issued and outstanding or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding as of July 31, 2008.

## FINANCIAL INFORMATION

The maturity of our borrowings of our total borrowings as of the respective balance sheet dates is as follows:

	As of December 31,			As of
	2005	2006	2007	July 31, 2008
	(RMB in thousands)			
On demand or within one year . . . . .	207,040	462,511	48,526	1,109
One to two years . . . . .	16,513	—	—	—
Three to five years . . . . .	—	—	—	—
Over five years . . . . .	—	—	—	—
Total . . . . .	<u>223,553</u>	<u>462,511</u>	<u>48,526</u>	<u>1,109</u>

As of July 31, 2008, we had net current assets of RMB986.3 million. For the components of our net current assets as of July 31, 2008. See “— Working Capital.”

### Contractual Obligations

We lease office space under non-cancellable operating leases. The leases primarily relate to offices in Guangzhou and Zhengzhou. The following table sets forth our minimum lease payments under non-cancellable operating leases as of the dates indicated.

	As of December 31,			As of
	2005	2006	2007	March 31, 2008
	(RMB in thousands)			
Less than one year . . . . .	416	493	567	1,418
Between one and five years . . . . .	332	117	1,800	1,800
More than five years . . . . .	—	—	1,163	1,163
Total . . . . .	<u>748</u>	<u>610</u>	<u>3,530</u>	<u>4,381</u>

In addition to the operating lease commitments set out above, we had the following capital commitments as of the dates indicated.

	As of December 31,			As of
	2005	2006	2007	March 31, 2008
	(RMB in thousands)			
Contracted for . . . . .	7,414	2,858	107,949	475,053
Authorized but not contracted for . . . . .	—	—	—	300,405
Total . . . . .	<u>7,414</u>	<u>2,858</u>	<u>107,949</u>	<u>775,458</u>

## FINANCIAL INFORMATION

We expect to fund such capital commitments principally from the net proceeds of the Investments and cash generated from our operations.

### TRADE AND OTHER RECEIVABLES

We have trade receivables due from third parties which amounted to RMB1.3 million, RMB1.3 million, RMB6.0 million and RMB9.8 million as of December 31, 2005, 2006 and 2007 and March 31, 2008, respectively. The corresponding trade receivable turnover days for each year during the Track Record Period were 7 days, 3 days and 6 days, respectively. We typically do not grant any credit period to our tenants or transferee of the operation rights of our shop units. Trade receivables due from third parties in 2005 and 2006 represented certain advances to third parties in the past which have been classified as doubtful debts. The increase in trade receivables due from third parties was related to the transfer of operation rights for some of our shop units in Guangzhou. We also have prepayments and other receivables from third parties relating to our previous advances to third parties, which amounted to RMB67.7 million, RMB43.3 million, RMB18.5 million and RMB24.2 million as of December 31, 2005, 2006 and 2007 and March 31, 2008, respectively. We have provided allowance for doubtful debts in the amount of RMB6.4 million which represented a sum of overdue advances to third parties prior to 2005.

The balances of trade and other receivables, including deposits and advances to third parties, are expected to be settled or recovered within one year.

### TRADE AND OTHER PAYABLES

Our trade and other payables as of December 31, 2005, 2006 and 2007 and March 31, 2008, respectively, were as follows:

	As of December 31,			As of March 31,
	2005	2006	2007	2008
	(RMB in thousands)			
Receipt in advance . . . . .	323,858	684,949	548,016	161,918
Construction payables . . . . .	55,700	124,705	48,527	39,841
Deposits . . . . .	31,541	40,761	52,904	47,949
Other taxes payable . . . . .	384	5,993	8,280	364
Welfare expenses payable . . . . .	1,027	2,080	3,938	4,387
Advance from third parties . . . . .	—	8,200	—	—
Others . . . . .	347	2,059	8,344	8,579
Total . . . . .	412,857	868,747	670,009	263,038

Our receipt in advance primarily relates to the transfer of operation rights for some of our shop units in Guangzhou and the rental income received in advance. Construction payables mainly represent unpaid construction cost for our projects in Harbin, Guangzhou and Zhengzhou, the payment terms of which was determined through negotiation with each individual contractor and reflected in the construction contracts. Other taxes payables mainly represent the payables of business tax, which is 5%



## FINANCIAL INFORMATION

of revenue and have been settled in early 2008. It also includes the payables of stamp duty and the individual income taxes withheld by us pursuant to the requirements under PRC tax laws and regulations.

The due date of construction payables included in current liabilities as of December 31, 2005, 2006 and 2007 and March 31, 2008 is as follows:

	As of December 31,			As of March 31,
	2005	2006	2007	2008
	(RMB in thousands)			
Due within one year . . . . .	19,729	104,542	44,665	38,441
Overdue . . . . .	35,971	20,163	3,862	1,400
Total . . . . .	55,700	124,705	48,527	39,841

Our overdue trade and other payables were primarily related to the delayed payment of construction expenses for Phase II and Phase III of Harbin Project.

### WORKING CAPITAL

As of July 31, 2008, the date being the latest practicable date for the purpose of the indebtedness statement in this Prospectus, our net current assets was RMB986.3 million, comprising the following:

	<u>As of July 31, 2008</u> RMB in thousands (unaudited)
<b>Current assets</b>	
Trade and other receivables . . . . .	301,133
Restricted bank deposit . . . . .	49,126
Cash and cash equivalents . . . . .	1,083,606
Total current assets . . . . .	1,433,865
<b>Current liabilities</b>	
Loans . . . . .	—
Trade and other payables . . . . .	444,775
Amounts due to and advances from related parties . . . . .	1,109
Rental deposits . . . . .	948
Current taxation . . . . .	719
Dividends payable . . . . .	—
Total current liabilities . . . . .	447,551

Taking into account the estimated net proceeds from the Global Offering, available banking facilities and cash flows from our operation, we believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

## FINANCIAL INFORMATION

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We arranged bank financing with Bank of China for the purchasers of shop units in the Phase I of Guangzhou Project. In accordance with market practice in the PRC, we are required by the banks to guarantee the repayment of the bank loans granted to the transferees for the financing of the transfer of the operation rights of the respective shop units. These guarantees are fully released when the transferees repay their bank loans in full, normally for a term of either three or five years. As of December 31, 2005, 2006 and 2007 and March 31, 2008, we had guarantees in respect of our transferees' borrowings in an aggregate principal amount of approximately nil, RMB196.2 million, RMB169.0 million and RMB158.8 million, respectively. We began transferring operation rights of certain shop units in Phase I of Guangzhou Project by entering into transfer agreements with the transferees and provided guarantees for the transferees' borrowings since the second half of 2006, at which time Phase I of Guangzhou Project had not yet been completed. While the revenues from such sales were not recognized until 2007 when the risks and benefits regarding the operation rights of such shop units were actually transferred according to the transfer agreements that we entered into with the transferees, we had a significant increase in outstanding guarantees to RMB196.2 million in 2006 when we entered into transfer agreements with the transferees, received payments for the transferred shop units and provided guarantees for the transferees' borrowings from the bank. During the same period, our revenues generated from the transfer of such operation rights reflected our transfer of shop units of Phase II of Harbin Project in the amount of RMB61.9 million.

We provided guarantee to our related parties and third parties for bank loans. The details are as follows:

	<b>Amount</b>	<b>Loan expiry Date</b>
	<b>(RMB in thousands)</b>	
<b>Related Parties</b>		
— Renhe Group (formerly known as “Harbin Renhe Industrial Co., Ltd.”) . . . . .	200,000	November 16, 2009
	15,000	November 29, 2002
— Harbin Jurong. . . . .	80,000	November 1, 2008
<b>Third Parties</b>		
— Harbin Baofeng Pharmaceutical Co., Ltd. . .	20,000	November 17, 2004/ November 28, 2004

All of these related parties are enterprises controlled by relatives of Mrs. Hawken. We are of the opinion that our related parties and third parties have the ability to repay the bank loans. In addition, these guarantees were entered into according to the instructions of Mrs. Hawken, one of our Controlling Shareholders. Mrs. Hawken has promised to bear any losses and obligation arising from the provision of these guarantees. An agreement was signed between Mrs. Hawken and the companies comprising the Group on December 12, 2007 stipulating that Mrs. Hawken will bear all the obligations on the guarantees so provided by us. Accordingly, we have not made any provisions for the above guarantees. These guarantees have been released or expired as of the Latest Practicable Date.

## FINANCIAL INFORMATION

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

### MARKET RISK

#### Interest Rate Risk

Because the interest rates on all of our interest-bearing loans are on a fixed-rate basis, changes in interest rates will not directly affect our finance expenses. However, an increase in interest rates would adversely affect our prospective transferees' ability to obtain financing and may depress overall demand for our shop units. Higher interest rates may adversely affect our revenue, gross profits and net profits. The PBOC published benchmark one-year lending rates in China as at December 31, 2005 and 2006 and 2007 were 5.58%, 6.12% and 7.47%, respectively. We cannot assure you that the PBOC will not further raise lending rates or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

#### Foreign Exchange Rate Risk

We conduct our business predominantly in China and receive all our revenues in Renminbi. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's economic and political conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar. We are exposed to foreign exchange risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and Hong Kong dollar against foreign currencies can affect our operational results. See "Risk Factors — Risks Relating to the PRC — Fluctuation in the exchange rate of Renminbi may materially and adversely affect our business, financial condition and results of operations." We currently do not hedge our foreign exchange risk but may do so in the future.

#### Credit Risk

We have policies in place to evaluate credit risk when we commence a new project and to limit our credit exposure to individual customers. Given that we request that tenants pay rental and other service fees in advance, the credit risk of rental and service fees receivables is low. However, we typically guarantee the bank loans undertaken by our customers to finance their purchase of operation rights and in certain cases, pledged cash in restricted accounts as security. As of March 31, 2008, we had restricted bank deposits pledged as security in the amount of RMB196.5 million. If a purchaser defaults on the payment of its bank loan during the term of the guarantee, the bank may demand that we repay the outstanding amount under the loan and any accrued interest thereon and take the cash deposited in the restricted accounts as such repayment. Under such circumstances, we are able to retain the customer's deposit and transfer the operation rights of the relevant shop units to recover any

## FINANCIAL INFORMATION

amounts paid by us to the bank, but there can be no assurance that we would be able to transfer any such shop units at a price equal to or greater than the amount necessary to pay off the defaulting purchaser's outstanding loan amount and any accrued interest.

### **Inflation**

Since January 2007, the inflation rate has risen in China, and we cannot make any assurance that we will not be adversely affected by inflation in China in the future. According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately 3.9%, 1.8%, 1.5% and 4.8% in 2004, 2005, 2006 and 2007, respectively. As of the Latest Applicable Date, we had not been materially affected by any inflation. We cannot assure you that the inflation rate in the PRC will decrease or increase in the future. We cannot predict the impact that a sustained increase in inflation will have on our business, financial condition, results of operations or prospects. In addition, if deflation were to occur in China, such deflation could negatively affect our business as it would be a disincentive for prospective shop units buyers to make purchases.

### **Commodities Risk**

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

### **Profit Forecast for the Year Ending December 31, 2008**

Forecast consolidated net profit attributable to equity shareholders of the Company <sup>(1)</sup> . . . . .	not less than RMB1.9 billion (approximately HK\$2.2 billion)
Unaudited forecast earnings per Share	
— pro forma fully diluted <sup>(2)</sup> . . . . .	not less than RMB0.095 (approximately HK\$0.108)
— Weighted average <sup>(3)</sup> . . . . .	not less than RMB0.108 (approximately HK\$0.123)

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*Notes:*

(1) The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this prospectus.

## FINANCIAL INFORMATION

- (2) The calculation of unaudited pro forma forecast earnings per Share on a pro forma fully diluted basis for the year ending December 31, 2008 is based on the above forecast consolidated net profit attributable to equity shareholders for the year ending December 31, 2008 and assumes that a total of 20,000,000,000 Shares were in issue during the entire year, without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, or any exercise of options which may be granted pursuant to the Share Options Scheme.
- (3) The calculation of unaudited pro forma forecast earnings per Share on a weighted average basis for the year ending December 31, 2008 is based on the above forecast consolidated net profit attributable to equity shareholders for the year ending December 31, 2008 and assuming that a weighted average number of 17,647,540,984 Shares in issue during the year ending December 31, 2008 following completion of the Global Offering on October 15, 2008, without taking into account any Shares which may be allotted and issued upon the exercise of Over-allotment Option, or any exercise of options which may be granted pursuant to the Share Options Scheme.

Pursuant to the New Corporate Income Tax Law, the income tax rate applicable to our subsidiaries in the PRC has been reduced from 27% to 25% beginning from January 1, 2008.

### DIVIDENDS

Subject to the Companies Law of Cayman Island, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law of Cayman Island.

Except insofar as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share and (ii) all dividends shall be apportioned and paid *pro rata* according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which the Board may deem relevant.

Our future dividend payments to our Shareholders will also depend upon the availability of dividends declared and distributed by our subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in many

## FINANCIAL INFORMATION

aspects from IFRSs. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Distributions from our subsidiary companies may also be restricted if they incur losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Any dividends on the Shares will be declared and paid in Hong Kong dollars on a per Share basis. Any final dividend for a fiscal year will be subject to our shareholders' approval.

Our future dividend policy is that approximately 30% of our profits available for distribution will be recommended for distribution for each financial year. The amount of dividends actually distributed to our shareholders will depend upon our earnings and financial condition financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year.

For the years ended December 31, 2005, 2006 and 2007, we declared RMB23.7 million, nil and RMB257.2 million in dividends to our shareholders, respectively. During the same period, we paid dividends in the amount of RMB11.3 million, RMB20.8 million and RMB6 million, respectively. Historically, we made payment of dividends based on the needs of our shareholders at that time. Our shareholders decided to have the Group retain the dividends payable so that the Group would have more working capital to satisfy the needs of its daily operations. All dividends payable for each year during the Track Record Period have been settled as of the Latest Practicable Date.

### **DISTRIBUTABLE RESERVES**

As of March 31, 2008, the Company had an aggregate amount of RMB3,656,000 of reserves available for distribution for our shareholders.

### **Unaudited Pro Forma Adjusted Net Tangible Assets**

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the Global Offering on our net tangible assets as of March 31, 2008 as if it had taken place on March 31, 2008.

The unaudited pro forma statement of adjusted net tangible assets have been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of March 31, 2008 or any future date following the Global Offering. It is prepared based on our consolidated net assets as of March 31, 2008 as derived from our consolidated financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

## FINANCIAL INFORMATION

	Consolidated net tangible assets attributable to equity shareholders of the Company as at March 31, 2008	Add: Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	
	RMB in millions <sup>(1)</sup>	RMB in millions <sup>(2)</sup>	RMB in millions	RMB <sup>(3)</sup>	HK\$ <sup>(4)</sup>
Based on an offer price of HK\$1.40 per Share. . . . .	1,862	3,500	5,362	0.27	0.31
Based on an offer price of HK\$1.71 per Share. . . . .	1,862	4,275	6,137	0.31	0.35

*Notes:*

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as at March 31, 2008 are extracted from the consolidated financial information included in the “Accountants’ Report” as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on indicative offer prices of HK\$1.40 and HK\$1.71 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been granted or may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 20,000,000,000 Shares are in issue assuming that the Global Offering has been completed on March 31, 2008 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been granted or may be granted under the Share Option Scheme.
- (4) The unaudited pro forma adjusted net tangible assets per Share is converted to Hong Kong dollars at an exchange rate of RMB0.8772 to HK\$1.00.

### NO MATERIAL ADVERSE CHANGE

There was no interruption in our business that may have or has had a significant effect on our financial condition in the last 12 months. We are not aware of any material adverse change in our financial position since March 31, 2008 (being the date as of which our latest audited consolidated financial statements were prepared as set out in the Accountants’ Report in Appendix I to the prospectus).

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

According to Rule 13.17 of the Hong Kong Listing Rules, a general disclosure obligation will arise when the controlling shareholder of the Company has pledged its interest in shares of the Company to secure debts of the Company or to secure guarantees or other support of obligations of the Company.

Except as disclosed herein, the Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS AND PROSPECTS

Our key business objectives are to leverage our leading position and gain market share in the underground shopping center market, and to continue to invest in new projects in other cities around China as appropriate opportunities arise. We intend to grow our business steadily by focusing on the development of underground shopping centers for the wholesale and retail sale of apparel and accessories, while diversifying into shopping centers for other merchandise, such as electronic products and small commodities.

To achieve this goal, we plan to leverage our commercial strengths and adopt our strategies as set out in the “Business” section in this prospectus.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$3,990 million (assuming an Offer Price of HK\$1.40 per Share, being the lowest end of the indicative Offer Price range) to HK\$4,874 million (assuming an Offer Price of HK\$1.71 per Share, being the highest end of the indicative Offer Price range), after deducting the underwriting commission and estimated expenses payable by us for the Global Offering and assuming that the Over-allotment Option is not exercised. Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.56 per Share, being the midpoint of the indicative Offer Price range of HK\$1.40 to HK\$1.71 per Offer Share, the net proceeds of the Global Offering would be approximately HK\$4,432 million, which we presently intend to use as follows:

- approximately 9%, or HK\$400 million, to finance the Phase I of Shenyang Project, which is under construction;
- approximately 89%, or HK\$3,932 million, to finance the Phase V and VI of Harbin Project, Phase II of Guangzhou Project, Tianjin Project, Shenzhen Project and Nanchang Project, which are for future development; and
- the balance in an amount of up to approximately 2% of the aggregate net proceeds, or HK\$100 million to be used for general working capital purposes.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be approximately HK\$665 million (assuming the midpoint of the indicative Offer Price range of HK\$1.56 per Offer Share). If the Over-allotment Option is exercised in full, our Directors intend to apply the net proceeds from the issue of additional Shares to the development of new projects and general working capital in the proportion of 90% and 10%, respectively. As advised by Jingtian, our PRC legal advisor, we are not subject to a notice issued jointly by MOFCOM and SAFE on May 2007 and a notice issued by SAFE on July 10, 2007 which restrict the remittance of net proceeds from the Global Offering into the PRC. See “Regulations — Special Requirements Applicable to Real Estate Developers.”

If the Offer Price is fixed at HK\$1.71 per Offer Share, being the highest end of the indicative Offer Price range, the net proceeds will be increased by approximately HK\$442 million. Our Directors presently intend to use the additional proceeds in the development of new projects and general working capital in the proportion of 90% and 10%, respectively (subject to the 10% limitation on amounts to be



## **FUTURE PLANS AND USE OF PROCEEDS**

used for general corporate purposes). If the Offer Price is fixed at HK\$1.40, being the lowest end of the indicative Offer Price range, the net proceeds will be reduced by approximately HK\$442 million. Our Directors presently intend to reduce the net proceeds applying to new projects and general working capital.

Any deficiency in funding for the above-mentioned projects will be financed by internal funds and/or bank borrowings. In the event that there are circumstances such as failure to obtain requisite approvals, changes in government policies which would render any of the above-mentioned property developments not commercially viable, events of force majeure, and the emergence of new property development opportunities comparable or superior to the above-mentioned projects, our Directors will carefully evaluate the situation and may reallocate the intended funds to other existing or new property developments and/or hold such funds on short-term deposit as the Directors consider to be in our interests and those of our shareholders taken as a whole.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions.

We will issue an announcement if there is any material change in the above proposed use of proceeds.

## UNDERWRITING

### HONG KONG UNDERWRITERS

#### Joint Lead Managers (in alphabetical order)

BOCI Asia Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Morgan Stanley Asia Limited  
UBS AG

#### Co-Manager

First Shanghai Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Underwriters) and us agreeing to the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional, and have not been terminated in accordance with its terms.

## UNDERWRITING

### *Grounds for Termination*

The Joint Global Coordinators, for themselves and on behalf of the Hong Kong Underwriters, shall be entitled to terminate the Hong Kong Underwriting Agreement by giving notice to us at any time prior to 8:00 a.m. on the Listing Date, if at or prior to such time:

- (a) It has come to the notice of the Joint Global Coordinators or any Hong Kong Underwriter or the Joint Global Coordinators or any Hong Kong Underwriter have cause to believe:
  - (i) that any statement contained in any of the Hong Kong Public Offer Documents, the Formal Notice and/or any announcements issued by the Company (as defined in the Hong Kong Underwriting Agreement) in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, inaccurate or misleading, or that any forecasts, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offer Documents, the Formal Notice and/or any announcements issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Prospectus, not having been disclosed in the Prospectus constitute an omission therefrom; or
  - (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on the Underwriters and the Joint Global Coordinators); or
  - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the indemnification provisions under the Hong Kong Underwriting Agreement; or
  - (v) any adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of our Group; or
  - (vi) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties under the Hong Kong Underwriting Agreement; or
  - (vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option and options granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (viii) the Company withdraws the Offer Documents (as defined in the Hong Kong Underwriting Agreement) or the Global Offering;

## UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events, in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency or war, calamity, crisis, economic sanction, strikes, lock-outs, fire, explosion, flooding, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) involving the United States, the PRC, Hong Kong, the Cayman Islands, the European Union (or any member thereof), Japan, Singapore, Canada and/or any other jurisdiction relevant to any member of the Group; or
  - (ii) any change or development involving a prospective change or development, or any event or series of events likely to result in any change, or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or clearance service procedures or matters and/or disaster in or affecting Hong Kong, the PRC, the United States, the European Union, the Cayman Islands or any other jurisdiction relevant to any member of the Group (including, without limitation, any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange or the Nasdaq National Market, Shanghai Stock Exchange or Shenzhen Stock Exchange or a material fluctuation of Hong Kong dollars or the Renminbi against the US dollar, the Pound Sterling, the Euro or the Yen); or
  - (iii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC or any other jurisdiction relevant to any member of the Group, or there is a disruption in commercial banking or foreign exchange trading or securities settlement or clearance services in those places; or
  - (iv) any new Law or change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting (Hong Kong, the PRC, the United States, the European Union (or any member thereof), Japan, Singapore, Canada, the Cayman Islands or any other jurisdiction relevant to any member of the Group; or
  - (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for Hong Kong, the PRC, the United States, the European Union (or any member thereof), Japan, Singapore, Canada, the Cayman Islands or any other jurisdiction relevant to any member of the Group; or
  - (vi) a change or development occurs involving a prospective change in Taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) in Hong Kong, the PRC, the United States the

## UNDERWRITING

European Union (or any member thereof), Japan, Singapore, Canada, the Cayman Islands or any other jurisdiction relevant to any member of the Group adversely affecting an investment in the Shares; or

- (vii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (viii) a Director (other than an independent non-executive Director) being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) our chairman or chief executive officer vacating his or her office in circumstances where the operations of the Group may be adversely affected; or
- (x) the commencement by any governmental, regulatory or political body or organization of any action against a Director or any Group Company or an announcement by any governmental, regulatory or political body or organization that it intends to take any such action; or
- (xi) a contravention by any member of our Group of the Companies Ordinance or any of the Hong Kong Listing Rules or applicable Laws; or
- (xii) a prohibition on the Company for whatever reason from allotting or selling the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or
- (xiii) non-compliance by the Company of the Prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) or any aspect of the Global Offering with the Hong Kong Listing Rules or any other applicable Law; or
- (xiv) the issue or requirement to issue by the Company of a supplementary Prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Hong Kong Companies Ordinance or the Hong Kong Listing Rules; or
- (xv) an order or petition is made for the winding up of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

## UNDERWRITING

(xvi) any adverse legislative or regulatory developments related to the M&A Rules or any related official clarifications, guidance, interpretations or implementation rules which would make it inadvisable to proceed with the Global Offering or the delivery of the Shares on the terms and in the manner contemplated in this Agreement,

which in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (A) is or will or may have a material adverse effect on the business, financial, trading or other condition or prospects of the Group as a whole; or
- (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
- (C) makes it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
- (D) would have the effect of making any part of the Underwriting Agreements (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

### *Undertakings by us*

We have undertaken to the Stock Exchange that no further shares or securities convertible into our equity securities (whether or not of a class already listed) will be issued or form the subject of any agreement to such an issue within six months from the date on which shares first commence dealing on the Stock Exchange (whether or not such issue of shares will be completed within six months from the commencement of dealing), except for the issue of shares, the listing of which has been approved by the Stock Exchange, pursuant to any exercise of the share options granted under the Share Option Schemes, details of which are set out in Appendix VII to this prospectus, or any capitalization issue, capital reduction or consolidation or sub-division of shares.

We have undertaken to each of the Joint Global Coordinators and the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalization Issue, the stock borrowing agreement or the grant of options under the Share Option Scheme or by way of such dividends schemes or similar arrangements in accordance with the Memorandum and the Articles, during a period of six months from the date of the Listing Date, we will not, and will procure that our subsidiaries will not, without the Joint Global Coordinators' prior written consent and unless in compliance with the requirements of the Hong Kong Listing Rules offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of our share capital or any securities or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital), or enter into any swap derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of our share capital or other securities or any interest therein, or deposit Shares with a depository in connection with the issue of depository receipts, or enter into any transaction with the same economic effect as any

## UNDERWRITING

transaction described above, or offer to or agree to do any of the foregoing or announce any intention to do so, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not such issue of Shares or securities will be completed within such period), and in the event of our Company or any of our subsidiaries doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the first six month period after the Listing Date, we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of the Company.

### *Lock-up Undertakings by Ever Union Capital Limited, Palmas Assets Limited and Global Giant Enterprises Limited*

Each of Ever Union Capital Limited, Palmas Assets Limited and Global Giant Enterprises Limited has respectively undertaken to each of us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) that, conditional upon listing of our Shares on the Hong Kong Stock Exchange, it will not, and will procure that none of its affiliates or persons (legal or natural) controlled by it or any nominee or trustee holding in trust for it, will, without the prior written consent of our Company and the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules, at any time during the period commencing on the date of its respective undertaking and ending on a date which is six months after the Listing Date, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital, debt capital or other securities of our Company or any interest therein with respect to which it has beneficial ownership or which are shown in this prospectus to be held by it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital, debt capital or other securities of our Company or any interest therein) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital, debt capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

### *Lock-up Undertakings by the NW Investors*

Each of the NW Investors has respectively undertaken to each of us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) that, conditional upon listing of our Shares on the Hong Kong Stock Exchange, it will not, and will procure that none of its affiliates or persons (legal or natural) controlled by it nor any nominee or trustee holding in trust for it, will, without the prior written consent of our Company and the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules, at any time during the period commencing on the date of its respective undertaking and ending on a date which is six months after the Listing Date, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital, debt capital or other securities of our Company or any interest therein with respect to which it has beneficial ownership immediately after the Capitalization Issue or which are shown in this prospectus to be held by it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital, debt capital or other securities of our Company or any interest therein) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic



## UNDERWRITING

consequences of ownership of such share capital, debt capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital, debt capital or such other securities, in cash or otherwise, or enter into any transaction with the same economic effect as any transaction described above, or offer to or agree to do any of the foregoing or announce any intention to do so.

### *Lock-up Undertakings by the Capital Funds*

Each of the Capital Funds has respectively undertaken to each of us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) that, conditional upon listing of our Shares on the Hong Kong Stock Exchange, it will not, and will procure that none of its affiliates or persons (legal or natural) controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of our Company and the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules, at any time during the period commencing on the date of its respective undertaking and ending on a date which is six months after the Listing Date, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital, debt capital or other securities of our Company or any interest therein with respect to which it has beneficial ownership immediately after the Capitalization Issue or which are shown in this prospectus to be held by it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital, debt capital or other securities of our Company or any interest therein) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital, debt capital or such other securities, in cash or otherwise, or enter into any transaction with the same economic effect as any transaction described above, or offer to or agree to do any of the foregoing or announce any intention to do so.

### *Lock-up Undertakings by Sequoia*

Sequoia has undertaken to each of us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) that, conditional upon listing of our Shares on the Hong Kong Stock Exchange, it will not, and will procure that none of its affiliates or persons (legal or natural) controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of our Company and the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules, at any time during the period commencing on the date of its respective undertaking and ending on a date which is six months after the Listing Date, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of our Company or any interest therein with respect to which it has beneficial ownership or which are shown in this prospectus to be held by it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital, debt capital or other securities of our Company or any interest therein) or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital, debt capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so save and except where the aforesaid transfer or disposal is to an Affiliate of Sequoia, provided that any



## UNDERWRITING

transferee will execute a lock-up undertaking upon the transfer of any Shares held by Sequoia (whether directly or indirectly) on substantially the same terms as Sequoia's lock-up undertaking where the period of such lock-up undertaking to be executed by the transferee shall be the unexpired period of the lock-up undertaking entered into by Sequoia.

For the purpose of the foregoing paragraph:

“**Affiliate**” means any person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity.

### *Undertakings by our Controlling Shareholders*

Each of Super Brilliant, Shining Hill and Mrs. Hawken has undertaken to each of us, the Joint Global Coordinators and the Hong Kong Underwriters that it/she will not, except pursuant to the stock borrowing agreement or pursuant to a pledge or charge of any Shares or securities or interests in Shares or securities of the Company beneficially owned by it/her as security in favour of an authorized institute (as defined in the Banking Ordinance) for a bona fide commercial loan, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules,

- (a) at any time during a period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date (“**First Six-month Period**”) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of the Company or any interest therein held by it/her immediately following the completion of the Global Offering and the Capitalization Issue (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital, or other securities of the Company or any interest therein) or direct or indirect interest in our Company or entity holding Shares in the Company or enter into any swap derivative or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so;
- (b) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of the Company or any interest therein held by it/her immediately following the completion of the Global Offering and the Capitalization Issue (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of the Company or any interest therein) or direct or indirect interest in our Company or entity holding Shares in the Company or enter into any swap derivative or other arrangement that transfers, in whole or in part, any of the economic consequences of

## UNDERWRITING

ownership of such share capital, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so if, immediately following such transaction, it/she would cease to be the Company's controlling shareholder within the meaning of the Listing Rules; and

- (c) in the event of a disposal by it/her of any of the Company's share capital or any interest therein during the Second Six-month Period it/she will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of the Company.

Each of Super Brilliant, Shining Hill and Mrs. Hawken has further undertaken to each of us, the Joint Global Coordinators, the Hong Kong Underwriters and the Stock Exchange that it/she will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling 12 months after the Listing Date, immediately inform us, the Joint Global Coordinators and the Stock Exchange of:

- (i) any pledges or charges (directly or indirectly) in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any shares or securities or interests in the Shares or securities of the Company beneficially owned by it/her for a bona fide commercial loan, together with the number of such Shares or securities so pledged or charged; and
- (ii) any indication received by it/her, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of the Company will be disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) in writing by any of Super Brilliant, Shining Hill and Mrs. Hawken and will, as soon as practicable, make a public disclosure of such information by way of a press notice which is published in the newspapers or otherwise in accordance with the Listing Rules.

### *Hong Kong Listing Rules Obligations*

Pursuant to Rule 10.07(1) of the Hong Kong Listing Rules, our controlling shareholders, Super Brilliant, Shining Hill and Mrs. Hawken will not, except pursuant to the Global Offering or unless in compliance with the requirements of the Hong Kong Listing Rules, (a) in the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which Super Brilliant, Shining Hill and/or Mrs. Hawken are/is shown by this prospectus to be the beneficial owner (the "**Controlling Shareholder Shares**"); and (b) in the six-month period commencing on the expiry of the First Six-month Period (the "**Second Six-month Period**") dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Controlling Shareholder Shares to such an extent that immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, Super Brilliant, Shining Hill and/or Mrs. Hawken would then cease to be our controlling shareholder as defined in the Hong Kong Listing Rules.

## UNDERWRITING

Pursuant to Rule 10.08 of the Hong Kong Listing Rules, no further shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules, which includes the issue of Shares pursuant to our share option scheme.

### **Indemnity**

Each of the Company, the executive Directors and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the terms and conditions of the Hong Kong Public Offering.

### **International Offering**

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to procure subscribers for or purchasers for, or failing which to subscribe for or purchase themselves, their respective applicable proportions of the International Offer Shares being offered pursuant to the International Offering which are not taken up under the International Offering.

Under the International Underwriting Agreement, we will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters during the 30-day period after the last day for lodging applications under the Hong Kong Public Offering to require us to issue up to an aggregate of 450,000,000 additional shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering.

### **Total Commission and Expenses**

Assuming an Offer Price of HK\$1.56 per share (being the mid-point of the indicative Offer Price range of HK\$1.40 to HK\$1.71 per share), the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK\$233 million (assuming the Over-allotment Option is not exercised) in total. Such commissions, fees and expenses are payable by us in the Global Offering.

The Hong Kong Underwriters will receive an underwriting commission of 2.5% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. In addition, we may further pay up to 1% incentive and advisory fee solely to the Joint Global Coordinators in connection to the services provided in the Global Offering and subject to the final Offer Price. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters).

## UNDERWRITING

### **Hong Kong Underwriters' Interests in the Company**

Except as disclosed below and elsewhere in this prospectus and other than their obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested directly or indirectly in any shares or securities in the Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in the Company or any other member of our Group.

### **Activities by Syndicate Members**

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “**Syndicate Members**,” may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for BOCI and its affiliates as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Hong Kong Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our shares, those activities could include acting as agent for buyers and sellers of the shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying, assets including the shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the shares in baskets of securities or indices including the Shares in units of funds that may purchase the shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the shares in most cases.

All of this activity may occur both during and after the end of the stabilizing period described under “Structure of the Global Offering — Over-allotment and stabilization.” This activity may affect the market price or value of the Shares, the liquidity or trading volume in the shares and the volatility of the share price, and the extent to which this occurs from day to day cannot be estimated.

## STRUCTURE OF THE GLOBAL OFFERING

### PRICING AND ALLOCATION

#### Offer Price range

The Offer Price will be not more than HK\$1.71 per Offer Share and is expected to be not less than HK\$1.40 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

### PRICE PAYABLE ON APPLICATION

Applicants for Hong Kong Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$1.71 for each Hong Kong Offer Share. If the Offer Price is less than HK\$1.71, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applications. See the section headed “Further Terms and Conditions of the Hong Kong Public Offering — Refund of Application Monies.”

### DETERMINING THE OFFER PRICE

The International Underwriters are soliciting from prospective investors indications of interest in acquiring our shares in the International Offering. Prospective investors will be required to specify the number of shares under the International Offering which they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around Thursday, October 9, 2008.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us, on the Price Determination Date, when market demand for the Hong Kong Offer Shares will be determined. The price determination date is expected to be on or around Thursday, October 9, 2008 and in any event, no later than Monday, October 13, 2008.

**If, for any reason, we and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) are unable to reach agreement on the Offer Price on or before Monday, October 13, 2008, the Global Offering will not proceed.**

### REDUCTION IN OFFER PRICE RANGE AND/OR NUMBER OF HONG KONG OFFER SHARES

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters) consider it appropriate, the indicative Offer Price range and/or the number of Hong Kong Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering, provided that it will not result in the Company not fulfilling the requirement under Rule 8.05(2)(d) of the Hong Kong Listing Rules.

## STRUCTURE OF THE GLOBAL OFFERING

In such a case, we will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notice of the reduction in the indicative Offer Price range and/or number of Hong Kong Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section headed “Summary” and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

**Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Hong Kong Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the indicative Offer Price range and/or number of Hong Kong Offer Shares is so reduced.**

### ALLOCATION

The shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of our shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell shares after the listing of the Hong Kong Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of the Company and our shareholders as a whole.

Allocation of shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATIONS

The Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Tuesday, October 14, 2008 in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese).



## STRUCTURE OF THE GLOBAL OFFERING

### CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the shares to be issued pursuant to the Global Offering (including the additional shares which may be made available pursuant to the exercise of the Over-allotment Option);
- the Offer Price having been duly agreed between us and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters);
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by us in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “Further Terms and Conditions of the Hong Kong Public Offering — Refund of application monies.” In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Hong Kong Banking Ordinance.

**Share certificates for the Hong Kong Offer Shares are expected to be issued on Tuesday, October 14, 2008 but will only become valid certificates of title at 8:00 a.m. on Wednesday, October 15, 2008, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised.**

## STRUCTURE OF THE GLOBAL OFFERING

### THE HONG KONG PUBLIC OFFERING

We are initially offering 300,000,000 Shares at the Offer Price, representing 10% of the 3,000,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will initially be divided equally into two pools for allocation purposes as follows:

- Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or less; and
- Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of more than HK\$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 150,000,000 Hong Kong Offer Shares will be rejected.

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 900,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 1,200,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the



## **STRUCTURE OF THE GLOBAL OFFERING**

Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 1,500,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

Subject to the above, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering or all or any unsubscribed International Offer Shares to the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offer Shares, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue.

The Company, the Directors and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received shares in the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for shares under the Hong Kong Public Offering.

References in this prospectus to applications, application forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

### **THE INTERNATIONAL OFFERING**

The International Offering will consist of initially 2,700,000,000 Shares, to be offered by us (a) in the US to QIBs, (b) in the US to a limited number of institutional "accredited investors" (as defined in Rule 501(a) under the US Securities Act, and (c) outside of the US in reliance on Regulation S under the US Securities Act, including to professional and institutional investors in Hong Kong. We are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters during the 30-day period commencing from the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 450,000,000 additional shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering. These shares will be issued or sold at the same price per share under the International Offering, among other things, to cover over-allocations in the International Offering, if any.

### **SHARES WILL BE ELIGIBLE FOR CCASS**

All necessary arrangements have been made enabling our Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by

## STRUCTURE OF THE GLOBAL OFFERING

HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, October 15, 2008, it is expected that dealings in our shares on the Stock Exchange will commence at 9:30 a.m. on Wednesday, October 15, 2008. Our shares will be traded in board lots of 2,000 Shares.

### OVER-ALLOTMENT AND STABILIZATION

We expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require us to allot and issue up to an additional 450,000,000 Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering. These Shares will be issued at the Offer Price solely to cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, a press announcement will be made.

The 3,000,000,000 Shares initially being offered in the Global Offering will represent 15% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the number of Shares being offered in the Global Offering will increase to 3,450,000,000, representing approximately 16.87% of our enlarged share capital immediately after the completion of the Global Offering and the exercise of the Over-allotment Option.

For the purpose of covering any covered short position, including any covered short position created by over-allocations, the Stabilizing Manager or its affiliates may borrow from Super Brilliant up to 450,000,000 Shares, equivalent to the maximum number of Shares to be sold on a full exercise of the Over-allotment Option, under the stock borrowing agreement expected to be entered into between the Stabilizing Manager and Super Brilliant on or about October 9, 2008. The loan of Shares by Super Brilliant pursuant to the stock borrowing agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Hong Kong Listing Rules which restricts the disposal of Shares by the Controlling Shareholder subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the provisions of Rule 10.07(3) of the Hong Kong Listing Rules:

- (i) the stock borrowing agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;
- (ii) the maximum number of Shares which may be borrowed from Super Brilliant must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;

## STRUCTURE OF THE GLOBAL OFFERING

- (iii) the same number of Shares so borrowed must be returned to Super Brilliant or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option, and (b) the date on which the Over-allotment Option is exercised in full;
- (iv) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with all applicable Hong Kong Listing Rules, laws and other regulatory requirements; and
- (v) no payments will be made to Super Brilliant by the Stabilizing Manager in relation to the stock borrowing agreement.

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for them, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the commencement of trading in the Shares on the Hong Kong Stock Exchange. Such market purchases of Offer Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for them to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571 of the Laws of Hong Kong) includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price, (ii) selling or agreeing to sell Offer Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price, (iii) subscribing, or agreeing to subscribe, for Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (i) or (ii) above, (iv) purchasing, or agreeing to purchase, Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price, (v) selling Offer Shares to liquidate a long position held as a result of those purchases and (vi) offering or attempting to do anything described in paragraph (ii), (iii), (iv) or (v). The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 450,000,000 Shares, which is 15% of the Shares initially being offered in the Global Offering.

As a result of effecting transactions to stabilize or maintain the market price of our Shares, the Stabilizing Manager, or any person acting for them, may maintain a long position in the Offer Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for them, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. Investors should be warned that, in the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Offer Shares.

## STRUCTURE OF THE GLOBAL OFFERING

Stabilizing action by the Stabilizing Manager, or any person acting for them, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end no later than the 30th day after the last day for lodging applications under the Hong Kong Public Offering. As a result, demand for the Offer Shares, and their market price, may fall after the end of the stabilizing period.

Any stabilizing action taken by the Stabilizing Manager, or any person acting for them, may not necessarily result in the market price of the Offer Shares staying at or above the Offer Price either during or after the stabilizing period. Stabilizing bids for or market purchases of the Offer Shares by the Stabilizing Manager, or any person acting for them, may be made at or below the Offer Price and can therefore be made at or below the price paid for the Offer Shares by applicants for, or investors in, the Offer Shares.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 450,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 1. WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address; and
- are not a US Person.

If you wish to apply for Hong Kong Offer Shares online through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk), referred to herein as the “**White Form eIPO**” service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Joint Global Coordinators (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We and the Joint Global Coordinators, in their capacity as our agents, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of shares in the Company, our directors, or chief executive officers or their respective associates or any other connected persons of the Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You should also note that you may apply for shares under the Hong Kong Public Offering or indicate an interest for shares under the International Offering, but may not do both.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 2. METHODS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are four ways to make an application for the Hong Kong Offer Shares:

- you may apply for the Hong Kong Offer Shares by using a **WHITE** application form. Use a **WHITE** application form if you want the shares issued in your own name;
- Instead of using a **WHITE** application form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). Use **White Form eIPO** if you want the shares issued in your own name;
- you may apply for the Hong Kong Offer Shares by using a **YELLOW** application form. Use a **YELLOW** application form if you want the shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account; or
- instead of using a **YELLOW** application form, you may give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

### 3. WHERE TO COLLECT THE PROSPECTUS AND APPLICATION FORMS

You can collect a **WHITE** application form and a prospectus from:

- Any of the following addresses of a Hong Kong Underwriter:

BOCI Asia Limited	26th Floor Bank of China Tower 1 Garden Road Hong Kong
The Hongkong and Shanghai Banking Corporation Limited	Level 15, HSBC Main Building 1 Queen's Road Central Hong Kong
Morgan Stanley Asia Limited	30th Floor Three Exchange Square, Central Hong Kong
UBS AG	52th Floor Two International Finance Centre 8 Finance Street, Central Hong Kong
First Shanghai Securities Limited	19th Floor, Wing On House 71 Des Voeux Road, Central Hong Kong

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- or any of the following branches of **The Bank of China (Hong Kong) Limited:**

Branch Name	Address
Bank of China Tower Branch	3/F, 1 Garden Road
Central District (Wing On House) Branch	71 Des Voeux Road Central
North Point (Kiu Fai Mansion) Branch	413–415 King’s Road, North Point
Taikoo Shing Branch	Shop G1006–7, Hoi Sing Mansion, Taikoo Shing
Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
Diamond Hill Branch	G107, Plaza Hollywood, Diamond Hill
Mong Kok Branch	589 Nathan Road, Mong Kok
Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II

- or any of the following branches of **The Hongkong and Shanghai Banking Corporation Limited:**

Branch Name	Address
Hong Kong Office	1 Queen’s Road Central, Hong Kong
Chai Wan Branch	Shop No. 1–11, Block B, G/F, Walton Estate, Chai Wan, Hong Kong
Sheung Wan Branch	Shop A, G/F, Guangdong Investment Tower, 293–301 Des Voeux Road Central, Hong Kong
Hopewell Centre Branch	Shop No. 1–2, G/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong, Kowloon
Mong Kok Branch	Basement, L/G & U/G, 673 Nathan Road, Mong Kok, Kowloon
Hung Hom Branch	G/F, Hung Hom Commercial Centre, 37–39 Ma Tau Wai Road, Hung Hom, Kowloon
Tsim Sha Tsui Branch	82–84 Nathan Road, Tsim Sha Tsui, Kowloon
Kwai Hing Branch	Shop 2, 3/F, Sun Kwai Hing Plaza, 166–174 Hing Fong Road, Kwai Chung, New Territories
Tai Po Branch	54–62 Kwong Fuk Road, Tai Po, New Territories

## HOW TO APPLY FOR HONG KONG OFFER SHARES

Prospectuses and application forms will be available for collection at the above places during the following times:

<b>Tuesday, September 30, 2008</b>	—	<b>9:00 a.m. to 4:30 p.m.</b>
<b>Thursday, October 2, 2008</b>	—	<b>9:00 a.m. to 4:30 p.m.</b>
<b>Friday, October 3, 2008</b>	—	<b>9:00 a.m. to 4:30 p.m.</b>
<b>Saturday, October 4, 2008</b>	—	<b>9:00 a.m. to 1:00 p.m.</b>
<b>Monday, October 6, 2008</b>	—	<b>9:00 a.m. to 4:30 p.m.</b>
<b>Wednesday, October 8, 2008</b>	—	<b>9:00 a.m. to 12:00 noon</b>

You can collect a **YELLOW** application form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, September 30, 2008 till 12:00 noon on Wednesday, October 8, 2008 from:

- the **Depository Counter of HKSCC** at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have application forms and this prospectus available.

#### 4. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

- Obtain an application form as described in the section headed “3. Where to Collect the Prospectus and Application Forms” above.
- Complete the application form in English in ink, and sign it. There are detailed instructions on each application form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker’s cashier order(s) to you (or the first named applicant in the case of joint applicants) at your own risk at the address stated in the application form.
- Each application form must be accompanied by payment, in the form of either one cheque or one banker’s cashier order. You should read the detailed instructions set out on the application form carefully, as an application is liable to be rejected if the cheque or banker’s cashier order does not meet the requirements set out on the application form.
- Lodge the application form in one of the collection boxes by the time and at one of the locations, as respectively referred to in paragraph (a) of the section headed “7. When May Applications be Made,” below.

In order for an application made on a **YELLOW** application form to be valid:

- If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant), the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- If the application is made by an individual CCASS Investor Participant:
  - the application form must contain the CCASS Investor Participant’s name and Hong Kong Identity Card Number; and



## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (B) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the application form.
- (iii) If the application is made by a joint individual CCASS Investor Participant:
  - (A) the application form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card Number of all joint CCASS Investor Participants; and
  - (B) the participant I.D. must be inserted in the appropriate box in the application form.
- (iv) If the application is made by a corporate CCASS Investor Participant:
  - (A) the application form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and
  - (B) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the application form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy participant I.D. or other similar matters may render the application invalid.

### 5. HOW TO APPLY THROUGH WHITE FORM eIPO

- (a) If you are an individual and meet the criteria set out in “— Who can apply for the Hong Kong Offer Shares”, you may apply through **White Form eIPO** by submitting an application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). If you apply through **White Form eIPO**, the shares will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to our Company.
- (c) In addition to the terms and conditions set out in this prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated White Form eIPO Service Provider to transfer the details of your application to our Company and our registrars.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).
- (f) You should give electronic application instructions through **White Form eIPO** at the times set out in the section headed “— When may applications be made — (b) **White Form eIPO**”.
- (g) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, October 8, 2008, or such later time as described under the section headed “— When May Applications be Made — (e) Effects of Bad Weather Conditions on the Opening of the Application Lists,” the designated eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).**
- (h) **Warning:** The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated White Form eIPO Service Provider to public investors. **Our Company, our Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See “— 8. How many applications may be made”.

### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

#### (a) General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited  
Customer Service Centre  
2/F Vicwood Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company, the Joint Global Coordinators and our registrars.

### (b) Minimum Subscription Amount and Permitted Multiples

You may give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the application forms.

### (c) Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Joint Global Coordinators and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions**. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either:

- (i) submit a **WHITE** or **YELLOW** application form; or

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, October 8, 2008, or such later time as described under the section headed "7. When May Applications be Made — (d) Effect of bad weather conditions on the opening of the application lists" below.

### 7. WHEN MAY APPLICATIONS BE MADE

#### (a) Applications on White or Yellow Application Forms

Your completed **WHITE** or **YELLOW** application form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of The Bank of China (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited listed under the section headed "Where to Collect the Prospectus and Application Forms" above at the following times:

<b>Tuesday, September 30, 2008</b>	—	<b>9:00 a.m. to 4:30 p.m.</b>
<b>Thursday, October 2, 2008</b>	—	<b>9:00 a.m. to 4:30 p.m.</b>
<b>Friday, October 3, 2008</b>	—	<b>9:00 a.m. to 4:30 p.m.</b>
<b>Saturday, October 4, 2008</b>	—	<b>9:00 a.m. to 1:00 p.m.</b>
<b>Monday, October 6, 2008</b>	—	<b>9:00 a.m. to 4:30 p.m.</b>
<b>Wednesday, October 8, 2008</b>	—	<b>9:00 a.m. to 12:00 noon</b>

Completed **WHITE** or **YELLOW** application forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, October 8, 2008, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

#### (b) White Form eIPO

You may submit your application to the designated White Form eIPO Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) from 9:00 a.m. on Tuesday, September 30, 2008 until 11:30 a.m. on Wednesday, October 8, 2008 or such later time as described under the section headed "Effect of Bad Weather Conditions on the Opening of the Application Lists" (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, October 8, 2008, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed "Effect of Bad Weather Conditions on the Opening of the Application Lists".

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### (c) Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants should input electronic application instructions at the following times on the following dates:

<b>Tuesday, September 30, 2008</b>	—	<b>9:00 a.m. to 8:30 p.m. (Note)</b>
<b>Thursday, October 2, 2008</b>	—	<b>8:00 a.m. to 8:30 p.m. (Note)</b>
<b>Friday, October 3, 2008</b>	—	<b>8:00 a.m. to 8:30 p.m. (Note)</b>
<b>Saturday, October 4, 2008</b>	—	<b>8:00 a.m. to 1:00 p.m. (Note)</b>
<b>Monday, October 6, 2008</b>	—	<b>8:00 a.m. to 8:30 p.m. (Note)</b>
<b>Wednesday, October 8, 2008</b>	—	<b>8:00 a.m. (Note) to 12:00 noon</b>

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*Note:* These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, September 30, 2008 until 12:00 noon on Wednesday, October 8, 2008 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** will be 12:00 noon on Wednesday, October 8, 2008, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

### (d) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, October 8, 2008, except as provided in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

Applicants should note that cheques or banker’s cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

### (e) Effect of Bad Weather Conditions on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, October 8, 2008. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon. For this purpose, “business day” means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 8. HOW MANY APPLICATIONS MAY BE MADE

Multiple applications or suspect multiple applications are liable to be rejected.

**You may make more than one application for the Hong Kong Offer Shares if and only if** you are a nominee, in which case you may make an application as a nominee by (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant) and; (ii) lodging more than one application form in your own name if each application is made on behalf of different beneficial owners. In the box on the application form marked “For nominees” you must include:

- an account number; or
- some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

**Otherwise, multiple applications are not allowed.**

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving electronic application instructions through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) and completing payment in respect of such electronic application instructions, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

For further information, please see the section headed “Further Terms and Conditions of the Hong Kong Public Offering — Multiple Applications.”

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$1.71 per share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for every 2,000 Hong Kong Offer Shares, you will pay HK\$3,454.51. The application forms have tables showing the exact amount payable for certain multiples of Hong Kong Offer Shares up to 150,000,000 Hong Kong Offer Shares. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

You must pay the maximum Offer Price and related brokerage, the SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Hong Kong Offer Shares. You must pay the amount payable upon application for Hong Kong Offer Shares by a cheque or a banker's cashier order in accordance with the terms set out in the application form.

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange, and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy collected by the Stock Exchange on behalf of the SFC).

### 10. PUBLICATION OF RESULTS, DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUNDS OF APPLICATION MONIES

We expect to announce the basis of allotment, and the results of applications under the Hong Kong Public Offering on Tuesday, October 14, 2008 in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese), on the Company's website at [www.renhebusiness.com](http://www.renhebusiness.com) and the website of the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).

The results of allocations and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering can be found in our announcement to be posted on our Company's website at [www.renhebusiness.com](http://www.renhebusiness.com) and the website of the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) by no later than 9:00 a.m. on Tuesday, October 14, 2008;
- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at [www.iporeresults.com.hk](http://www.iporeresults.com.hk) on a 24-hour basis from 8:00 a.m. on Tuesday, October 14, 2008 to 12:00 midnight on Monday, October 20, 2008. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, October 14, 2008 to Friday, October 17, 2008; and

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, October 14, 2008 to Thursday, October 16, 2008 at all the receiving bank branches and sub-branches at the addresses set out in the section headed “How to Apply for Hong Kong Offer Shares — Where to Collect the Prospectus and Application Forms”.

Refund cheques for surplus application monies (if any) under **WHITE** or **YELLOW** application forms and share certificates for successful applicants under **WHITE** application forms and **White Form eIPO** are expected to be posted and/or available for collection (as the case may be) on or around Tuesday, October 14, 2008.

**Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, October 15, 2008 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised.**

For further information on arrangements for the dispatch/collection of share certificates and refunds of application monies, please refer to the section headed “Further Terms and Conditions of the Hong Kong Public Offering — Refund of Application Monies.”



## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

### 1. GENERAL

- (a) If you apply for Hong Kong Offer Shares in the Hong Kong Public Offering, you will be agreeing with the Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) as set out below.
- (b) If you give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf, you will have authorized HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.
- (c) If you give electronic application instructions to the White Form eIPO Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk), you will have authorized the designated White Form eIPO Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.
- (d) In this section, references to “you,” “applicants,” “joint applicants” and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees is applying for Hong Kong Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.
- (e) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the application forms or imposed by HKSCC and/or the White Form eIPO Service Provider prior to making any application for Hong Kong Offer Shares.

### 2. OFFER TO PURCHASE THE HONG KONG OFFER SHARES

- (a) You offer to purchase from us at the Offer Price the number of the Hong Kong Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.
- (b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you at your own risk to the address stated on your Application Form on or before Tuesday, October 14, 2008.

Details of the procedure for refunds relating to each of the Hong Kong Public Offering methods are contained below in the paragraphs headed “If your application for Hong Kong Offer Shares is successful (in whole or in part),” “Refund of application monies” and “Additional information for applicants applying by giving **electronic application instructions** to HKSCC” in this section.

- (c) Any application may be rejected in whole or in part.

## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- (d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Hong Kong Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Hong Kong Companies Ordinance.

### 3. ACCEPTANCE OF YOUR OFFER

- (a) The Hong Kong Offer Shares will be allocated after the application lists close. We expect to announce the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, October 14, 2008.
- (b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Hong Kong Offer Shares successfully applied for, will be made available on Tuesday, October 14, 2008 in the manner described in the section headed “How to apply for Hong Kong Offer Shares — 10. Publication of results, dispatch/collection of share certificates and refunds of application monies.”
- (c) We may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.
- (d) If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Hong Kong Public Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering.”
- (e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 4. EFFECT OF MAKING ANY APPLICATION

- (a) By completing and submitting any Application Form you:
- **instruct** and **authorize** the Company and/or the Joint Global Coordinators (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or

## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

HKSCC Nominees, as the case may be, as required by our articles of association and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by our articles of association;
- **represent, warrant and undertake** that you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act and you are outside the United States and not a US person when completing the Application Form;
- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and will not rely on any other information or representation save as set out in any supplement to this prospectus;
- **agree** that the Company, the Joint Global Coordinators, the Hong Kong Underwriters and any of their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement to this prospectus;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) **warrant** that the application is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider via **White Form eIPO** service;
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if you are an agent for another person) **warrant** that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider via **White Form eIPO** service, and that you are duly authorized to sign the application form or to give **electronic application instructions** as that other person's agent;
- **undertake and confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including

## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares, nor otherwise participate in the International Offering;

- **warrant** the truth and accuracy of the information contained in your application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- **authorize** the Company to place your name(s) or HKSCC Nominees, as the case may be, on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or our agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form your wish to collect your refund cheque and share certificates (where applicable) in person);
- **agree** to disclose to the Company, our registrar, receiving bankers, the Joint Global Coordinators and their respective advisors and agents any personal data or other information which they require about you or the person(s) for whose benefit you have made the application;
- **understand** that these declarations and representations will be relied upon by the Company and the Joint Global Coordinators in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Hong Kong Underwriters nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;
- **agree** with the Company and each shareholder of the Company, and the Company agrees with each of the shareholders, to observe and comply with the Cayman Islands Companies Law, the Hong Kong Companies Ordinance, and the memorandum and articles of the association; and
- **agree** that the processing of your application, including the dispatch of refund cheque(s) (if any), may be done by any of the Company's receiving bankers and is not restricted to the bank at which your Application Form was lodged.

## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- (b) If you apply for the Hong Kong Offer Shares using a **YELLOW** application form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) agree that:
- any Hong Kong Offer Shares allotted to you shall be issued in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the application form;
  - each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allotted Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the share certificates for such allotted Hong Kong Offer Shares at your own risk to the address on your application form by ordinary post or to make available the same for your collection;
  - each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;
  - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the application form; and
  - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
- (c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:
- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
  - instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Offer Price per share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and

## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- (where a **WHITE** application form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares) in addition to the confirmations and agreements set out in paragraph (a), above, instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it has stated to do on your behalf in the **WHITE** application form, and the following:
  - agree that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf or your CCASS Investor Participant stock account;
  - undertake and agree to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;
  - (if the **electronic application instructions** are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the benefit of that other person and that you are duly authorized to give those instructions as that other person's agent;
  - understand that the above declaration will be relied upon by the Company, the Directors and the Joint Global Coordinators in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;
  - authorize the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Offer Shares allotted in respect of your **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your broker or custodian to give **electronic application instructions** on your behalf;
  - agree (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- agree that any application made by HKSCC Nominees on your behalf pursuant to the **electronic application instructions** given by you is irrevocable before October 30, 2008, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that we will not offer any Hong Kong Offer Shares to any person before October 8, 2008, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before October 30, 2008 if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
  - agree that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by the Company; and
  - agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares.
- (d) The Company, the Joint Global Coordinators, the Underwriters, the White Form eIPO Service Provider and their respective directors and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in your application.
- (e) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

### 5. MULTIPLE APPLICATIONS

- (a) It will be a term and condition of all applications that by completing and delivering an Application Form, you:
- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider via **White Form eIPO** service;
  - (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form or by giving **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider via **White Form eIPO** service, and that you are duly authorized to sign the Application Form as that other person's agent.



## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- (b) Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:
- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider via **White Form eIPO** service;
  - both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** application form or on one **WHITE** or **YELLOW** Application Form and give electronic instructions to HKSCC or to the designated eIPO Service Provider via **White Form eIPO** service;
  - apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider via **White Form eIPO** service for more than 50% of the shares initially being offered for public subscription under the Hong Kong Public Offering, as more particularly described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering”; or
  - have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Hong Kong Offer Shares under the International Offering.
- (c) All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company; and
- the principal business of that company is dealing in securities; and
  - you exercise statutory control over that company,

then the application will be treated as being for your benefit.

For these purposes:

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of that company; or
- control more than half of the voting power of that company; or



- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

**6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES**

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you or your application is liable to be rejected:

**(a) If your application is revoked:**

By completing and submitting an application form or submitting **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before Thursday, October 30, 2008. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your application form or submit your **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider. This collateral contract will be in consideration of the Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before October 8, 2008 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may be revoked on or before October 30, 2008 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- (b) **If the Company, the Joint Global Coordinators or to the designated White Form eIPO Service Provider (where applicable) or their respective agents exercise their discretion to reject your application:**

We and the Joint Global Coordinators (as agents for the Company) and the White Form eIPO Service Provider, or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

- (c) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** application form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the shares either:

- within 3 weeks from the closing of the application lists; or
- within a longer period of up to 6 weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within 3 weeks of the closing date of the application lists.

- (d) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you apply have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares in the International Offering. By filling in any of the application forms or giving electronic instructions to HKSCC or to the designated White Form eIPO Service Provider via **White Form eIPO** service, you agree not to apply for Hong Kong Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received International Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- you apply for more than 50% of the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offering;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- your application form is not completed correctly and in accordance with the instructions;

## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at [www.eipo.com.hk](http://www.eipo.com.hk);
- either of the Underwriting Agreements do not become unconditional;
- either of the Underwriting Agreements are terminated in accordance with their respective terms; or
- the Company and/or the Joint Global Coordinators believe that by accepting your application, they would violate the applicable securities or other laws, rules or regulations.

### **7. IF YOUR APPLICATION FOR HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)**

**No temporary document of title will be issued in respect of the shares.**

**No receipt will be issued for sums paid on application.**

**Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, October 15, 2008 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised.**

#### **(a) If you apply using a WHITE application form:**

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** application form and have indicated your intention in your application form to collect your share certificate(s) and/or refund cheque (where applicable) from Computershare Hong Kong Investor Services Limited and have provided all information required by your application form, you may collect it/them in person from Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, October 14, 2008 or such other date as notified by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of dispatch/collection of share certificates/refund cheques.

If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your application form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your application form that you will collect your refund cheque(s) and/or share certificate(s) (where applicable) in person, your refund cheque(s) and/or share certificate(s) (where applicable) will be sent to the address on your application form on Tuesday, October 14, 2008, by ordinary post and at your own risk.

**(b) If you apply using a YELLOW application form:**

If you apply for Hong Kong Offer Shares using a **YELLOW** application form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your application form at the close of business on Tuesday, October 14, 2008, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** application form for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Tuesday, October 14, 2008. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, October 14, 2008 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** application form to collect your refund cheque (where applicable) in person, please follow the same procedure, as those for **WHITE** application form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your application form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your

## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

refund cheque (if any) will be sent to the address on your application form on the date of dispatch, which is expected to be on Tuesday, October 14, 2008, by ordinary post and at your own risk.

**(c) If you apply through White Form eIPO:**

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, October 14, 2008, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/refund cheques.

If you do not collect your share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) on Tuesday, October 14, 2008 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated White Form eIPO Service Provider set out in “Additional Information for Applicants Applying Through **White Form eIPO**”.

### 8. REFUND OF APPLICATION MONIES

Your application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Hong Kong Offer Shares for any of the reasons set out above in the section headed “6. Circumstances in which you will not be allotted Hong Kong Offer Shares”;
- the Offer Price as finally determined is less than the Offer Price of HK\$1.71 per share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application;
- the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering”; or

## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of the Company and the Joint Global Coordinators, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Tuesday, October 14, 2008 in accordance with the various arrangements as described herein. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate. All refunds will be made by a cheque crossed “Account Payee Only” made out to you, or if you are joint applicants, to the first named applicant. Part of your Hong Kong Identity Card number or passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data will also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number or passport number may lead to delay in encashment of or may invalidate your refund cheque. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

### 9. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING THROUGH WHITE FORM eIPO

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the White Form eIPO Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Otherwise, any monies payable to you due to a refund for any of the reasons set out in the paragraph headed “Refund of Application Monies” shall be made pursuant to the arrangements described in the paragraph headed “If your application for Hong Kong Offer Shares is successful (in whole or in part) — (c) If you apply through **White Form eIPO**.”

**10. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC**

**(a) Allocation of Hong Kong Offer Shares**

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

**(b) Deposit of share certificates into CCASS and Refund of Application Monies**

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Tuesday, October 14, 2008, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), and the basis of allotment of the Hong Kong Public Offering in the newspapers on Tuesday, October 14, 2008. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, October 14, 2008 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, October 14, 2008. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Offer Price per share initially paid on application, in each case including brokerage of 1%, SFC



## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, October 14, 2008. No interest will be paid thereon.

### 11. PERSONAL DATA

The main provisions of the Hong Kong Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on December 20, 1996. This Personal Information Collection Statement informs the applicant for and holder of our shares of the policies and practices of the Company and our share registrars in relation to personal data and the Ordinance.

#### (a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for our securities or registered holders of our securities to supply their latest correct personal data to the Company and our share registrar when applying for our securities or transferring our securities into or out of their names or in procuring the services of the registrars. Failure to supply the requested data may result in your application for our securities being rejected or in delay or inability of the Company or the share registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s), and/or refund cheque(s) to which you are entitled.

It is important that holders of securities inform us and our share registrar immediately of any inaccuracies in the personal data supplied.

#### (b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in the application forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of the Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of the Company, such as dividends, rights issues and bonus issues;



## FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

- distributing communications from the Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and our share registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

### (c) Transfer of personal data

Personal data held by the Company and our share registrar relating to the applicants and the holders of securities will be kept confidential but the Company and our share registrar, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

- the Company or our respective appointed agents such as financial advisors, receiving bankers and overseas principal registrars;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to the Company and/or our share registrar in connection with the operation of their business;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

By signing an application form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

### (d) Access to and correction of personal data

The Ordinance provides the holders of securities with rights to ascertain whether the Company or our share registrar holds their personal data, to obtain a copy of that data, and to correct any data that is inaccurate.

## **FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING**

In accordance with the Ordinance, the Company and our share registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to us, at our registered address disclosed in the section headed “Corporate Information” or as notified from time to time in accordance with applicable law, for the attention of the company secretary, or our share registrar for the attention of the privacy compliance officer.

*The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus, a copy of the following accountants' report is available for inspection.*



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

September 30, 2008

The Directors  
Renhe Commercial Holdings Company Limited  
BOCI Asia Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Morgan Stanley Asia Limited  
UBS AG

Dear Sirs,

### **Introduction**

We set out below our report on the financial information relating to Renhe Commercial Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the consolidated income statements, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2005, 2006 and 2007, and the three months ended March 31, 2008 (the "Track Record Period"), and the consolidated balance sheets of the Group as at December 31, 2005, 2006 and 2007 and March 31, 2008, and the balance sheets of the Company as at December 31, 2007 and March 31, 2008, together with a summary of significant accounting policies and other explanatory notes thereto (the "Financial Information") for inclusion in the prospectus of the Company dated September 30, 2008 (the "Prospectus") in connection with the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board").

The Company was incorporated in the Cayman Islands on November 20, 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization (the "Reorganization") as detailed in the section headed "History and Reorganization" in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the Reorganization.

The statutory financial statements for each of the three years ended December 31, 2005, 2006 and 2007 or for the financial periods since the respective dates of establishment, where this is a shorter period, in respect of the following companies, all of which were established and operate in the People's Republic of China (the "PRC"), were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises established in the PRC and were audited by the respective statutory auditors as indicated below:

<u>Name of Company</u>	<u>Financial Period</u>	<u>Auditor (ii)</u>
Harbin Renhe Public Facilities Co., Ltd. ("Harbin Renhe Public") (i) . . . . .	Year ended December 31, 2005	Beijing Yongtuo Certified Public Accountant Co., Ltd.
	Year ended December 31, 2006	Heilongjiang Zeming Certified Public Accountant Co., Ltd.
	Year ended December 31, 2007	Beijing Yongtuo Certified Public Accountant Co., Ltd.
Harbin Baorong Public Facilities Co., Ltd. ("Harbin Baorong") (i) . . . . .	Year ended December 31, 2005	Beijing Yongtuo Certified Public Accountant Co., Ltd.
	Year ended December 31, 2006	Heilongjiang Zeming Certified Public Accountant Co., Ltd.
	Year ended December 31, 2007	Beijing Yongtuo Certified Public Accountant Co., Ltd.
Harbin Renhe Century Public Facilities Co., Ltd. ("Harbin Renhe Century") (i) . . . . .	Year ended December 31, 2005, 2006 and 2007	Beijing Yongtuo Certified Public Accountant Co., Ltd.
Guangzhou Renhe New World Public Facilities Co., Ltd. ("Guangzhou Renhe") . . . . .	Year ended December 31, 2005, 2006 and 2007	Guangdong Shu Cheng Certified Public Accountants Co., Ltd.
Zhengzhou Renhe New World Investment Management Co., Ltd. ("Zhengzhou Renhe") . .	Year ended December 31, 2007	Henan Lixin Xingyu Certified Public Accountant Co., Ltd.

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(ii) These firms of certified public accountant are registered in the PRC. The English translation of the names is for reference only. The official names of these firms are in Chinese.

Except for the above, no audited financial statements have been prepared for the Company and other subsidiaries of the Company for each of the three years ended December 31, 2005, 2006 and 2007, as these companies are not subject to statutory audit requirements in their jurisdiction of incorporation. We have, however, reviewed all significant transactions of these companies from their respective dates of incorporation to March 31, 2008 for the purpose of this report. No audited financial statements have been prepared for the Company and its subsidiaries for the three months ended March 31, 2008.

**Basis of preparation**

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group on the basis set out in Section A below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with the accounting policies referred to in Section C, which are in accordance with International Financial Reporting Standards (“IFRSs”) promulgated by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for the Financial Information**

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and we have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to March 31, 2008.

**Opinion**

In our opinion, for the purpose of this report and on the basis of presentation set out in Section A below, all adjustments considered necessary have been made and the Financial Information gives a true and fair view of the Group's consolidated results and cash flows for the Track Record Period and the Group's consolidated state of affairs as at December 31, 2005, 2006, 2007 and March 31, 2008, and of the Company's state of the affairs as at December 31, 2007 and March 31, 2008.

**Comparative financial information**

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2007, together with the notes thereon (the "March 31, 2007 Corresponding Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the March 31, 2007 Corresponding Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the March 31, 2007 Corresponding Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the March 31, 2007 Corresponding Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

**A. BASIS OF PRESENTATION**

The Financial Information set out in this report has been prepared in accordance with IFRSs and its interpretations promulgated by the IASB. This Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Because the ultimate controlling equity holder which controlled the Group before and after the Reorganization is the same, the Financial Information has been prepared as a reorganization of business under common control. Accordingly, the relevant assets and liabilities of the companies comprising the Group have been recognized at historical cost except for assets/liabilities which are stated at their fair value in accordance with the accounting policies as described in Section C(1).

The consolidated income statements, consolidated statements of changes in equity and the consolidated statements of cash flows of the Group as set out in section B(1), B(3) and B(4), respectively include the results of operations of the companies comprising the Group for the Track Record Period (or where the companies were incorporated/established at a date later than January 1, 2005, for the period from the date of incorporation/establishment to March 31, 2008), as if the current group structure has been in existence throughout the entire Track Record Period. The consolidated

balance sheets as at December 31, 2005, 2006, 2007 and March 31, 2008 as set out in Section B(2) have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

As at March 31, 2008 the Company had direct or indirect interests in the following subsidiaries, which are private companies, particulars of which are set out below:

Name of subsidiary	Place and date of incorporation/ establishment	Issued/paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Fine Genius Enterprises Limited . . . . .	British Virgin Islands October 25, 2007	USD1	100%	—	Investment holding
Billion Luck Enterprises Limited . . . . .	British Virgin Islands September 27, 2007	USD1	—	100%	Investment holding
Fast Reach Group Limited	British Virgin Islands September 12, 2007	USD1	—	100%	Investment holding
King Wealthy Enterprises Limited . . . . .	British Virgin Islands August 30, 2007	USD1	—	100%	Investment holding
Superb Power Enterprises Limited . . . . .	British Virgin Islands September 27, 2007	USD1	—	100%	Investment holding
Victory Faith Group Limited . . . . .	British Virgin Islands September 27, 2007	USD1	—	100%	Investment holding
Blooming Future Group Limited . . . . .	British Virgin Islands November 28, 2007	USD1	—	100%	Investment holding
Bright Smart Holdings Limited . . . . .	British Virgin Islands December 3, 2007	USD1	—	100%	Investment holding
Cheerfar Enterprises Limited . . . . .	British Virgin Islands January 8, 2008	USD1	—	100%	Investment holding
Easy Cheer Enterprises Limited . . . . .	British Virgin Islands January 4, 2008	USD1	—	100%	Investment holding
Magic Dynasty Enterprises Limited . . . . .	British Virgin Islands December 7, 2007	USD1	—	100%	Investment holding
Mega Thru Enterprises Limited . . . . .	British Virgin Islands January 3, 2008	USD1	—	100%	Investment holding
Joyous Rise Enterprises Limited . . . . .	British Virgin Islands November 29, 2007	USD1	—	100%	Investment holding
Renhe Commercial Management Limited . . . . .	Hong Kong December 18, 2007	HKD1	—	100%	Investment holding
China Supreme Investments Limited . . . . .	Hong Kong September 14, 2007	HKD1	—	100%	Investment holding
Global Home Limited . . . . .	Hong Kong September 21, 2007	HKD1	—	100%	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued/paid-in capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Gold Track Group Limited	Hong Kong September 14, 2007	HKD1	—	100%	Investment holding
Longain Park Limited . . .	Hong Kong September 14, 2007	HKD1	—	100%	Investment holding
Star Legend Group Limited	Hong Kong September 14, 2007	HKD1	—	100%	Investment holding
Summer Joy Investments Limited . . . . .	Hong Kong September 14, 2007	HKD1	—	100%	Investment holding
Best Record Investments Limited . . . . .	Hong Kong December 4, 2007	HKD1	—	100%	Investment holding
Easy Trip Limited . . . . .	Hong Kong January 2, 2008	HKD1	—	100%	Investment holding
Great Peaceful Limited . . .	Hong Kong January 2, 2008	HKD1	—	100%	Investment holding
Lead Wealthy Limited . . .	Hong Kong January 2, 2008	HKD1	—	100%	Investment holding
New Peace Limited . . . . .	Hong Kong January 2, 2008	HKD1	—	100%	Investment holding
Upper Choice Investments Limited . . . . .	Hong Kong December 3, 2007	HKD1	—	100%	Investment holding
Harbin Renhe Public (i) . .	Harbin, the PRC January 11, 1992	RMB10,000,000	—	100%	Development, lease and management of underground shopping mall
Harbin Baorong . . . . .	Harbin, the PRC October 24, 2000	RMB60,000,000	—	100%	Development, lease and management of underground shopping mall
Harbin Renhe Century . . .	Harbin, the PRC March 7, 2003	RMB30,000,000	—	100%	Development, lease and management of underground shopping mall
Guangzhou Renhe . . . . .	Guangzhou, the PRC August 3, 2005	RMB35,000,000	—	100%	Development, lease and management of underground shopping mall
Zhengzhou Renhe . . . . .	Zhengzhou, the PRC May 15, 2007	RMB50,000,000	—	100%	Development, lease and management of underground shopping mall

- (i) Since its establishment and as of March 31, 2008, the equity interest in Harbin Renhe Public is held by the Company and Harbin Nanfang Underground Engineering Development Services Company (“Harbin Nanfang”) equally. Harbin Nanfang has not made capital contribution to Harbin Renhe Public as otherwise required under the joint venture contract. According to the relevant PRC regulations and the PRC lawyer’s opinion, Harbin Nanfang is not entitled to enjoy any owner’s rights and benefits in Harbin Renhe Public. Accordingly, the Company has 100% effective equity interest in Harbin Renhe Public.



## B. FINANCIAL INFORMATION

## 1. CONSOLIDATED INCOME STATEMENTS

	Section C	Years ended December 31,			Three months ended March 31,	
		2005	2006	2007	2007	2008
	Note	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
					<i>(unaudited)</i>	
Revenue . . . . .	2	65,162	162,662	366,495	230,251	409,758
Cost of sales . . . . .	3	(17,072)	(38,047)	(81,138)	(52,846)	(86,813)
<b>Gross profit</b> . . . . .		48,090	124,615	285,357	177,405	322,945
Other operating income . . . . .	4	7,919	5,214	54,237	9,243	21,766
Administrative expenses . . . . .		(8,089)	(15,540)	(12,892)	(2,450)	(5,005)
Other operating expenses . . . . .		(12,880)	(33,436)	(34,032)	(8,016)	(8,686)
<b>Profit from operations</b> . . . . .		35,040	80,853	292,670	176,182	331,020
Finance income . . . . .		13	378	3,131	645	7,737
Finance expenses . . . . .		(15,421)	(15,261)	(17,835)	(4,382)	(2,257)
<b>Net finance (expense)/income</b>	5(b)	<u>(15,408)</u>	<u>(14,883)</u>	<u>(14,704)</u>	<u>(3,737)</u>	<u>5,480</u>
<b>Profit before income tax</b> . . . . .	5	19,632	65,970	277,966	172,445	336,500
Income tax . . . . .	6	(7,728)	(17,480)	(11,291)	(1,841)	(57,491)
<b>Profit for the year/period</b> . . . . .		<u>11,904</u>	<u>48,490</u>	<u>266,675</u>	<u>170,604</u>	<u>279,009</u>
<b>Attributable to equity holders of the Company</b> . . . . .		<u>11,904</u>	<u>48,490</u>	<u>266,675</u>	<u>170,604</u>	<u>279,009</u>
<b>Dividends payable to equity holders of the Company attributable to the year/period:</b>						
Final dividend declared after the balance sheet date . . . . .	9(a)	<u>23,713</u>	<u>—</u>	<u>257,212</u>	<u>—</u>	<u>—</u>
<b>Earnings per share (RMB cents)</b> . . . . .	10	<u>0.07</u>	<u>0.29</u>	<u>1.57</u>	<u>1.00</u>	<u>1.64</u>

The accompanying notes form part of the Financial Information.

## 2. CONSOLIDATED BALANCE SHEETS

Section C	At December 31,			At March 31,	
	2005	2006	2007	2008	
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	
	Note				
<b>Non-current assets</b>					
Property and equipment . . . . .	11	97,490	5,659	35,231	134,653
Investment properties . . . . .	12	170,610	488,572	455,187	377,846
Land use rights . . . . .	13	7,307	54,337	48,389	39,147
Restricted bank deposits . . . . .	16	—	183,537	156,487	147,349
<b>Total non-current assets</b> . . . . .		<u>275,407</u>	<u>732,105</u>	<u>695,294</u>	<u>698,995</u>
<b>Current assets</b>					
Inventories . . . . .	14	—	38,376	—	—
Trade and other receivables . . . . .	15	62,621	38,201	18,180	27,616
Amounts due from related parties . .	27(c)	514,849	778,677	378,799	364,930
Restricted bank deposits . . . . .	16	—	45,554	50,218	49,169
Cash and cash equivalents . . . . .	17	19,340	5,904	1,517,447	1,334,637
<b>Total current assets</b> . . . . .		<u>596,810</u>	<u>906,712</u>	<u>1,964,644</u>	<u>1,776,352</u>
<b>Current liabilities</b>					
Loans . . . . .	18	176,120	214,759	19,184	—
Trade and other payables . . . . .	19	412,857	868,747	670,009	263,038
Amounts due to related parties . . . .	27(c)	30,920	239,552	29,342	6,005
Rental deposits . . . . .	20	—	39,455	454	1,833
Current taxation . . . . .	21(a)	3,170	13,006	13,443	38,813
Dividends payable . . . . .		26,934	29,879	23,879	281,091
<b>Total current liabilities</b> . . . . .		<u>650,001</u>	<u>1,405,398</u>	<u>756,311</u>	<u>590,780</u>
<b>Net current (liabilities)/assets</b> . . . .		<u>(53,191)</u>	<u>(498,686)</u>	<u>1,208,333</u>	<u>1,185,572</u>
<b>Total assets less current liabilities</b> . .		<u>222,216</u>	<u>233,419</u>	<u>1,903,627</u>	<u>1,884,567</u>
<b>Non-current liabilities</b>					
Loans . . . . .	18	16,513	—	—	—
Long term rental deposits . . . . .	20	34,700	12,181	12,013	7,712
Deferred tax liabilities . . . . .	21(b)	—	—	—	14,455
<b>Total non-current liabilities</b> . . . . .		<u>51,213</u>	<u>12,181</u>	<u>12,013</u>	<u>22,167</u>
<b>Net assets</b> . . . . .		<u>171,003</u>	<u>221,238</u>	<u>1,891,614</u>	<u>1,862,400</u>

The accompanying notes form part of the Financial Information.



## 3. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Section C	Note	Issued/ combined paid-in capital	Capital surplus	Reserve fund	Retained earnings	Exchange reserve	Share premium	Merger reserves	Total
		RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
		22(a)	22(b)	22(c)			22(d)	22(e)	
		85,000	37,298	12,802	22,537	—	—	—	157,637
At January 1, 2005 . . . . .		24,545	19	—	—	—	—	—	24,564
Capital injection . . . . .	22(a)	—	—	—	11,904	—	—	—	11,904
Profit for the year . . . . .		—	—	2,078	(2,078)	—	—	—	—
Transfer to reserve fund . . . . .		—	—	—	(23,102)	—	—	—	(23,102)
Dividends to equity holders . . . . .	9(b)								
At December 31, 2005 . . . . .		109,545	37,317	14,880	9,261	—	—	—	171,003
Capital injection . . . . .	22(a)	25,455	3	—	—	—	—	—	25,458
Profit for the year . . . . .		—	—	—	48,490	—	—	—	48,490
Transfer to reserve fund . . . . .		—	—	5,191	(5,191)	—	—	—	—
Dividends to equity holders . . . . .	9(b)	—	—	—	(23,713)	—	—	—	(23,713)
At December 31, 2006 . . . . .		135,000	37,320	20,071	28,847	—	—	—	221,238
Capital injection . . . . .	22(a)	7,704	—	—	—	—	—	—	7,704
Profit for the year . . . . .		—	—	—	266,675	—	—	—	266,675
Transfer to reserve fund . . . . .		—	—	24,645	(24,645)	—	—	—	—
Paid-in capital of the subsidiaries after elimination of investments in these subsidiaries . . . . .		(142,704)	—	—	—	—	—	128,704	(14,000)
Issue of shares . . . . .		17	—	—	—	—	1,416,665	—	1,416,682
Exchange difference on translation of financial statements of foreign operations . . . . .		—	—	—	—	(6,685)	—	—	(6,685)
At December 31, 2007 . . . . .		17	37,320	44,716	270,877	(6,685)	1,416,665	128,704	1,891,614
Profit for the period . . . . .		—	—	—	279,009	—	—	—	279,009
Transfer to reserve fund . . . . .		—	—	874	(874)	—	—	—	—
Dividends to equity holders . . . . .	9(b)	—	—	—	(257,212)	—	—	—	(257,212)
Exchange difference on translation of financial statements of foreign operations . . . . .		—	—	—	—	(51,011)	—	—	(51,011)
At March 31, 2008 . . . . .		17	37,320	45,590	291,800	(57,696)	1,416,665	128,704	1,862,400

The accompanying notes form part of the Financial Information.

## 4. CONSOLIDATED STATEMENTS OF CASH FLOWS

Section C Note	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				<i>(unaudited)</i>	
<b>Operating activities</b>					
Profit for the year/period . . . .	11,904	48,490	266,675	170,604	279,009
Adjustments for:					
Depreciation . . . . .	17,648	23,596	38,193	9,900	8,063
Amortization . . . . .	205	289	1,257	314	257
Waived bank loan . . . . .	—	—	—	—	(10,684)
Net finance expense/(income)	15,408	14,883	14,704	3,737	(5,480)
Loss/(gain) on sales of property and equipment . .	—	212	(3,658)	—	—
Income tax . . . . .	7,728	17,480	11,291	1,841	57,491
<b>Operating profit before changes in working capital</b>	52,893	104,950	328,462	186,396	328,656
(Increase)/decrease in restricted bank deposits . . . . .	—	(229,091)	22,386	(24,153)	10,187
(Increase)/decrease in trade and other receivables . . . . .	(1,749)	1,734	(5,513)	(8,468)	(10,721)
Increase/(decrease) in trade and other payables . . . . .	217,049	395,601	(152,526)	(146,888)	(326,885)
(Increase)/decrease in inventories . . . . .	—	(38,376)	38,376	38,376	—
Income tax paid . . . . .	(6,801)	(7,644)	(10,854)	(1,918)	(17,666)
<b>Net cash generated from/ (used in) operating activities . . . . .</b>	261,392	227,174	220,331	43,345	(16,429)
<b>Investing activities</b>					
Proceeds from sales of property and equipment . . . . .	—	—	4,536	—	—
Interest received . . . . .	13	378	3,131	645	7,737
Purchase of property and equipment . . . . .	(83,413)	(3,404)	(14,901)	(1,515)	(1,599)
Purchase of land use rights . . .	—	(47,857)	—	—	—
Additions to investment properties . . . . .	(2,612)	(161,953)	(89,936)	(44,265)	(113,755)
Advances to related parties . . .	(416,722)	(797,024)	(329,554)	(121,860)	(432)
Repayments from related parties . . . . .	323,502	533,196	382,626	133,720	14,301
(Advances to)/repayments from third parties . . . . .	(33,015)	17,302	(33,862)	1,691	10,000
<b>Net cash used in investing activities . . . . .</b>	(212,247)	(459,362)	(77,960)	(31,584)	(83,748)

The accompanying notes form part of the Financial Information.

## 4. CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Section C	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Note					
				<i>(unaudited)</i>	
<b>Financing activities</b>					
Capital contribution from					
equity holders . . . . .	24,564	25,458	1,437,721	—	—
Advances from related parties . . . . .	136,194	379,001	110,848	13,655	1,814
Repayments to related parties . . . . .	(138,682)	(182,204)	(141,103)	(21,061)	(25,151)
Advances from third parties . . . . . 19	5,255	10,400	—	—	—
Repayments to third parties . . . . . 19	(15,806)	—	(8,200)	—	—
(Repayments)/receipt of loans . . . . .	(15,907)	20,880	(1,000)	—	(8,500)
Dividends paid . . . . .	(11,301)	(20,768)	(6,000)	—	—
Interest paid . . . . .	(14,236)	(14,015)	(16,409)	(4,059)	215
<b>Net cash (used in)/from</b>					
<b>financing activities . . . . .</b>	<b>(29,919)</b>	<b>218,752</b>	<b>1,375,857</b>	<b>(11,465)</b>	<b>(31,622)</b>
<b>Net increase/(decrease) in</b>					
<b>cash and cash equivalents . . . . .</b>	<b>19,226</b>	<b>(13,436)</b>	<b>1,518,228</b>	<b>296</b>	<b>(131,799)</b>
<b>Cash and cash equivalents at</b>					
<b>beginning of year/period . . . . .</b>	<b>114</b>	<b>19,340</b>	<b>5,904</b>	<b>5,904</b>	<b>1,517,447</b>
<b>Effect of foreign exchange</b>					
<b>rate changes . . . . .</b>	<b>—</b>	<b>—</b>	<b>(6,685)</b>	<b>—</b>	<b>(51,011)</b>
<b>Cash and cash equivalents at</b>					
<b>end of year/period . . . . .</b>	<b>19,340</b>	<b>5,904</b>	<b>1,517,447</b>	<b>6,200</b>	<b>1,334,637</b>

The accompanying notes form part of the Financial Information.

**C. NOTES TO THE FINANCIAL INFORMATION****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with IFRSs and its interpretations promulgated by the IASB. This Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period ended March 31, 2008. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended March 31, 2008 are set out in note 32.

**(b) Basis of preparation of the Financial Information**

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying on the principle activities of the Group. The Company and its overseas subsidiaries' functional currency is Hong Kong dollar ("HKD"). Since the Group's operations are conducted in the PRC, the Group has adopted RMB as its presentation currency.

The Financial Information has been prepared on the historical cost basis except where stated otherwise in the accounting policies set out below.

**(c) Use of estimates and judgements**

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 29.

The accounting policies set out below have been applied consistently to all periods presented in this Financial Information.

**(d) Subsidiaries***(i) Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

*(ii) Transactions eliminated on consolidation*

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

**(e) Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

The results of foreign operations are translated to RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items including goodwill are translated to RMB at exchange rates at the reporting date. The resulting exchange differences are recognised directly in a separate component of equity.

**(f) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**(g) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (note 1(l)).

**(h) Investment properties**

Investment properties are properties held to earn rental income, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses (note 1(l)). The depreciation policy is the same as that of property and equipment (note 1(i)).

Investment properties will be transferred to inventories when, and only when, there is a change in use, i.e. the properties are no longer available for rent, but for transferring operation rights.

Property that is being constructed or developed for future use as investment property is classified as property and equipment and stated at cost until construction or development is completed.

**(i) Property and equipment****(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (note 1(l)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs (note 1(s)).

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.



Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within "other operating income" in the income statement.

(ii) *Subsequent expenditures*

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives are as follows:

- Underground properties under leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.
- Machinery 10 years
- Decoration 5 years
- Office equipment 5 years
- Vehicles 5 years

Construction in progress represents underground properties and various machinery and equipment under construction and pending installation, and is stated at cost less impairment losses (note 1(l)). Cost comprises direct and indirect costs of construction incurred during the periods of construction.

Construction in progress is transferred to property and equipment when the asset is substantially ready for its intended use. No depreciation is provided for construction in progress.

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

**(j) Land use rights**

Land use rights represent lease prepayments for acquiring rights to use land in the PRC with period of 40 years. Land use rights granted with consideration are recognised initially at acquisition cost. Land use rights are classified and accounted for in accordance with the intended use of the properties under the related land.

For properties that are held for own use and investment properties, the corresponding lease prepayments are separately stated as land use rights in the balance sheet. Land use rights for properties held for own use and investment properties are stated at cost, less accumulated amortisation and any impairment losses (note 1(l)). Amortisation is charged to profit or loss on a straight-line basis over the period of the land use rights.

**(k) Inventories**

Inventories represent units of underground shopping mall under development and completed units of which operation rights will be transferred subsequently. The cost of inventories comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (note 1(s)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in transferring the operating right of units. Inventories are measured at the lower of cost and the net realisable value.

**(l) Impairment****(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

**(ii) Non-financial assets**

The carrying amount of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("the cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(m) Trade and other payables**

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(n) Loans and borrowings**

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the loans and borrowings, together with any interest and fees payable, using the effective interest method.

**(o) Preference shares**

Preference shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference shares classified as equity are recognised as distributions within equity.

Preference shares are classified as liabilities if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for loans and borrowings set out in note 1(n) and accordingly dividends thereon are recognised on an accruals basis in profit or loss as part of finance costs.

**(p) Employee defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for the statutory defined contribution pension plans are recognised as an expense in profit or loss when they are due.

**(q) Financial guarantees issued, provisions and contingent liabilities****(i) Financial guarantees issued**

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

**(ii) Provisions and contingent liabilities**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(r) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

**(i) Lease income from operating lease**

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rental are recorded as income in the periods in which they are earned.

**(ii) Revenue from transfer of operation rights**

Revenue from transfer of operation rights is recognised when the significant risks and rewards of the operation rights have been transferred to the customers. Revenue from transfer of operation rights excludes sales tax and is after deduction of any trade discounts.

**(iii) Services**

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

**(iv) Interest income**

Interest income is recognised as it accrues using the effective interest method.

**(s) Borrowing costs**

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(t) Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss

arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividend is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(u) Related parties**

For the purposes of the Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

**(v) Dividends**

Dividends are recognized as a liability in the period in which they are declared.

**(w) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing projects or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards, that are different from those of other segments. The business segments are determined based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other income and administrative expenses, other receivables and trade and other payables.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment.

Given the Group is mainly engaged in underground shopping mall leasing business and the operations of the Group are all in the PRC, no business or geographical segment information is presented.

**2. REVENUE**

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				<i>(unaudited)</i>	
Lease income . . . . .	65,162	100,781	176,505	40,261	44,249
Transfer of operation rights. . . . .	—	61,881	189,990	189,990	365,509
	<u>65,162</u>	<u>162,662</u>	<u>366,495</u>	<u>230,251</u>	<u>409,758</u>

## 3. COST OF SALES

Cost of sales represents mainly the amortisation of land use rights, depreciation of the investment properties and costs of construction of properties relating to the operation rights transferred out during the Track Record Period.

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				<i>(unaudited)</i>	
Lease income . . . . .	17,072	23,001	37,992	9,779	7,994
Transfer of operation rights. . . . .	—	15,046	43,146	43,067	78,819
	<u>17,072</u>	<u>38,047</u>	<u>81,138</u>	<u>52,846</u>	<u>86,813</u>

## 4. OTHER OPERATING INCOME

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				<i>(unaudited)</i>	
Revenue from property management and relevant services . . . . .	7,919	5,426	50,579	9,243	11,082
Net (loss)/gain on sales of property and equipment . . . . .	—	(212)	3,658	—	—
Waived bank loan ( <i>note 18</i> ) . . . . .	—	—	—	—	10,684
	<u>7,919</u>	<u>5,214</u>	<u>54,237</u>	<u>9,243</u>	<u>21,766</u>

## 5. PROFIT BEFORE INCOME TAX

## (a) Personnel expenses

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				<i>(unaudited)</i>	
Wage, salaries and other benefits . .	5,649	8,675	14,037	3,246	3,594
Contributions to defined contribution retirement plans ( <i>note 23</i> ) . . . . .	47	238	620	544	556
Others . . . . .	581	661	388	83	13
	<u>6,277</u>	<u>9,574</u>	<u>15,045</u>	<u>3,873</u>	<u>4,163</u>

## (b) Net finance (expense)/income

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
	<i>(unaudited)</i>				
Finance income					
— Interest income on bank deposits . . . . .	13	378	3,131	645	7,737
Finance expenses					
— Interest expenses . . . . .	(15,419)	(15,248)	(17,771)	(4,381)	—
— Net foreign exchange loss . .	—	—	—	—	(2,257)
— Bank charges and others . . .	(2)	(13)	(64)	(1)	—
Net finance (expense)/income . . . .	<u>(15,408)</u>	<u>(14,883)</u>	<u>(14,704)</u>	<u>(3,737)</u>	<u>5,480</u>

## (c) Other items

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
	<i>(unaudited)</i>				
Auditors' remuneration — audit . .	9	23	75	29	56
Repair and maintenance . . . . .	431	2,406	4,752	1,066	1,284
Utilities charges . . . . .	3,767	6,818	8,599	1,835	2,024
Depreciation of property and equipment . . . . .	781	884	1,458	434	326
Operating lease charges . . . . .	—	546	478	45	330
Penalty . . . . .	—	—	—	—	1,782

The penalty as at March 31, 2008 represents the payment to Guangzhou City Planning Bureau (the "Planning Bureau") for the alteration of the use and design of certain parts of underground shopping mall of Guangzhou Renhe, which were in violation of the construction planning permit originally issued by the Planning Bureau.

## (d) Property tax

The property tax rate levied on the rental income and the transfer of operation rights income applicable to the Group's subsidiaries in the PRC is 12%. According to the "Supplementary Provisions of Policies for Encouragement of Foreign Investment in Heilongjiang Province" (Hei Zheng Fa [1991] No. 38), foreign investment enterprises in Heilongjiang Province are entitled to property tax exemption for five years from the month of business license being obtained. Accordingly, Harbin Baorong and Harbin Renhe Century are entitled to property tax exemption for the period from 2000 to 2005, and from 2003 to 2008, respectively.

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



## 6. INCOME TAX

## (a) Income tax in the consolidated income statements represents:

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				<i>(unaudited)</i>	
<b>Current tax</b>					
Provision for the year/period					
— PRC Enterprise Income Tax (note 21(a)) . . . . .	7,728	17,480	11,291	1,841	43,036
<b>Deferred tax</b>					
Origination of temporary difference (note 21(b)) . . . . .	—	—	—	—	14,455
	<u>7,728</u>	<u>17,480</u>	<u>11,291</u>	<u>1,841</u>	<u>57,491</u>

The provision for income tax represents PRC Enterprise Income Tax.

The provision for PRC Enterprise Income Tax for the Group's subsidiaries in the PRC is based on the applicable income tax rate of 27% (24% represents the state income tax rate and 3% represents the local income tax rate) of the taxable income as determined in accordance with the relevant income tax rules and regulations of the PRC during the Track Record Period.

According to the Tax Regulation of Foreign Investment on Aerial Defence Project, (No 121 (1997) Caishuizi), Harbin Renhe Century and Guangzhou Renhe are entitled to a tax holiday of full exemption of the state income tax for 2006 and 2007, and a tax holiday of 50% reduction in the state income tax rate for the years from 2008 to 2010. Harbin Baorong is entitled to a tax holiday of 50% reduction in the state income tax rate for 2005 and 2006.

Harbin Renhe Century, Harbin Baorong and Guangzhou Renhe are entitled to the exemption of local income tax for the years from 2006 to 2015, from 2002 to 2011, and from 2006 to 2010, respectively.

In March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China which will take effect on January 1, 2008. From January 1, 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25%. The Group's subsidiaries in the PRC that have not fully utilized their five-year tax holiday (i.e. two-year exemption and subsequent three-year 50% reduction of the applicable tax rate), will be allowed to continue to receive the benefits of the tax holiday.

According to the Implementation Rules of the Corporate Income Tax Law, the overseas investor to the foreign investment companies ("FIEs") shall be liable for withholding tax at 10% on the dividend derived from the profits of the year 2008 and thereafter of FIEs in China. In addition, tax treaties between China and other countries could override the withholding tax rate on dividend if a tax treaty provides a more favourable withholding tax rate. Under the Sino-Hong Kong Double Tax Arrangement, a Hong Kong company will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong company holds 25% of equity interests or more of the Chinese company directly. The withholding tax rate applicable to the Group's PRC subsidiaries is 5%.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the Track Record Period.

## (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
	<i>(unaudited)</i>				
Profit before income tax . . . . .	19,632	65,970	277,966	172,445	336,500
Income tax calculated at the rates applicable to respective companies comprising the Group . . . . .	5,301	17,812	75,051	46,560	84,125
Tax effect of non-deductible interest expenses . . . . .	3,867	3,790	4,429	427	—
Tax effect of non-taxable income from waived bank loan ( <i>note 18</i> )	—	—	—	—	(1,843)
Effect of tax exemption/reduction .	(1,440)	(3,690)	(68,367)	(45,167)	(38,619)
Effect of withholding tax at 5% on the profits of the Group's PRC subsidiaries . . . . .	—	—	—	—	14,455
Others . . . . .	—	(432)	178	21	(627)
	<u>7,728</u>	<u>17,480</u>	<u>11,291</u>	<u>1,841</u>	<u>57,491</u>

## 7. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
<b>Year ended December 31, 2005</b>					
<i>Chairperson</i>					
Dai Yongge . . . . .	—	—	—	—	—
<i>Executive directors</i>					
Wang Hongfang . . . . .	—	—	—	—	—
Wang Luding . . . . .	—	60	—	—	60
Wang Chunrong . . . . .	—	44	—	2	46
Zhang Dabin . . . . .	—	120	—	—	120
<i>Non-executive directors</i>					
Hawken Xiuli . . . . .	—	—	—	—	—
Ho Gilbert Chi Hang . . . . .	—	—	—	—	—
Ho James Hsiang Ming . . . . .	—	—	—	—	—
Jiang Mei . . . . .	—	—	—	—	—
Zhang Xingmei . . . . .	—	240	—	—	240
<i>Independent non-executive directors</i>					
Fan Ren-Da . . . . .	—	—	—	—	—
Wang Yifu . . . . .	—	—	—	—	—
Wang Shengli . . . . .	—	—	—	—	—
	<u>—</u>	<u>464</u>	<u>—</u>	<u>2</u>	<u>466</u>

	<u>Directors' fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Discretionary bonuses</u>	<u>Retirement scheme contributions</u>	<u>Total</u>
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
<b>Year ended December 31, 2006</b>					
<i>Chairperson</i>					
Dai Yongge . . . . .	—	80	—	—	80
<i>Executive directors</i>					
Wang Hongfang . . . . .	—	—	—	—	—
Wang Luding . . . . .	—	70	—	—	70
Wang Chunrong . . . . .	—	41	—	3	44
Zhang Dabin . . . . .	—	120	—	2	122
<i>Non-executive directors</i>					
Hawken Xiuli . . . . .	—	—	—	—	—
Ho Gilbert Chi Hang . . . . .	—	—	—	—	—
Ho James Hsiang Ming . . . . .	—	—	—	—	—
Jiang Mei . . . . .	—	—	—	—	—
Zhang Xingmei . . . . .	—	320	—	—	320
<i>Independent non-executive directors</i>					
Fan Ren-Da . . . . .	—	—	—	—	—
Wang Yifu . . . . .	—	—	—	—	—
Wang Shengli . . . . .	—	—	—	—	—
	<u>—</u>	<u>631</u>	<u>—</u>	<u>5</u>	<u>636</u>
<b>Year ended December 31, 2007</b>					
<i>Chairperson</i>					
Dai Yongge . . . . .	—	240	—	—	240
<i>Executive directors</i>					
Wang Hongfang . . . . .	—	35	—	—	35
Wang Luding . . . . .	—	100	—	1	101
Wang Chunrong . . . . .	—	50	—	3	53
Zhang Dabin . . . . .	—	190	—	3	193
<i>Non-executive directors</i>					
Hawken Xiuli . . . . .	—	—	—	—	—
Ho Gilbert Chi Hang . . . . .	—	—	—	—	—
Ho James Hsiang Ming . . . . .	—	—	—	—	—
Jiang Mei . . . . .	—	—	—	—	—
Zhang Xingmei . . . . .	—	340	—	—	340
<i>Independent non-executive directors</i>					
Fan Ren-Da . . . . .	—	—	—	—	—
Wang Yifu . . . . .	—	—	—	—	—
Wang Shengli . . . . .	—	—	—	—	—
	<u>—</u>	<u>955</u>	<u>—</u>	<u>7</u>	<u>962</u>

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
<b>Three months ended</b>					
<b>March 31, 2007 (unaudited)</b>					
<i>Chairperson</i>					
Dai Yongge . . . . .	—	60	—	—	60
<i>Executive directors</i>					
Wang Hongfang . . . . .	—	15	—	—	15
Wang Luding . . . . .	—	15	—	—	15
Wang Chunrong . . . . .	—	9	—	1	10
Zhang Dabin . . . . .	—	30	—	1	31
<i>Non-executive directors</i>					
Hawken Xiuli . . . . .	—	—	—	—	—
Ho Gilbert Chi Hang . . . . .	—	—	—	—	—
Ho James Hsiang Ming . . . . .	—	—	—	—	—
Jiang Mei . . . . .	—	—	—	—	—
Zhang Xingmei . . . . .	—	120	—	—	120
<i>Independent non-executive directors</i>					
Fan Ren-Da . . . . .	—	—	—	—	—
Wang Yifu . . . . .	—	—	—	—	—
Wang Shengli . . . . .	—	—	—	—	—
	—	249	—	2	251
<b>Three months ended</b>					
<b>March 31, 2008</b>					
<i>Chairperson</i>					
Dai Yongge . . . . .	—	60	—	—	60
<i>Executive directors</i>					
Wang Hongfang . . . . .	—	30	—	—	30
Wang Luding . . . . .	—	30	—	1	31
Wang Chunrong . . . . .	—	25	—	1	26
Zhang Dabin . . . . .	—	60	—	1	61
<i>Non-executive directors</i>					
Hawken Xiuli . . . . .	—	—	—	—	—
Ho Gilbert Chi Hang . . . . .	—	—	—	—	—
Ho James Hsiang Ming . . . . .	—	—	—	—	—
Jiang Mei . . . . .	—	—	—	—	—
Zhang Xingmei . . . . .	—	60	—	—	60
<i>Independent non-executive directors</i>					
Fan Ren-Da . . . . .	—	—	—	—	—
Wang Yifu . . . . .	—	—	—	—	—
Wang Shengli . . . . .	—	—	—	—	—
	—	265	—	3	268

During the Track Record Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

#### 8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 3, 4 and 4, for the years ended December 31, 2005, 2006 and 2007, respectively, and 3 (unaudited) and 4 for the three months ended March 31, 2007 and 2008, respectively, are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other individuals are as follows:

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				<i>(unaudited)</i>	
Salaries and other emoluments . . . . .	120	60	100	30	30
Retirement plan contributions . . . . .	2	3	—	2	1
	<u>122</u>	<u>63</u>	<u>100</u>	<u>32</u>	<u>31</u>

The emoluments of the individuals other than directors with the highest emoluments are within the following bands:

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				<i>(unaudited)</i>	
RMB nil to RMB1,000,000. . . . .	<u>2</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>1</u>

#### 9. DIVIDENDS

The Group's PRC incorporated subsidiaries declared dividends to their then equity holders during the Track Record Period. Dividends were distributed based on the profit after taxation determined in accordance with the accounting rules and regulations of the PRC, which resulted in the distributed amount higher than the distributable profit determined in accordance with IFRSs.

Pursuant to the resolutions passed at the board of directors' meetings held by certain PRC incorporated subsidiaries, the following dividends were declared to their then equity holders during the Track Record Period.

(a) Dividends attributable to the year/period

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				<i>(unaudited)</i>	
Harbin Renhe Public . . . . .	6,483	—	—	—	—
Harbin Baorong . . . . .	15,014	—	48,573	—	—
Harbin Renhe Century . . . . .	2,216	—	4,935	—	—
Guangzhou Renhe . . . . .	—	—	203,704	—	—
	<u>23,713</u>	<u>—</u>	<u>257,212</u>	<u>—</u>	<u>—</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial years

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
				<i>(unaudited)</i>	
Harbin Renhe Public . . . . .	11,322	6,483	—	—	—
Harbin Baorong . . . . .	11,780	15,014	—	—	48,573
Harbin Renhe Century . . . . .	—	2,216	—	—	4,935
Guangzhou Renhe . . . . .	—	—	—	—	203,704
	<u>23,102</u>	<u>23,713</u>	<u>—</u>	<u>—</u>	<u>257,212</u>

In February 2008, the Group's certain PRC subsidiaries distributed dividends amounting to RMB257,212,000 to the Company via the Group's overseas subsidiaries. The same amount of dividends was then distributed to Super Brilliant Investments Limited ("Super Brilliant"), the Company's controlling shareholder.

The dividend rates are not presented as such information is not meaningful for the purpose of this report. These dividends are not indicative of the Group's future dividend policy. The dividends payable will be settled before the listing on the Main Board.

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of RMB11,904,000, RMB48,490,000, RMB266,675,000 and RMB279,009,000 during the Track Record Period, and 1,843,000 shares in issue and 16,998,157,000 ordinary shares to be issued pursuant to the Capitalization Issue, as described in the section headed "Share Capital" in the Prospectus, as if the shares were outstanding throughout the Track Record Period.

The diluted earning per share for the Track Record Period is the same as the basic earnings per share as the preference shares will be automatically converted into ordinary shares at conversion rate of 1:1 upon the initial listing of the Company's shares on the Main Board.

## 11. PROPERTY AND EQUIPMENT

	Construction in progress	Office equipment	Vehicles	Total
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
<b>Cost</b>				
<b>At January 1, 2005</b> . . . . .	—	2,878	5,928	8,806
Additions . . . . .	94,346	565	—	94,911
<b>At December 31, 2005</b> . . . . .	94,346	3,443	5,928	103,717
Additions . . . . .	257,943	537	2,867	261,347
Transfer to investment properties . . . . .	(352,289)	—	—	(352,289)
Disposals . . . . .	—	(50)	—	(50)
<b>At December 31, 2006</b> . . . . .	—	3,930	8,795	12,725
Additions . . . . .	30,176	954	1,254	32,384
Transfer to investment properties . . . . .	(476)	—	—	(476)
Disposals . . . . .	—	(2)	(4,792)	(4,794)
<b>At December 31, 2007</b> . . . . .	29,700	4,882	5,257	39,839
Additions . . . . .	99,613	137	—	99,750
Disposals . . . . .	—	(20)	—	(20)
<b>At March 31, 2008</b> . . . . .	129,313	4,999	5,257	139,569
<b>Accumulated depreciation</b>				
<b>At January 1, 2005</b> . . . . .	—	2,283	3,163	5,446
Charge for the year . . . . .	—	144	637	781
<b>At December 31, 2005</b> . . . . .	—	2,427	3,800	6,227
Charge for the year . . . . .	—	245	639	884
Written back on disposals . . . . .	—	(45)	—	(45)
<b>At December 31, 2006</b> . . . . .	—	2,627	4,439	7,066
Charge for the year . . . . .	—	327	1,131	1,458
Written back on disposals . . . . .	—	(2)	(3,914)	(3,916)
<b>At December 31, 2007</b> . . . . .	—	2,952	1,656	4,608
Charge for the period . . . . .	—	112	214	326
Written back on disposals . . . . .	—	(18)	—	(18)
<b>At March 31, 2008</b> . . . . .	—	3,046	1,870	4,916
<b>Net book value</b>				
At December 31, 2005 . . . . .	94,346	1,016	2,128	97,490
At December 31, 2006 . . . . .	—	1,303	4,356	5,659
At December 31, 2007 . . . . .	29,700	1,930	3,601	35,231
At March 31, 2008 . . . . .	129,313	1,953	3,387	134,653

## 12. INVESTMENT PROPERTIES

	At December 31,			At
	2005	2006	2007	March 31,
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
<b>Cost</b>				
Balance at January 1 . . . . .	236,279	238,690	572,229	575,579
Transfer from property and equipment . . . . .	—	352,289	476	—
Additions . . . . .	2,411	3,099	2,874	230
Transfer to inventories . . . . .	—	(19,783)	—	(75,535)
Disposals . . . . .	—	(2,066)	—	—
<b>Balance at the end of the year/period . . . . .</b>	<b>238,690</b>	<b>572,229</b>	<b>575,579</b>	<b>500,274</b>
<b>Accumulated depreciation</b>				
Balance at January 1 . . . . .	51,213	68,080	83,657	120,392
Charge for the year/period . . . . .	16,867	22,712	36,735	7,737
Transfer to inventories . . . . .	—	(5,276)	—	(5,701)
Written back on disposals . . . . .	—	(1,859)	—	—
<b>Balance at the end of the year/period . . . . .</b>	<b>68,080</b>	<b>83,657</b>	<b>120,392</b>	<b>122,428</b>
<b>Net book value . . . . .</b>	<b>170,610</b>	<b>488,572</b>	<b>455,187</b>	<b>377,846</b>

All of the investment properties owned by the Group are located in the PRC. As at December 31, 2005, 2006, 2007 and March 31, 2008, investment properties with a total carrying value of RMB170,610,000, RMB142,932,000, RMB130,320,000 and RMB Nil were pledged as collateral for the Group's borrowings, respectively (note 18).

The Group has not obtained property certificate of Guangzhou Renhe's underground properties, with a total carrying value of RMB Nil, RMB345,640,000, RMB324,867,000 and RMB251,258,000 as at December 31, 2005, 2006 and 2007 and March 31, 2008, respectively.

According to the Property Valuation Report issued by CB Richard Ellis Ltd., a firm of independent qualified valuer in Hong Kong, on September 9, 2008, the fair value of the Group's investment properties as at December 31, 2005, 2006, 2007 and March 31, 2008 are RMB1,141,200,000, RMB1,455,900,000, RMB5,101,000,000 and RMB5,101,000,000, respectively.



## 13. LAND USE RIGHTS

	At December 31,			At
	2005	2006	2007	March 31,
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
<b>Cost</b>				
Balance at January 1 . . . . .	7,751	7,751	55,029	50,328
Addition . . . . .	—	47,857	—	—
Transfer to inventories . . . . .	—	(579)	(4,701)	(9,235)
<b>Balance at the end of the year/period . . . . .</b>	<b>7,751</b>	<b>55,029</b>	<b>50,328</b>	<b>41,093</b>
<b>Accumulated amortisation</b>				
Balance at January 1 . . . . .	239	444	692	1,939
Charge for the year/period . . . . .	205	289	1,257	257
Transfer to inventories . . . . .	—	(41)	(10)	(250)
<b>Balance at the end of the year/period . . . . .</b>	<b>444</b>	<b>692</b>	<b>1,939</b>	<b>1,946</b>
<b>Net book value. . . . .</b>	<b>7,307</b>	<b>54,337</b>	<b>48,389</b>	<b>39,147</b>

Land use rights represent lease prepayments for acquiring rights to use land, which is all located in the PRC, for own use properties and investment properties.

Zhengzhou Renhe has not obtained land use right certificate with a total carrying value of RMB Nil during the Track Record Period.

As at December 31, 2005, 2006 and 2007 and March 31, 2008, land use rights with a total carrying value of RMB7,307,000, RMB6,580,000, RMB2,203,000 and RMB Nil were pledged as collateral for the Group's loans, respectively (note 18).

## 14. INVENTORIES

The Group constructs underground shopping malls and transfers the operating rights of certain units of the underground shopping malls to buyers. Inventories balance represents the cost of the units of the underground shopping malls of which the operating rights will be transferred to buyers subsequently. The net realizable value of inventories as at December 31, 2006 amounted to RMB168,986,000.

## 15. TRADE AND OTHER RECEIVABLES

	At December 31,			At
	2005	2006	2007	March 31,
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Trade receivables. . . . .	1,296	1,296	6,045	9,810
Prepayments . . . . .	6,119	1,135	771	15,401
Other receivables. . . . .	61,576	42,140	17,734	8,775
	68,991	44,571	24,550	33,986
Less: allowance for doubtful debts. . . . .	6,370	6,370	6,370	6,370
	62,621	38,201	18,180	27,616

The balances of trade and other receivables are neither past due nor impaired except for certain receivables amounting to RMB6,370,000 which are past due for more than one year and full impairment is provided.

Other receivables mainly represent fundings to third parties, which are unsecured, interest free and have no fixed repayment terms.

The balances of trade and other receivables, including deposits and advances to third parties, are expected to be settled or recovered within one year.

#### 16. RESTRICTED BANK DEPOSITS

Guangzhou Renhe has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the operation rights. Guangzhou Renhe makes deposits as security for repayment of the loans under these agreements. The deposits will be released accordingly along with the repayment of loan principal by the buyers.

#### 17. CASH AND CASH EQUIVALENTS

	At December 31,			At
	2005	2006	2007	March 31,
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Cash on hand . . . . .	6,400	1,968	528	170
Cash at bank . . . . .	<u>12,940</u>	<u>3,936</u>	<u>1,516,919</u>	<u>1,334,467</u>
	<u>19,340</u>	<u>5,904</u>	<u>1,517,447</u>	<u>1,334,637</u>

All the Group's cash and bank balances in RMB were placed with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

Included in cash and cash equivalents in the consolidated balance sheets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	At December 31,			At
	2005	2006	2007	March 31,
				2008
United States dollars ("USD") in thousands . . . . .	<u>—</u>	<u>—</u>	<u>133,919</u>	<u>134,319</u>

## 18. LOANS

This note provides information about the contractual terms of the Group's interest-bearing loans, which are measured at amortised cost.

	At December 31,			At
	2005	2006	2007	March 31,
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Long term loans				
— Unsecured loan . . . . .	16,513	—	—	—
Long term loans due within one year				
— Unsecured loan . . . . .	—	17,759	19,184	—
Short term loans				
— Secured loans . . . . .	176,120	197,000	—	—
	176,120	214,759	19,184	—

	Currency	Nominal interest rate	Date of maturity	At December 31,			At
				2005	2006	2007	March 31,
				RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Unsecured loan . . . . .	RMB	11.088%	December 21, 2007	16,513	17,759	19,184	—
Secured loan . . . . .	RMB	7.956%	September 27, 2007	—	197,000	—	—
Secured loan . . . . .	RMB	7.137%	September 28, 2006	176,120	—	—	—
				176,120	197,000	—	—

The balances of secured loans as at December 31, 2005 and 2006 represent short term loans borrowed from Harbin Commercial Bank, Dazhi Branch via tenants and other individuals, bearing annual interest rate ranges from 7.137% to 7.956%. The loans were secured by properties and land use rights (note 12 and note 13). Harbin Renhe Group Co., Ltd. repaid the loans on behalf of the Group amounting to RMB196 million during the year ended December 31, 2007 (note 27(b)). The remaining balance of RMB1 million has been repaid by the Group itself.

The balance of unsecured loan as at December 31, 2005, 2006 and 2007 represent long term loan borrowed from China Investment Bank, Heilongjiang Branch via Harbin Nanfang, the other investor of Harbin Renhe Public. The loan was subsequently transferred to China Everbright Bank Harbin Sophia Branch ("Everbright Bank") due to the reform of China Investment Bank. As at December 31, 2007, the loan balance included RMB8,500,000 of loan principal and RMB10,684,000 of penalty/interest expenses. According to the terms of loan repayment agreement between Harbin Renhe Public and Everbright Bank, the principle of RMB8,500,000 was repaid as at March 31, 2008 and the remaining unpaid interests and penalty were waived by Everbright Bank. The agreement was officially signed on April 28, 2008.

## 19. TRADE AND OTHER PAYABLES

	At December 31,			At
	2005	2006	2007	March 31,
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Receipt in advance . . . . .	323,858	684,949	548,016	161,918
Construction payables . . . . .	55,700	124,705	48,527	39,841
Deposits . . . . .	31,541	40,761	52,904	47,949
Other taxes payable . . . . .	384	5,993	8,280	364
Welfare expenses payable . . . . .	1,027	2,080	3,938	4,387
Advances from third parties . . . . .	—	8,200	—	—
Others . . . . .	347	2,059	8,344	8,579
	<u>412,857</u>	<u>868,747</u>	<u>670,009</u>	<u>263,038</u>

Other taxes payable mainly represents the payables of business tax, which is 5% of revenue.

Advances from third parties mainly represent fundings from third parties, which are unsecured, interest free and have no fixed repayment terms.

As at December 31, 2005, 2006, 2007 and March 31, 2008, the amount of receipt in advance expected to be recognised as income after more than one year are RMB182,232,000, RMB370,926,000, RMB61,109,000 and RMB60,371,000, respectively. The aging analysis of construction payables at each balance sheet date is as follows:

	At December 31,			At
	2005	2006	2007	March 31,
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Due within 1 year . . . . .	19,729	104,542	44,665	38,441
Overdue . . . . .	35,971	20,163	3,862	1,400
	<u>55,700</u>	<u>124,705</u>	<u>48,527</u>	<u>39,841</u>

The credit terms of construction payables generally range from one to six months.

## 20. RENTAL DEPOSITS

Rental deposits represent deposits paid by tenants for the privilege to renew the operating lease contracts upon expiry.

## 21. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the consolidated balance sheets represents:

	At December 31,			At
	2005	2006	2007	March 31,
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
PRC Enterprise Income Tax payable				
At the beginning of the year/period . . . . .	2,243	3,170	13,006	13,443
Provision for the year/period (note 6) . . . . .	7,728	17,480	11,291	43,036
Tax paid . . . . .	(6,801)	(7,644)	(10,854)	(17,666)
	<u>3,170</u>	<u>13,006</u>	<u>13,443</u>	<u>38,813</u>

**(b) Deferred tax liabilities recognised**

The deferred tax liabilities recognised in the consolidated balance sheet as at March 31, 2008 represent withholding tax at the rate of 5% on the profits of the Group's PRC subsidiaries which are held by the Group's Hong Kong subsidiaries for the three months ended March 31, 2008. Please refer to note 6(a).

**(c) Deferred tax assets not recognised**

There are no significant deductible temporary differences, which require to recognise deferred tax assets for the Track Record Period.

**22. CAPITAL AND RESERVES****(a) Issued/combined paid-in capital**

For the purpose of this report, the issued/combined paid-in capital of the Group as at December 31, 2005 and 2006 represents the aggregate amount of the Company's share of the nominal value of the registered/paid-in capital of the PRC subsidiaries now comprising the Group at the respective dates.

The issued capital of the Company as at December 31, 2007 and March 31, 2008 represented a total number of shares of 1,843,000 with a par value at HKD0.01 each (note 31(a)).

**(b) Capital surplus**

Capital surplus mainly represents the book value of assets injected by the investors of Harbin Baorong and Harbin Renhe Century in excess of their share of the registered capital.

**(c) Reserve fund**

Pursuant to the Articles of Association of the PRC subsidiaries now comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. From January 1, 2008, the Group's PRC subsidiaries are required to transfer 10% of their profit after taxation to statutory reserve fund in accordance with the relevant PRC regulations since these subsidiaries became wholly foreign owned enterprises by then. The transfer will no longer be recognised when the accumulated statutory reserve fund reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

**(d) Share premium**

The application of the share premium account is governed by the Companies Law. Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

**(e) Merger reserves**

The merger reserves represent the aggregate amount of paid-in capital of the PRC subsidiaries now comprising the Group after elimination of investments in these subsidiaries.

**(f) Distributability of reserves**

As at December 31, 2007 and March 31, 2008, in addition to the share premium mentioned in note 22(d), the aggregate amount of reserves available for distribution for equity holders of the Company amounted to RMB247,000 and RMB3,656,000 respectively.

**(g) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its development, lease and management of underground shopping malls, and continue to provide returns for shareholders, by pricing rental and operation rights commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a gearing ratio, being the total of bank and interest bearing borrowings divided by the total assets. As at December 31, 2005, 2006, 2007 and March 31, 2008, the gearing ratios of the Group were 22.09%, 13.10%, 0.72% and Nil, respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**23. EMPLOYEE RETIREMENT PLAN**

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Harbin, Guangzhou and Zhengzhou whereby the Group is required to make contributions to the Schemes at the rate of 22%, 12% and 20%, respectively, of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other obligation for the payment of pension benefits associated with the Schemes and other post-retirement benefits beyond the annual contributions described above.

**24. CONTINGENCIES****(a) Guarantees**

The Group has provided guarantees and made deposits to bank to assist the buyers of operation rights to obtain bank loans (note 16). The outstanding guarantees as at December 31, 2005, 2006, 2007 and March 31, 2008 amounted to RMB Nil, RMB196,245,000, RMB169,003,000 and RMB158,803,000, respectively. The Group has made bank deposits for the guaranteed amount. The guarantees and deposits will be released accordingly along with the repayment of loan principal by the buyers.

The Group also provided guarantee to its related parties and third parties for bank loans. The details are as follows:

		<u>Amount</u>	<u>Loan expiry date</u>
		<b>RMB in thousands</b>	
Related parties			
— Harbin Renhe Group Co., Ltd. (formerly	(i)	200,000	November 16, 2009
known as "Harbin Renhe Industrial Co.,	(ii)	15,000	November 29, 2002
Ltd") . . . . .			
— Harbin Jurong New Power Co., Ltd. . . .	(iii)	80,000	November 1, 2008
Third parties			
— Harbin Baofeng Pharmaceutical Co., Ltd.	(iv)	20,000	November 17, 2004/ November 28, 2004

The directors of the Company are of the opinion that the related parties and the third parties have ability to repay the bank loans. Therefore, the Group has not made any provision on the above guarantees. In addition, the ultimate controlling equity holder has promised to bear any losses and obligation arising from the provision of

guarantees. An agreement was signed between the ultimate controlling equity holder and the PRC subsidiaries comprising the Group on December 31, 2007 stipulating that the ultimate controlling equity holder will bear all the obligations on the guarantees provided by the Group. An update on the status of the guarantees is set out below:

- (i) The amount was repaid by Harbin Renhe Group Co., Ltd. on December 23, 2007. The guarantee has been released accordingly.
- (ii) RMB10 million and RMB5 million were repaid by Harbin Renhe Group Co., Ltd. on March 31, 2003 and March 10, 2008, respectively. The guarantee has been released accordingly.
- (iii) The amount was repaid by Harbin Jurong New Power Co., Ltd. on February 13, 2008. The guarantee has been released accordingly.
- (iv) The directors of the Company are of the opinion that Harbin Baofeng Pharmaceutical Co., Ltd. has the ability to repay the loan. No provision is necessary for the guarantee.

In addition, the guarantee was expired in November 2006. According to the relevant PRC regulations and the PRC lawyer's opinion, the Group will not be liable for the guarantee since the bank did not request the Group to exercise the guarantee within the valid period.

**(b) Property tax**

According to the "Notice of the State Administration of Taxation on Several Issues Concerning the Levy of Property Tax on Foreign Investment Enterprises" (Guo Shui Fa [2000] No. 44), FIEs are exempted from property tax for the aerial defence project since January 1, 2000. According to "the Ministry of Finance and the State Administration of Taxation, Notice on the Levy of Property Taxes Relating to Underground Buildings with Housing Function" (Cai Shui [2005] No. 181, "No. 181"), from January 1, 2006, underground properties are subject to property tax which is levied at 12% of the related income. Currently, there are no specific tax rules or regulations stipulating whether No. 181 is applicable to aerial defence project developed by FIEs. The directors of the Company are of the opinion that No.181 does not apply to FIEs and FIEs should be continually exempted from property tax. Given the PRC subsidiaries of the Group are all FIEs, and according to the tax regulations on the exemption as mentioned in note 5(d), the Group therefore has not made any provision for property tax in this respect. If the PRC tax authorities issued any regulations in the future clarifying that the requirements of No. 181 are also applicable to FIEs, the Group needs to make property tax provision accordingly. Since the tax exemption period of Harbin Renhe Public and Harbin Baorong expired during the Track Record Period, the estimated potential impact of property tax to be recognised in profit or loss amounted to RMB Nil, RMB14,052,000, RMB6,317,000 and RMB1,688,000 for the year ended December 31, 2005, 2006 and 2007 and three months ended March 31, 2008, respectively.

**25. OPERATING LEASES**

**(a) Leases as lessor**

The Group leases out its investment properties under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	At December 31,			At
	2005	2006	2007	March 31, 2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Less than one year . . . . .	65,758	128,606	171,199	174,973
Between one and five years . . . . .	113,500	292,780	289,540	278,678
More than five years . . . . .	5,135	4,386	5,882	5,629
	<u>184,393</u>	<u>425,772</u>	<u>466,621</u>	<u>459,280</u>

## (b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	At December 31,			At
	2005	2006	2007	March 31,
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Less than one year . . . . .	416	493	567	1,418
Between one and five years . . . . .	332	117	1,800	1,800
More than five years . . . . .	—	—	1,163	1,163
	<u>748</u>	<u>610</u>	<u>3,530</u>	<u>4,381</u>

## 26. CAPITAL COMMITMENTS

As at December 31, 2005, 2006, 2007 and March 31, 2008, the Group has the following commitments in respect of the construction of underground shopping mall not provided for in the Financial Information:

	At December 31,			At
	2005	2006	2007	March 31,
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Contracted for . . . . .	7,414	2,858	107,949	475,053
Authorised but not contracted for . . . . .	—	—	—	300,405
	<u>7,414</u>	<u>2,858</u>	<u>107,949</u>	<u>775,458</u>

## 27. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

## (a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Salaries and other emoluments . . .	868	1,093	1,623	372	468
Retirement plan contributions . . . .	<u>6</u>	<u>14</u>	<u>19</u>	<u>5</u>	<u>5</u>
	<u>874</u>	<u>1,107</u>	<u>1,642</u>	<u>377</u>	<u>473</u>



## (b) Material related party transactions

	Years ended December 31,			Three months ended March 31,	
	2005	2006	2007	2007	2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Advances to related parties					
— Directors . . . . .	69,840	—	1,008	1,008	5
— Harbin Renhe Group Co., Ltd. (note (i)). . . . .	81,462	357,039	201,507	83,932	10
— Other related parties (note (ii)). . . . .	265,420	439,985	127,039	36,920	417
Repayments from related parties					
— Directors . . . . .	164,276	438	233	26	—
— Harbin Renhe Group Co., Ltd. (note (i)). . . . .	81,462	66,068	129,680	20,544	14,301
— Other related parties (note (ii)). . . . .	77,764	466,690	252,713	113,150	—
Advances from related parties					
— Directors . . . . .	—	2,844	14	6	89
— Harbin Renhe Group Co., Ltd. (note (i)). . . . .	121,633	291,378	84,645	1,164	777
— Other related parties (note (ii)). . . . .	14,561	96,614	26,189	12,485	948
Repayments to related parties					
— Directors . . . . .	—	1,058	1,800	1,820	14,032
— Harbin Renhe Group Co., Ltd. (note (i)). . . . .	127,959	119,048	81,090	1,164	—
— Other related parties (note (ii)). . . . .	10,723	62,098	58,213	18,077	11,119
Service received from related parties					
— Other related parties (note (iii)). . . . .	1,615	58,890	—	—	—
Repayment of bank loan by Harbin Renhe Group Co., Ltd. on behalf of the Group (note (i)) . .	—	—	196,000	—	—
Operating lease to					
— Directors . . . . .	19	19	19	5	5
— Other related parties . . . . .	159	683	285	63	91
Operating lease from					
— Other related parties . . . . .	—	—	—	—	300
Guarantee received from related parties (note (iv)). . . . .	—	197,000	—	—	—
Guarantee provided to related parties (note (v)). . . . .	—	280,000	80,000	—	—

## (c) Related party balances

	At December 31,			At
	2005	2006	2007	March 31,
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
Amounts due from related parties				
— Directors . . . . .	663	225	1,000	1,005
— Harbin Renhe Group Co., Ltd. (note (i)). . . . .	—	290,971	169,710	155,419
— Other related parties (note (ii)) . . . . .	514,186	487,481	208,089	208,506
	<u>514,849</u>	<u>778,677</u>	<u>378,799</u>	<u>364,930</u>
Amounts due to related parties				
— Directors . . . . .	—	1,786	14,160	217
— Harbin Renhe Group Co., Ltd. (note (i)). . . . .	17,120	189,450	3,555	4,332
— Other (note (ii)) . . . . .	13,800	48,316	11,627	1,456
	<u>30,920</u>	<u>239,552</u>	<u>29,342</u>	<u>6,005</u>

- (i) Harbin Renhe Group Co., Ltd. is a company controlled by Mr. Dai Yongge, the Company's director. The advances to/from Harbin Renhe Group Co., Ltd. represent non-trade fundings to/from Harbin Renhe Group Co., Ltd, which are unsecured, interest free and have no fixed repayment terms. Harbin Renhe Group Co., Ltd. paid RMB196 million to Harbin Renhe Public and Harbin Renhe Century on December 24, 2007. On the same day, Harbin Renhe Public and Harbin Renhe Century repaid RMB196 million of the Group's short term bank loans via tenants and individuals.
- (ii) The advances to/from other related parties are unsecured, interest free and have no fixed repayment terms. According to agreements signed among the Group, Harbin Renhe Group Co., Ltd. and other related parties in December 2007, certain balances of amounts due to/from other related parties were transferred to Harbin Renhe Group Co., Ltd.
- The Group expects the advances due from related parties are to be settled or recovered within one year.
- (iii) Heilongjiang Province No.1 Construction Company No. 2 Construction Team is a party controlled by a close family member of Mr. Dai Yongge, the Company's director. It provided construction service to Guangzhou Renhe during the Track Record Period.
- (iv) Harbin Hada Fruit and Vegetable Wholesale Market Co., Ltd. is a company controlled by Mr. Dai Yongge, the Company's director. It pledged assets to the bank for the Group's loans obtained via tenants and individuals (note 18). The guarantee has been released given the loans have been repaid during the year ended December 31, 2007.
- (v) The Group provided guarantee to Harbin Renhe Group Co., Ltd., and Harbin Jurong New Power Co., Ltd., for bank loans (note 24(a)).

The Group expects that all non-trade balances due from/to related parties will be fully settled before listing on the Main Board.

**28. FINANCIAL INSTRUMENTS**

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

**(a) Credit risks**

Cash is deposited with financial institutions with sound credit quality. Given their high credit quality, management does not expect any of these financial institutions will fail to meet their obligations.

Management has a policy in place and the exposure to credit risk is monitored on an ongoing basis. Given the Group requests the tenants to pay rental and other service fees in advance, the credit risks of rental and service fee receivables are considered low. The Group closely monitor the amount due from related parties. The receivable amount is expected to be settled in a short period. At December 31, 2005, 2006, 2007 and March 31, 2008, the Group had no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

However, as mentioned in note 16, Guangzhou Renhe makes deposits as security for mortgage bank loans provided to the buyers of the operation rights. If a buyer fails to repay the bank loans, the bank may demand Guangzhou Renhe to repay the outstanding amount of the loans and any unpaid interests thereon. Under such circumstances, Guangzhou Renhe is able to transfer the operation rights to other buyers to recover any amounts paid by Guangzhou Renhe to the bank but there can be no assurance that the price of the transfer of operation rights can be equal to or greater than the amount of loan principals and interests requested by the bank.

**(b) Liquidity risk**

The Group manages cash including the short term investment of cash surpluses and the raising of loans to cover expected cash demands on a group basis. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The maturities of the Group's non-derivative financial liabilities have been disclosed in note 18, 19 and 27(c).

**(c) Interest rate risks**

The interest rates on the Group's interest-bearing loans are on fixed rate basis. No sensitivity analysis is prepared accordingly. The interest rate on the loans is disclosed in note 18.

As at March 31, 2008, it is estimated that a general increase/decrease of 100 basic points in bank deposit interest rates for foreign currency deposits other than RMB, with all other variable held constant, would increase/decrease the Group's profit after tax and retained earnings by approximately RMB13,088,000 (at December 31, 2007: RMB14,237,000, 2006: RMB Nil, 2005: RMB Nil).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonable possible change in respective interest rates over the period until the next annual balance sheet date. Management does not expect any reasonable possible change in bank deposit interest rates for RMB deposit over the period until the next annual balance sheet date will have a significant impact on the Group's result or financial position.

**(d) Foreign currency risk**

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and HKD against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure.

An 0.4% strengthening/weakening of HKD against USD as at the respective balance sheet dates would (decrease)/increase profit after tax by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Years ended December 31,			Three months ended
	2005	2006	2007	March 31, 2008
	RMB in thousands	RMB in thousands	RMB in thousands	RMB in thousands
USD				
Profit for the year/period				
0.4% increase in HKD . . . . .	—	—	(3,913)	(3,771)
0.4% decrease in HKD . . . . .	—	—	3,913	3,771

Since the PRC subsidiaries have not conducted transactions in foreign currency during the Track Record Period, the strengthening/weakening of RMB has no impact on the Group's profit after tax.

**(e) Fair value of the financial instruments**

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at December 31, 2005, 2006, 2007 and March 31, 2008.

- (i) Cash and cash equivalents, restricted bank deposits, other receivables, trade and other payables, rental deposits and amounts due from/to related parties.

The carrying values approximate their fair values because of the short maturities of these items.

- (ii) Loans

The carrying amount of loans approximates their fair value based on the borrowing rates currently available for bank loans with similar terms and maturities.

- (iii) Other long-term liabilities

The fair value of long-term liabilities is estimated by discounting future cash flows using current market interest rates for debt with substantially the same characteristics and maturities.

**29. ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The significant accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

**(a) Impairment losses for bad and doubtful debts**

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors creditworthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

**(b) Impairment losses of non-current assets**

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired," and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets." The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

**(c) Depreciation**

Property and equipment and investment properties are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

**30. ULTIMATE HOLDING COMPANY**

The directors of the Company consider the ultimate holding company of the Company as at December 31, 2007 and March 31, 2008 to be Shining Hill Investments Limited, which is incorporated in British Virgin Islands.

## 31. THE COMPANY'S BALANCE SHEET

The balance sheets of the Company as at December 31, 2007 and March 31, 2008 were as follows:

	December 31, 2007	March 31, 2008
	RMB in thousands	RMB in thousands
Investments in subsidiaries . . . . .	—	—
Trade and other receivables . . . . .	—	4,310
Amounts due from related parties . . . . .	16	547,340
Cash and cash equivalents . . . . .	<u>1,423,563</u>	<u>816,122</u>
<b>Total assets</b> . . . . .	<u><u>1,423,579</u></u>	<u><u>1,367,772</u></u>
Share capital . . . . .	(a) 17	17
Exchange reserve . . . . .	(6,685)	(58,727)
Share premium . . . . .	note 22(d) 1,416,665	1,416,665
Retained earnings . . . . .	(b) <u>247</u>	<u>3,656</u>
<b>Total equity</b> . . . . .	<u>1,410,244</u>	<u>1,361,611</u>
Amounts due to related parties . . . . .	13,335	5,233
Trade and other payables . . . . .	<u>—</u>	<u>928</u>
<b>Total liabilities</b> . . . . .	<u>13,335</u>	<u>6,161</u>
<b>Total equity and liabilities</b> . . . . .	<u><u>1,423,579</u></u>	<u><u>1,367,772</u></u>

## (a) Share capital

	December 31, 2007		March 31, 2008	
	No. of shares (in thousands)	RMB in thousands	No. of shares (in thousands)	RMB in thousands
<b>Authorised:</b>				
Ordinary share of HKD0.01 each . . .	37,645	353	37,645	353
Non-redeemable preference share of HKD0.01 each . . . . .	<u>355</u>	<u>3</u>	<u>355</u>	<u>3</u>
	<u><u>38,000</u></u>	<u><u>356</u></u>	<u><u>38,000</u></u>	<u><u>356</u></u>
<b>Issued and fully paid:</b>				
Ordinary shares . . . . .	1,615	15	1,495	14
Non-redeemable preference shares . .	<u>228</u>	<u>2</u>	<u>348</u>	<u>3</u>
	<u><u>1,843</u></u>	<u><u>17</u></u>	<u><u>1,843</u></u>	<u><u>17</u></u>

The Company was incorporated in Cayman Islands on November 20, 2007 with an authorised share capital of HKD380,000 divided into 38,000,000 ordinary shares of par value HKD0.01 each. As part of the Reorganization, the authorised share capital of the Company changed to be HKD380,000 divided into 355,000 class A preference shares of a par value of HKD0.01 each and 37,645,000 ordinary shares of a par value of HKD0.01 each as at December 31, 2007. The Company converted 119,795 ordinary shares into 119,795 class A preference shares during the three months period ended March 31, 2008.

According to the articles of association, the holders of class A preference shares and ordinary shares enjoy the same rights attaching to shares without prejudice. Each class A preference share carries one vote right. The holders of class A preference shares are all entitled to the dividends declared and generally to enjoy all of the rights attaching to shares. The Company has no obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares according to the articles of association and agreement entered into among the Company, the holders of class A preference shares and other investors. One class A preference share can be converted into one ordinary share ("Conversion Rate"). Immediately prior to an initial public offering, all the class A preference shares then outstanding shall be automatically converted into or exchanged for fully paid ordinary shares at the Conversion Rate without the payment of any additional consideration.

The Company has not carried on any business since its date of incorporation.

(b) **The retained earnings mainly comprised of interest income and foreign exchange gains.**

### 32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

Up to the date of issue of the Financial Information, a number of new standards, amendments to standards and interpretations have been issued but have not been adopted in preparing the Financial Information.

	<b>Effective for annual accounting period beginning on or after</b>
IFRS 8 Operating segments . . . . .	January 1, 2009
Amendment to IAS 32, Financial instruments: Presentation and IAS 1, Presentation of financial statements . . . . .	January 1, 2009
Amendment to IFRS 2, Share-based payment-Vesting conditions and cancellations . . . . .	January 1, 2009
Revised IFRS 3, Business combinations . . . . .	July 1, 2009
IAS 23 (March 2007), "Borrowing costs" . . . . .	January 1, 2009
Amendments to IAS 27, Consolidated and separate financial statements . . . . .	July 1, 2009
IFRIC 13, Customer loyalty programmes . . . . .	July 1, 2008
Amendments to IFRS 1, First-time adoption of International Financial Standards, and IAS 27, consolidated and separate financial statements — cost of an investment in a subsidiary — jointly-controlled entity or associate . . . . .	January 1, 2009
Amendment to IAS39, Financial instruments: Recognition and measurement . . . . .	July 1, 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. To date it has been concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

**D. SUBSEQUENT EVENTS****1. MANAGEMENT INCENTIVE SCHEME**

Super Brilliant, through its wholly-owned subsidiary, implemented a management incentive scheme as of April 15, 2008. The principal terms of the management incentive scheme are set out in the section headed “History and Reorganization — Transfers to Employees” in the Prospectus.

**2. CAPITALIZATION ISSUE**

Pursuant to the resolutions of the Company’s shareholders passed on August 25, 2008, subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of Hong Kong Offer Shares pursuant to the Global Offering, the Company’s directors are authorised to allot and issue a total of 16,998,157,000 shares credited as fully paid at par to the holders of shares on the register of members of the Company at the close of business on August 25, 2008 (or as they may direct) in proportion to their respective shareholdings (save that no shareholder shall be entitled to be allotted or issued any fraction of a share) by way of capitalization of the sum of HKD169,981,570 standing to the credit of the share premium account of the Company, and the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares.

**3. SUBSIDIARIES ESTABLISHED AFTER MARCH 31, 2008**

The Group established some wholly owned subsidiaries after March 31, 2008, which are engaged in either investment holding or development, lease and management of underground shopping mall. Except for Shenyang New World Renhe Public Facilities Management Co., Ltd. (“Shenyang Renhe”), all other subsidiaries have no significant operations as at the date of this report. Shenyang Renhe, which is engaged in development, lease and management of underground shopping mall, was established on April 30, 2008 in the PRC with registered capital of USD49,800,000. The Company holds 100% indirect interest in Shenyang Renhe.



**E. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group in respect of any period subsequent to March 31, 2008.

Yours faithfully  
**KPMG**  
*Certified Public Accountants*  
Hong Kong

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on (i) how the proposed listing might have affected the financial position of the Group after the completion of the Global Offering; (ii) how the proposed listing might have affected the unaudited pro forma forecast earnings per share for the year ending December 31, 2008.*

*The unaudited pro forma financial information is derived according to a number of adjustments. Although reasonable care has been exercised in preparing such information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial performance and condition of the Group during the Track Record Period or any further date.*

*The information set forth in this appendix does not form part of the accountants' report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in appendix I to this prospectus, and is included herein for illustrative purposes only.*

*The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' report set forth in appendix I to this prospectus.*

<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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**A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth here to illustrate the effect of the Global Offering on our net tangible assets as of March 31, 2008 as if it had taken place on March 31, 2008.

The unaudited pro forma statement of adjusted net tangible assets have been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of March 31, 2008 or any future date following the Global Offering. It is prepared based on our consolidated net assets as of March 31, 2008 as derived from our consolidated financial statements set forth in the accountants' report in Appendix I, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

	<b>Consolidated net tangible assets attributable to equity shareholders of the Company as at March 31, 2008</b>	<b>Add: Estimated net proceeds from the Global Offering</b>	<b>Unaudited pro forma adjusted net tangible assets</b>	<b>Unaudited pro forma adjusted net tangible assets per Share</b>	
	<b>RMB in millions<sup>(1)</sup></b>	<b>RMB in millions<sup>(2)</sup></b>	<b>RMB in millions</b>	<b>RMB<sup>(3)</sup></b>	<b>HK\$</b>
Based on an offer price of HK\$1.40 per Share.	1,862	3,500	5,362	0.27	0.31
Based on an offer price of HK\$1.71 per Share.	1,862	4,275	6,137	0.31	0.35

- 
- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as at March 31, 2008 are extracted from the consolidated financial information included in the "Accountants' Report" as set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on indicative offer prices of HK\$1.40 and HK\$1.71 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been granted or may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 20,000,000,000 Shares are in issue assuming that the Global Offering has been completed on March 31, 2008 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been granted or may be granted under the Share Option Scheme.

**B.    UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE**

The following unaudited pro forma forecast earnings per Share have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the forecast earnings per share. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial results of the Group following the Global Offering.

**For the year ending December 31, 2008**

Forecast consolidated net profit attributable to equity shareholders of the Company <sup>(1)</sup> . . . . .	not less than RMB1.9 billion (approximately HK\$2.2 billion)
Unaudited forecast earnings per Share	
— pro forma fully diluted <sup>(2)</sup> . . . . .	not less than RMB0.095 (approximately HK\$0.108)
— Weighted average <sup>(3)</sup> . . . . .	not less than RMB0.108 (approximately HK\$0.123)

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*Notes:*

- (1) The forecast consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2008 is extracted from the section headed “Financial Information — Profit Forecast for the Year Ending December 31, 2008” in this prospectus. The bases and assumptions on which the above profit forecast has been prepared are set out in Appendix III to this prospectus.
- (2) The calculation of unaudited pro forma forecast earnings per Share on a pro forma fully diluted basis for the year ending December 31, 2008 is based on the above forecast consolidated net profit attributable to equity shareholders for the year ending December 31, 2008 and assumes that a total of 20,000,000,000 Shares were in issue during the entire year, without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of options which have been granted or may be granted under the Share Options Scheme.
- (3) The calculation of unaudited pro forma forecast earnings per Share on a weighted average basis for the year ending December 31, 2008 is based on the above forecast consolidated net profit attributable to equity shareholders for the year ending December 31, 2008 and assuming that a weighted average number of 17,647,540,984 Shares in issue during the year ending December 31, 2008 following completion of the Global Offering on October 15, 2008, without taking into account any Shares which may be allotted and issued upon the exercise of Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been granted or may be granted under the Share Option Scheme.

**C.    LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants KPMG Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus:*



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

September 30, 2008

The Directors  
Renhe Commercial Holdings Company Limited  
BOCI Asia Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Morgan Stanley Asia Limited  
UBS AG

Dear Sirs,

We report on the unaudited pro forma statement of adjusted net tangible assets and unaudited pro forma forecast earnings per share (the "Unaudited Pro Forma Financial Information") of Renhe Commercial Holdings Company Limited (the "Company") together with its subsidiaries (the "Group") set out in Appendix II of the prospectus dated September 30, 2008 (the "Prospectus"), which has been prepared by the Directors of the Company solely for illustrative purposes to provide information about how the global offering of the Company's shares might have affected the financial information of the Group presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in parts (A) and (B) of Appendix II to the Prospectus.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS**

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

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

## **BASIS OF OPINION**

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

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

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

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position or financial results of the Group as at and for the period ended March 31, 2008 or any future dates; or the forecast earnings per share of the Group for the year ending December 31, 2008 or any future periods.

We make no comments regarding the reasonableness of the amount of net proceeds from the Global Offering of the Company’s shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed “Future Plans and Use of Proceeds” set out in the Prospectus.

**OPINION**

In our opinion:

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

Yours faithfully  
**KPMG**  
*Certified Public Accountants*  
Hong Kong

*The forecast of the consolidated profit attributable to shareholders of the Company for the year ending December 31, 2008 set out in the section headed “Financial information — Profit forecast for the year ending December 31, 2008” in this prospectus.*

**(A) BASES**

Our Directors have prepared the forecast consolidated profit attributable to the shareholders of the Company for the year ending December 31, 2008 based on the audited consolidated results of the Group for the three months ended March 31, 2008, unaudited consolidated results of the Group for the three months ended June 30, 2008 and a forecast of the consolidated results of the Group for six months ending December 31, 2008.

The profit forecast has been presented on the basis of the accounting policies consistent in all material respects with those currently adopted by us as summarised in Note 1 of Section C of the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

**(B) PRINCIPAL ASSUMPTIONS**

Principal assumptions adopted by the Directors in the preparation of the profit forecast are as follows:

- a. there will be no significant changes in our Group’s structure;
- b. there will be no material changes in existing government policies, political, legal, regulatory, financial and economic conditions in the PRC;
- c. there will be no material changes in foreign currency exchange rates of Renminbi from those currently prevailing as at the Latest Practicable Date;
- d. there will be no material changes in the bases or rates of taxation applicable to our Group in the respective jurisdictions in which we operate;
- e. there will be no significant fluctuations in the inflation rate and interest rates of bank loans and deposits from those currently prevailing;
- f. the Directors do not expect any extraordinary items to occur during the forecast period; and
- g. the Company’s business and operation will not be materially and adversely affected by factors that are beyond its control (including those risk factors set out in the section headed “Risk Factors”).



**(C) LETTER FROM OUR REPORTING ACCOUNTANTS**

*The following is the text of the letters from our reporting accountants, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus in connection with the profit forecast for the year ending December 31, 2008.*



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

The Board of Directors  
Renhe Commercial Holdings Company Limited  
BOCI Asia Limited  
The Hongkong and Shanghai Banking Corporation Limited  
Morgan Stanley Asia Limited  
UBS AG

September 30, 2008

Dear Sirs,

We have reviewed the accounting policies and calculations adopted in arriving at the forecast consolidated profit attributable to the equity shareholders of Renhe Commercial Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending December 31, 2008 (the "Forecast"), for which the directors of the Company (the "Directors") are solely responsible, as set forth in the prospectus of the Company dated September 30, 2008 (the "Prospectus").

The Forecast has been prepared by the Directors based on the audited consolidated results of the Group for the three months ended March 31, 2008, the unaudited consolidated results of the Group for the three months ended June 30, 2008, and a forecast of the consolidated results of the Group for the six months ending December 31, 2008.

In our opinion, so far as the accounting policies and calculations are concerned, the Forecast has been properly compiled on the bases and assumptions adopted by the Directors as set out in Part A and B of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in our accountants' report dated September 30, 2008, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully

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

## LETTERS FROM THE JOINT SPONSORS

*The following is text of a letter prepared by the Joint Sponsors, for the purpose of incorporation in this prospectus, in connection with the forecast of the consolidated profit attributable to the equity shareholders of the Company for the year ending December 31, 2008.*



The Directors  
Renhe Commercial Holdings Company Limited

September 30, 2008

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to the equity shareholders of Renhe Commercial Holdings Company Limited (the “Company”) for the year ending December 31, 2008 (the “Profit Forecast”) as set out in the prospectus issued by the Company dated September 30, 2008 (the “Prospectus”).

We have discussed with you the bases and assumptions made by the directors of the Company as set out in Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated September 30, 2008 addressed to yourselves and ourselves from KPMG, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Profit Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of  
**BOCI Asia Limited**

**Daniel Ng**  
*Managing Director*  
*Head of Corporate Finance*

**Albert Chang**  
*Executive Director*

For and on behalf of  
**Morgan Stanley Asia Limited**

**George A. Taylor**  
*Managing Director*

For and on behalf of  
**The Hongkong and Shanghai Banking Corporation Limited**

**Ivan So**  
*Director, Investment Banking*

For and on behalf of  
**UBS AG**

**Henry Cai**  
*Managing Director, Head of*  
*Investment Banking, China*

**Jie Wei**  
*Director*

*The following is the text of a letter with the summary of values and valuation certificate received from CB Richard Ellis Limited, prepared for the purpose of incorporation in the prospectus, in connection with their valuation as at June 30, 2008 of all the property interests of the Group.*

**CBRE**  
CB RICHARD ELLIS  
世邦魏理仕

34/F Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong  
T 852 2820 2800  
F 852 2810 0830

香港灣仔港灣道十八號中環廣場三十四樓  
電話 852 2820 2800 傳真 852 2810 0830

[www.cbre.com.hk](http://www.cbre.com.hk)

September 30, 2008

The Board of Directors  
Renhe Commercial Holdings Company Limited  
No. 277 Xuefu Road, Nangang District,  
Harbin City, Heilongjiang Province,  
the People's Republic of China

Dear Sirs,

In accordance with your instructions to us to value the property interests held by Renhe Commercial Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at June 30, 2008 (the "Date of Valuation").

Our valuation is our opinion of Market Value which is defined by the HKIS Valuation Standards on Properties 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."

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors (the "HKIS"). We have also complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5, Practice Note 12 and Practice Note 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

For the purpose of area measurement in our valuation, Lettable Gross Floor Areas (Lettable GFAs) refer to the internal floor areas and common areas exclusively allocated to that unit including balconies and other similar features of common areas such as staircases, lift lobbies. Non-lettable Gross Floor Areas (Non-lettable GFAs) refer to the floor areas of certain public ancillary facilities, including, among others, power distribution houses, guard houses and connecting corridors between buildings, etc. The Gross Floor Areas (GFAs) of a project or a phase of a project include both lettable and non-lettable GFAs.

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

Unless otherwise stated, all the property interests are valued by the direct comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realized on actual transactions or asking prices of comparable properties. Comparable properties with similar sizes, characters and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

For the property interests in Group I, which are completed developments held by the Group for investment, we have valued each of those property interests by the direct comparison approach assuming sales of each of these property interests in its existing state with the benefit of vacant possession and making references to comparable sale transactions as available in the relevant markets. We have also valued the property interests by the capitalization approach taking into account the current rents passing of the property interests and the reversionary potentials of the tenancies.

In our valuation, completed real estate developments are those the Construction Works Completion Certified Report(s) or equivalent of the buildings thereof has (have) been issued by the relevant local authority.

In valuing the property interests in Group II, which are held by the Group for development in the PRC, we have attributed “no commercial value” to the properties as the Group has obtained neither the land use rights nor the rights of use of the properties. In arriving at our opinion of the capital value of the property as if completed, we have adopted the direct comparison approach by making references to comparable sales evidences available in the relevant market and assuming the property will be or can be developed and completed in accordance with the Group’s latest development schemes provided to us. We have taken into account of the development costs already spent and to be spent to reflect the quality of the completed development. The “capital value of the property as if completed” represents our opinion of the aggregate value of the property assuming that it would have been completed at the Date of Valuation.

In our valuation, the properties for development are those of which the Construction Work Completion Certified Reports or equivalent have not been issued while the Construction Works Commencement Permits or equivalent have been obtained.

For the property interests in Group III and Group IV, which are properties rented by the Group in the PRC and Hong Kong respectively, we have considered the Group having no commercial value to the property primarily due to the prohibitions against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal advisor, Jingtian & Gongcheng Attorneys at Law (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or any amendment which does not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, planning approvals, development schemes, outstanding development costs, statutory notices, easements, tenancies, floor areas (including Gross Floor Areas). No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Renminbi ("RMB").

We enclose herewith a summary of values and our valuation certificate.

Yours faithfully,  
For and on behalf of  
**CB Richard Ellis Limited**  
**Kam Hung YU**

*Bsc (Hons) FHKIS FRICS RPS(GP) FHIREA*  
*Senior Managing Director*  
*Valuation & Advisory Services*

---

*Note:* Mr. Yu is the President of the Hong Kong Institute of Surveyors. He is a Registered Professional Surveyor (General Practice), a fellow of the Royal Institution of Chartered Surveyors, a fellow of the Hong Kong Institute of Surveyors and a fellow of the Hong Kong Institute of Real Estate Administration. He has over 25 years' valuation experience in Hong Kong, the PRC and Asia Pacific Region.

## SUMMARY OF VALUES

<u>Property Interests</u>	<u>Capital value in existing state as at June 30, 2008</u> (RMB)	<u>Interests attributable to the Group</u>	<u>Capital value attributable to the Group as at June 30, 2008</u> (RMB)
<b>Group I — Property interests held by the Group for investment in the PRC</b>			
1. Various retail shop units, Phase I of Harbin Project, Dongdazhi Street, Nangang District, Harbin City, Heilongjiang Province, the PRC	586,000,000	100%	586,000,000
2. Various retail shop units, Baorong Section, Phase II of Harbin Project, Dongdazhi Street, Nangang District, Harbin City, Heilongjiang Province, the PRC	376,000,000	100%	376,000,000
3. Various retail shop units, Gexin Section, Phase II of Harbin Project, Gexin Street, Nangang District, Harbin City, Heilongjiang Province, the PRC	170,000,000	100%	170,000,000
4. Various retail shop units, Phase III of Harbin Project, 17 Fendou Road, Nangang District, Harbin City, Heilongjiang Province, the PRC	773,000,000	100%	773,000,000

<u>Property Interests</u>	<u>Capital value in existing state as at June 30, 2008</u> (RMB)	<u>Interests attributable to the Group</u>	<u>Capital value attributable to the Group as at June 30, 2008</u> (RMB)
5. Various retail shop units, Phase I of Guangzhou Project, Zhanqian Road, Yuxiu District, Guangzhou City, Guangdong Province, the PRC	3,196,000,000	100%	3,196,000,000
<b>Group I Sub-total:</b>			<b><u>5,101,000,000</u></b>

**Group II — Property interests held by the Group for development in the PRC**

6. Phase I of Zhengzhou Project, Datong Road, Erqi District, Zhengzhou City, Henan Province, the PRC			No Commercial Value <i>(note i)</i>
7. Phase I of Shenyang Project, Changjiang Street, Huanggu District, Shenyang City, Liaoning Province, the PRC			No Commercial Value <i>(note ii)</i>
<b>Group II Sub-total:</b>			<b><u>No Commercial Value</u></b>

*Note:*

- i. Had the Group obtained the Construction Works Completion Certified Reports or equivalent of the property, the capital value as if completed as at June 30, 2008 was in the sum of RMB4,099,500,000 (100% attributable to the Group: RMB4,099,500,000).
- ii. Had the Group obtained the Construction Works Completion Certified Reports of the property or equivalent, the capital value as if completed as at June 30, 2008 was in the sum of RMB5,730,000,000 (100% attributable to the Group: RMB5,730,000,000).

<u>Property Interests</u>	<u>Capital value in existing state as at June 30, 2008</u> (RMB)	<u>Interests attributable to the Group</u>	<u>Capital value attributable to the Group as at June 30, 2008</u> (RMB)
<b>Group III — Property interests rented by the Group in the PRC</b>			
8. No. 29 Meishun Street, Nangang District, Harbin City, Heilongjiang Province, the PRC			No Commercial Value
9. 5/F, No. 96 Zhanqian Road, Liwan District, Guangzhou City, Guangdong Province, the PRC			No Commercial Value
10. Portion of 1/F and Portion of 4/F, Greenland Hotel, No. 93 Datong Road, Erqi District, Zhengzhou City, Henan Province, the PRC			No Commercial Value
			<hr/>
		<b>Group III Sub-total:</b>	<b><u>No Commercial Value</u></b>
<b>Group IV — Property interests rented by the Group in Hong Kong</b>			
11. Suites 603–606, 6th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong			No Commercial Value
12. Office on Floor No.12 (Previously Known as 11th Floor), Times Tower, Nos. 391–407 Jaffe Road, Wanchai, Hong Kong			No Commercial Value
			<hr/>
		<b>Group IV Sub-total:</b>	<b><u>No Commercial Value</u></b>
		<b>Grand Total:</b>	<b><u><u>5,101,000,000</u></u></b>



## VALUATION CERTIFICATE

## Group I — Property interests held by the Group for investment in the PRC

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital value in existing state as at June 30, 2008</u> (RMB)
1. Various retail shop units, Phase I of Harbin Project, Dongdazhi Street, Nangang District, Harbin City, Heilongjiang Province, the PRC	<p>The property with a total gross floor area of approximately 15,920 sq.m. comprises all the retail shops of the Phase I of Harbin Project (“the Development”).</p> <p>The Development with a total site area of approximately 5,967 sq.m. is an underground shopping mall.</p> <p>The property was completed in 1992.</p> <p>The property is held for a land use term expiring on August 12, 2043.</p>	<p>The property is tenanted to various tenants for a total annual rental of RMB29,500,000 for various terms with the latest expiring date on August 29, 2020.</p>	<p>586,000,000 (100% interests attributable to the Group: RMB586,000,000)</p>

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*Notes:*

1. Pursuant to the State-owned Land Use Rights Certificate No. Ha Guo Yong (2003) Zi No. 79939 dated August 19, 2003, the rights of use of the underground space of the land with site area of approximately 5,966.5 sq.m. is held by the Group for commercial use with the expiry date on August 12, 2043.
2. Pursuant to the Building Ownership Certificate No. Ha Fang Quan Zheng Nan Zi No. 00065671 dated January 15, 2004, the rights of use of the property with total gross floor area of approximately 15,920.38 sq.m. is held by the Group for commercial use.
3. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, *inter alia*, the following information:
  - a. The Group is entitled to occupy and use the property as well as receive income from it, no fewer than 40 years from the commencement date of operation.
  - b. The Group has to guarantee the property can be swiftly handed over to the government authorities in China during war time.
  - c. The Group has the rights to use the underground space of the land at which the property is located.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital value in existing state as at June 30, 2008 (RMB)</u>
2. Various retail shop units, Baorong Section, Phase II of Harbin Project, Dongdazhi Street, Nangang District, Harbin City, Heilongjiang Province, the PRC	<p>The property with a total gross floor area of approximately 10,543 sq.m. comprises various retail shops of the Baorong Section of the Phase II of Harbin Project (“the Development”).</p> <p>The Development with a total site area of approximately 5,742 sq.m. is an underground shopping mall comprising 358 retail shops with total gross floor area of approximately 15,393 sq.m..</p> <p>The property was completed in 2000.</p> <p>The property is held for a land use term expiring on August 12, 2043.</p>	<p>The property is tenanted to various tenants for a total annual rental of RMB18,100,000 for various terms with the latest expiring date on August 31, 2017.</p>	<p>376,000,000 (100% interests attributable to the Group: RMB376,000,000)</p>

*Notes:*

1. Pursuant to the State-owned Land Use Rights Certificate No. Ha Guo Yong (2003) Zi No. 79938 dated August 19, 2003, the rights of use of the underground space of the land with site area of approximately 5,742.1 sq.m. is held by the Group for commercial use with the expiry date on August 12, 2043.
2. Pursuant to the following Building Ownership Certificate, the rights of use of the property with a total area of approximately 15,392.64 sq.m. is held by the Group for commercial use.

<u>Building Ownership Certificate Number</u>	<u>Gross Floor Area</u> (sq.m.)	<u>Issue Date</u>
Ha Fang Quan Zheng Nan Zi No. 00065672 . . . . .	<u>15,392.64</u>	January 15, 2004
Total:	<u><u>15,392.64</u></u>	

3. As advised, the Group has entered into various capital leases with various tenants regarding various retail shops with gross floor area of approximately 4,850 sq.m. of the Development. In our valuation, we have excluded these parts with capital lease.
4. We have been provided with a legal opinion on the property prepared by the Group’s legal advisor, which contains, *inter alia*, the following information:
  - a. The Group is entitled to occupy and use the property as well as receive income from it, no fewer than 40 years from the commencement date of operation.
  - b. The Group has to guarantee the Development can be swiftly handed over to the government authorities in China during war time.
  - c. The Group has the rights to use the underground space of the land at which the property is located.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital value in existing state as at June 30, 2008</u> (RMB)
3. Various retail shop units, Gexin Section, Phase II of Harbin Project, Gexin Street, Nangang District, Harbin City, Heilongjiang Province, the PRC	<p>The property with a total gross floor area of approximately 11,090 sq.m. comprises various retail shops of the Gexin Section, Phase II of Harbin Project (“the Development”).</p> <p>The Development with a total site area of approximately 5,821 sq.m. is an underground shopping mall comprising various retail shops with total gross floor area of approximately 11,437 sq.m.</p> <p>The property was completed in 2002.</p> <p>The property is held for a land use term expiring on August 12, 2043.</p>	<p>Various units with total gross floor area of 9,517 sq.m. are tenanted to various tenants for a total annual rental of RMB5,590,000 for various terms with the latest expiring date on November 15, 2010.</p> <p>The remaining portion of the property is currently vacant.</p>	<p>170,000,000 (100% interests attributable to the Group: RMB170,000,000)</p>

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*Notes:*

1. Pursuant to the State-owned Land Use Rights Certificate No. Ha Guo Yong (2003) Zi No. 79937 dated August 19, 2003, the rights of use of the underground space of the land with site area of approximately 5,821.1 sq.m. is held by the Group for commercial use with the expiry date on August 12, 2043.
2. Pursuant to the following Building Ownership Certificate, the rights of use of the property with a total gross floor area of approximately 11,436.53 sq.m. is held by the Group for commercial use.

<u>Building Ownership Certificate Number</u>	<u>Gross Floor Area</u> (sq.m.)	<u>Issue Date</u>
Ha Fang Quan Zheng Nan Zi No. 00065670 . . . . .	<u>11,436.53</u>	January 15, 2004
Total:	<u><u>11,436.53</u></u>	

3. As advised, the Group has entered into various capital leases with various tenants regarding various retail shops with gross floor area of approximately 346 sq.m. of the Development. In our valuation, we have excluded these parts with capital leases.
4. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, *inter alia*, the following information:
  - a. The Group is entitled to occupy and use the property as well as receive income from it, no fewer than 40 years from the commencement date of operation.
  - b. The Group has to guarantee the Development can be swiftly handed over to the government authorities in China during war time.
  - c. The Group has the rights to use the underground space of the land at which the property is located.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital value in existing state as at June 30, 2008</u> (RMB)
4. Various retail shop units, Phase III of Harbin Project, 17 Fendou Road, Nangang District, Harbin City, Heilongjiang Province, the PRC	<p>The property with a total gross floor area of approximately 21,015 sq.m. comprises all the retail shops of the Phase III, Harbin Project (“the Development”).</p> <p>The Development with a total site area of approximately 8,373 sq.m. is an underground shopping mall.</p> <p>The property was completed in 2003.</p> <p>The property is held for a land use term expiring on August 12, 2043.</p>	<p>The property is tenanted to various tenants for a total annual rental of RMB37,300,000 for various terms with the latest expiring date on December 31, 2010.</p>	<p>773,000,000 (100% interests attributable to the Group: RMB773,000,000)</p>

*Notes:*

1. Pursuant to the State-owned Land Use Rights Certificate No. Ha Guo Yong (2003) Zi No. 79940 dated August 19, 2003, the rights of use of the underground space of the land with site area of approximately 8,372.6 sq.m. is held by the Group for commercial use with the expiry date on August 12, 2043.
2. Pursuant to the following Building Ownership Certificate, the rights of use of the property with a total gross floor area of approximately 21,014.84 sq.m. is held by the Group for commercial use.

<u>Building Ownership Certificate Number</u>	<u>Gross Floor Area</u> (sq.m.)	<u>Issue Date</u>
Ha Fang Quan Zheng Nan Zi No. 00065673 . . . . .	<u>21,014.84</u>	January 15, 2004
Total:	<u><u>21,014.84</u></u>	

3. We have been provided with a legal opinion on the property prepared by the Group’s legal advisor, which contains, *inter alia*, the following information:
  - a. The Group is entitled to occupy and use the property as well as receive income from it, no fewer than 40 years from the commencement date of operation.
  - b. The Group has to guarantee the property can be swiftly handed over to the government authorities in China during war time.
  - c. The Group has the rights to use the underground space of the land at which the property is located.



## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital value in existing state as at June 30, 2008</u> (RMB)
5. Various retail shop units, Phase I of Guangzhou Project, Zhanqian Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC	<p>The property with a total gross floor area of approximately 32,743 sq.m. comprises various retail shops of Phase I of Guangzhou Project (“the Development”).</p> <p>The Development with a total site area of approximately 24,855 sq.m. is an underground shopping mall.</p> <p>The property was completed in 2006.</p> <p>The Development is held for commercial and services uses for a land use term of 40 years commencing on December 12, 2006.</p>	<p>The property is tenanted to various tenants for a total annual rental of RMB86,500,000 for various terms with the latest expiring date on August 31, 2015.</p>	<p>3,196,000,000 (100% interests attributable to the Group: RMB3,196,000,000)</p>

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*Notes:*

1. Pursuant to the State-owned Land Use Rights Certificate No. Sui Fu Guo Yong (2006) No. 01100189 dated December 18, 2006, the rights of use of the underground space of the land with site area of approximately 24,854.805 sq.m. is held by the Group for commercial, services and special uses for terms of 70 years for residential use, 40 years for commercial, tourism and entertainment uses, and 50 years for other use, all commencing on December 12, 2006.
2. As advised, the Group has entered into various capital leases with various tenants regarding various retail shops with gross floor area of approximately 14,811 sq.m. of the Development. In our valuation, we have excluded these parts with capital lease.
3. As advised, the Group has done an additional work to build the basement level 3 and has changed the carpark for commercial use. The relevant government authority has demanded the Group to reinstate the works but allowed the basement level 3 temporarily used as plant room and the carpark kept running for a term of two years for commercial use. In our valuation, we have assumed that those parts have been reinstated and the Group has settled all the cost of the reinstatement as well as complied with the penalty requirement by the relevant government authority.
4. We have been provided with a legal opinion on the property prepared by the Group's legal advisor, which contains, *inter alia*, the following information:
  - a. The Group shall have the rights to occupy and use as well as receive income from the property, except the part mentioned in note 3 above, no fewer than 40 years from the commencement date of operation.
  - b. The Group has to guarantee the property can be swiftly handed over to the government authorities in China during war time.
  - c. The Group has the rights to use the underground space of the land at which the property is located.
5. A summary of major certificates/approvals is shown as follows:
 

(i)	Construction Works Planning Permit . . . . .	Yes
(ii)	Construction Works Commencement Permit . . . . .	Yes
(iii)	Construction Works Completion Certified Report . . . . .	Yes

## VALUATION CERTIFICATE

## Group II — Property interests held by the Group for development in the PRC

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital value in existing state as at June 30, 2008 (RMB)</u>
6. Phase I of Zhengzhou Project, Datong Road, Erqi District, Zhengzhou City, Henan Province, the PRC	<p>The property with site area of approximately 48,150 sq.m. is an underground shopping mall development.</p> <p>Upon completion, the property will comprise various retail shop units with a total gross floor area of approximately 100,500 sq.m.</p> <p>As advised by the Group, the estimated development cost to completion for the property is approximately RMB640,000,000 (excluding marketing, finance and other indirect costs).</p> <p>The rights of use of the property will be held for 40 years from the commencement date of operation of the property.</p>	The property is currently under development.	No Commercial Value

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*Notes:*

1. As the Group has not obtained the Construction Works Completion Certified Report, we have attributed “No Commercial Value” to the property. Had the Group obtained the Construction Works Completion Certified Report or equivalent at the Date of Valuation, the capital value of the property as if completed as at June 30, 2008 was in the sum of RMB4,099,500,000 (100% interests attributable to the Group: RMB4,099,500,000).
  
2. We have been provided with a legal opinion on the property prepared by the Group’s legal advisor, which contains, *inter alia*, the following information:
  - a. After completion of the property and the relevant inspection as well as documentation works, the Group is entitled to occupy and use the property as well as receive income from it, no fewer than 40 years from the commencement date of operation.
  
  - b. The Group has the rights to use the underground space of the land at which the property is located.
  
3. A summary of major certificates/approvals is shown as follows:
 

(i)	Construction Works Planning Permit . . . . .	Yes
(ii)	Construction Works Commencement Permit . . . . .	Yes
(iii)	Construction Works Completion Certified Report . . . . .	N/A

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital value in existing state as at June 30, 2008 (RMB)</u>
7. Phase I of Shenyang Project, Changjiang Street, Huanggu District, Shenyang City, Liaoning Province, the PRC	<p>The property with site area of approximately 87,000 sq.m. is an underground shopping mall development.</p> <p>Upon completion, the property will comprise various retail shop units with a total gross floor area of approximately 167,000 sq.m..</p> <p>As advised by the Group, the estimated development cost to completion and the total construction cost for the property is approximately RMB1,479 million and RMB1,481 million respectively (excluding marketing, finance and other indirect costs).</p> <p>The property will be completed in 2008.</p> <p>The rights of use of the property will be held for 40 years from the commencement date of operation of the property.</p>	The property is currently under construction.	No Commercial Value

Notes:

- As the Group has not obtained the Construction Works Completion Certified Report, we have attributed "No Commercial Value" to the property. Had the Group obtained the Construction Works Completion Certified Report or equivalent at the Date of Valuation, the capital value of the property as if completed as at June 30, 2008 was in the sum of RMB5,730,000,000 (100% attributable to the Group: RMB5,730,000,000).

2. We have been provided with a legal opinion on the property prepared by the Group’s legal advisor, which contains, *inter alia*, the following information:
  - a. After completion of the property and the relevant inspection as well as documentation works, the Group is entitled to occupy and use the property as well as receive income from it, no fewer than 40 years from the commencement date of operation.
  - b. The Group has the rights to use the underground space of the land at which the property is located.
  
3. A summary of major certificates/approvals is shown as follows:
 

(i)	Construction Works Planning Permit. . . . .	Yes
(ii)	Construction Works Commencement Permit. . . . .	Yes
(iii)	Construction Works Completion Certified Report . . . . .	N/A

## VALUATION CERTIFICATE

## Group III — Property interests rented by the Group in the PRC

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital value in existing state as at June 30, 2008</u> (RMB)
8. No. 29 Meishun Street, Nangang District, Harbin City, Heilongjiang Province, the PRC	The property with gross floor area of approximately 1,931 sq.m. comprises a 5-storey office building.  The property is tenanted to the Group for a term of one year from January 1, 2008 to December 31, 2008.	The property is occupied by the Group as office.	No Commercial Value

Notes:

1. According to the tenancy agreement dated December 30, 2007, Harbin Jurong New Energy Co. Ltd. (the "Landlord") agreed to tenant the property with gross floor area of approximately 1,930.96 sq.m. to the Group (the "Tenant") for an annual rent of RMB1,200,000 for a term of one year from January 1, 2008 to December 31, 2008.
2. As advised, the Landlord does not provide any title document to the Group.
3. We were advised that the owner of the property is a connected party to the Group.
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
  - a. Since the Group cannot provide the Building Ownership Certificate and/or other tenancy permit, the validity and legality of the tenancy agreement cannot be justified.
  - b. As advised by the Group, the tenancy has been executed as agreed.
  - c. No objection or declaration of rights by any third party to the Landlord and the Tenant has been reported.
  - d. No government authority has expressed objection or inflicts penalty on the tenancy.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital value in existing state as at June 30, 2008 (RMB)</u>
9. 5/F, No. 96 Zhanqian Road, Liwan District, Guangzhou City, Guangdong Province, the PRC.	The property with gross floor area of approximately 600 sq.m. comprises the whole 5th floor of an office building.  The property is tenanted to the Group for a term of 2 years from August 1, 2006 to July 31, 2008.	The property is occupied by the Group as an office.	No Commercial Value

Notes:

1. According to the tenancy agreement dated June 27, 2006, Guangdong Province-Hong Kong-Macau Fishermen Hostel (the "Landlord") agreed to tenant the property with gross floor area of approximately 600 sq.m. to the Group (the "Tenant") for a term of 2 years from August 1, 2006 to July 31, 2008 for a monthly rent of RMB14,420 for the first year and RMB14,852.6 for the second year.
2. According to the Real Estate Title Certificate No. Yue Fang Di Zheng Zi No. C3212759 dated November 12, 2004, the property is held by Guangdong Province-Hong Kong-Macau Fishermen Hostel for conference room and residential uses.
3. As advised, the owner of the property is an independent third party to the Group.
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
  - a. The tenancy agreement has been registered in the relevant registry.
  - b. The tenancy agreement is legitimately established and is binding to both parties.
  - c. The Tenant has the rights to use the property by virtue of the conditions of the tenancy agreement.



## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital value in existing state as at June 30, 2008 (RMB)</u>
10. Portion of 1/F and Portion of 4/F, Greenland Hotel, No. 93 Datong Road, Erqi District, Zhengzhou City, Henan Province, the PRC	The property with gross floor area of approximately 1,880 sq.m. comprises portion of 1/F and portion of 4/F in a 36-storey hotel.  The property is tenanted to the Group for a term of 8 years from August 1, 2007 to July 31, 2015.	The property is occupied by the Group as office.	No Commercial Value

Notes:

1. According to the tenancy agreement dated May 8, 2007, Henan Greenland Hotel Co. Ltd. (the "Landlord") agreed to tenant the property with gross floor area of approximately 1,880 sq.m. to the Group (the "Tenant") for an annual rent of RMB450,000 for a term of 8 years from August 1, 2008 to July 31, 2015.
2. As advised, the Landlord does not provide any title document to the Group.
3. We were advised that the owner of the property is an independent third party to the Group.
4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, *inter alia*, the following information:
  - a. Since the Group cannot provide the Building Ownership Certificate and/or other tenancy permit, the validity and legality of the tenancy agreement cannot be justified.
  - b. As advised by the Group, the tenancy has been executed as agreed.
  - c. No objection or declaration of rights by any third party to the Landlord and the Tenant has been reported.
  - d. No government authority has expressed objection or inflicts penalty on the tenancy.

## VALUATION CERTIFICATE

## Group IV — Property interests rented by the Group in Hong Kong

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital value in existing state as at June 30, 2008 (RMB)</u>
11. Suites 603–606, 6th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong	<p>The property comprises an office unit on the 6th floor in the 39-storey office tower of One International Finance Centre. The property was completed in 1998.</p> <p>The lettable area of the property is approximately 4,557 sq.ft..</p> <p>The property is leased by the MTR Corporation Limited to the Group for a term of 3 years from September 1, 2008 to August 31, 2011, including a 3-month rent free period, for a monthly rent of HK\$751,905, exclusive of government rates, service charges and other outgoings with an option to renew for a further term of 3 years at the then prevailing market rent.</p>	The property is under renovation and will be occupied by the Group as an office.	No Commercial Value

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*Notes:*

1. The registered owner of the property is MTR Corporation Limited.
2. We were advised that the registered owner is an independent third party to the Group.
3. The property is zoned “Comprehensive Development Area” under the approved Central District Outline Zoning Plan No. S/H4/12 dated February 18, 2003.

## VALUATION CERTIFICATE

<u>Property</u>	<u>Description and tenure</u>	<u>Details of occupancy</u>	<u>Capital value in existing state as at June 30, 2008 (RMB)</u>
12. Office on Floor No.12 (Previously Known as 11th Floor), Times Tower, Nos. 391-407 Jaffe Road, Wanchai, Hong Kong	<p>The property comprises an office on the 12th floor in an office tower. The property was completed in 1996.</p> <p>The saleable area of the property is approximately 1,962 sq.ft..</p> <p>The property is leased by Jade Century Development Limited to the Group for a term of 9 months to December 31, 2008 at a monthly rent of HK \$51,500, exclusive of rates, management fees and all utility charges.</p>	The property is occupied by the Group as an office.	No Commercial Value

Notes:

1. The registered owner of the property is Jade Century Development Limited.
2. We were advised that the registered owner is a connected party to the Group.
3. The property is zoned "Commercial/Residential" under the approved Wan Chai Outline Zoning Plan No. S/H5/25 dated November 6, 2007.

**MAINLAND CHINA TAXATION**

Because we are not incorporated in mainland China, your investment in our Shares is largely exempt from PRC tax laws. But because virtually all of our business operations are in mainland China and we carry out these business operations through operating subsidiaries organized under the PRC law, our PRC operations and our operating subsidiaries in mainland China are subject to PRC tax laws and regulations, which indirectly affect your investment in our Shares.

**Dividends from our PRC operations**

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries or joint ventures to us were exempt from PRC income tax. However, pursuant to the PRC Enterprise Income Tax Law and its implementation rules that became effective on January 1, 2008, dividends generated after January 1, 2008 which are payable by foreign invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10%.

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

**Dividends we pay to you**

Because we are not incorporated in mainland China, under the PRC tax laws effective prior to January 1, 2008, even though we had significant operating subsidiaries and joint ventures in mainland China, our distribution of dividends to our overseas investors was not subject to PRC tax. The new PRC enterprise income tax law and its implementation rules, however, impose a withholding tax at the rate of 10% on dividends paid to investors that are “non-resident enterprises” (enterprises that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends are sourced within China. It is not clear whether you will be subject to such PRC withholding taxes as a result. Although a foreign investor has such establishment or place of business in China, such withholding is not applicable if the relevant income is not effectively connected with its establishment or place of business in China. Due to these new provisions in the PRC tax law, despite many uncertainties with respect to their actual intentions and practical effects, if we are considered a PRC resident enterprise, the dividends we pay with respect to our Shares may be treated as income derived from sources within China and be subject to the PRC withholding tax.

**Transfer or disposition of our Shares**

As we are not incorporated in mainland China, under the PRC tax laws, any transfer or disposition of our Shares by an overseas investor did not trigger PRC tax liabilities. The new PRC enterprise income tax law and its implementation rules, however, impose a withholding tax at the rate of 10% on

capital gains realized by investors that are “non-resident enterprises,” to the extent such gains are sourced within China. It is not clear whether you will be subject to such PRC withholding taxes as a result. A non-resident enterprise for such tax purposes is defined to include any non-PRC incorporated enterprise that does not have an establishment or place of business in China. Any gain realized on the transfer of Shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. Due to these new provisions in the PRC tax law, despite many uncertainties with respect to their actual intentions and practical effects, if we are considered a PRC resident enterprise, the gain you may realize from the transfer of our Shares, may be treated as income derived from sources within China and be subject to the PRC income tax.

### **Our operations in mainland China**

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

#### *Enterprise Income Tax*

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

#### *Business Tax*

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

*Urban Land Use Tax*

Pursuant to the Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land (中華人民共和國城鎮土地使用稅暫訂條例) promulgated by the State Council in September 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land is between RMB0.2 and RMB10 per sq.m. The Interim Regulations of the People's Republic of China on Land Use Tax were revised by the State Council on December 31, 2006. As of January 1, 2007, the Urban Land Use Tax is applicable to Foreign Invest Enterprises, and the annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

*Urban Real Estate Tax*

Under the 國家稅務總局關於外商投資企業徵收城市房地產稅若干問題的通知 (國稅發[2000]44號2000年3月8日) enterprises with foreign investment managing the civil air defense shelters are currently exempt from urban real estate tax. Our PRC legal advisor, Jingtian, advised us that as all of the Group's project companies in China are foreign-invested enterprises, we are currently exempt from urban real estate tax.

**FOREIGN EXCHANGE CONTROLS**

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

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

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

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of Renminbi. Pursuant to such systems, the PBOC sets and publishes the daily Renminbi-US dollar

exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

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

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

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

On July 21, 2005, the PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day. Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in China (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income



to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

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

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

On December 25, 2006, the PBOC announced the “Measures for the Administration of Individual Foreign Exchange” (個人外匯管理辦法), and on January 5, 2007, SAFE issued the “Notice of the State Administration of Foreign Exchange on Printing and Distributing the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange” (國家外匯管理局關於印發《個人外匯管理辦法實施細則》的通知). According to these regulations, (i) the administration of total annual amount shall apply to individual settlement and domestic individual purchase of foreign exchange. The total annual amount shall be the value equivalent to US\$50,000 for each person every year; (ii) a domestic individual shall make foreign direct investment in accordance with the relevant provisions of the state. As for the required foreign exchange, he/she may purchase foreign exchange or remit the self-owned foreign exchange abroad upon the approval of the local foreign exchange department and shall handle the corresponding formalities for the registration of foreign exchange for overseas investment; (iii) a domestic individual may use foreign exchange or RMB to make financial investment involving overseas regular earnings or rights and interests, etc, through such qualified domestic institutional investors as banks and fund management companies; (iv) where a



domestic individual participates in the employee stock ownership plan or stock option plan of an overseas listed company, the foreign exchange business involved shall be handled after the listed company or its domestic agency has filed a unified application and has obtained the approval from the foreign exchange department. The foreign exchange incomes obtained by a domestic individual from selling the stocks under the employee stock ownership plan or stock option plan of an overseas listed company and those from dividend may go through foreign exchange settlement formalities after being remitted to the domestic special foreign exchange account opened by the listed company or its domestic agency, or may be transferred to the employees' individual foreign exchange savings accounts; and (v) in light of the convertibility progress of RMB under the capital account, the administration of granting loans to overseas individuals, borrowing foreign debts, providing external guarantee and directly participating in transactions involving overseas commodity futures or financial derivative products by domestic individuals shall be gradually loosened, and the specific measures shall be formulated separately.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 20, 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on August 25, 2008. The following is a summary of certain provisions of the Articles:

### (a) Directors

#### (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the

board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associate(s) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (1) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associate(s) or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;
- (2) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (3) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (4) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

- (5) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associate(s) are not in aggregate beneficially interested in 5 per cent. (5%) or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (6) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and to employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include

any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors:

The office or director shall be vacated:

- (1) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (2) becomes of unsound mind or dies;

- (3) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (4) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (5) if he is prohibited from being a director by law; or
- (6) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

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*Note:* These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.



**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or (in the case of corporations) by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by

proxy or (in the case of a member being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and representing not less than one tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (1) the declaration and sanctioning of dividends;
- (2) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (3) the election of directors in place of those retiring;
- (4) the appointment of auditors and other officers;
- (5) the fixing of the remuneration of the directors and of the auditors;
- (6) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent. (20%) in nominal value of its existing issued share capital; and
- (7) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspapers or by any other means in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the



payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.



A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the

Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account." At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-

off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or

purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from December 4, 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**(n) Winding up**

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the

property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

**(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(q) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VIII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.



**A. FURTHER INFORMATION ABOUT THE COMPANY****1. Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law on November 20, 2007. We have established a place of business in Hong Kong at 12/F, Times Tower, 391–407 Jaffe Road, Wanchai, Hong Kong and have been registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance under the same address. Mr. Hung Fan Kwan has been appointed as our agent for the acceptance of service of process and notices under the same address. As we are incorporated in the Cayman Islands, our corporate structure, and our Memorandum of Association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum of Association and Articles of Association and certain relevant aspects of Cayman Islands Companies Law are set out in the section headed “Summary of Constitution of the Company and Cayman Islands Company Law” in Appendix VI to this prospectus.

**2. Changes in share capital**

As at the date of the Company’s incorporation, the Company’s authorised share capital was HK\$380,000 divided into 38,000,000 ordinary shares of par value HK\$0.01. The following sets out the changes in our share capital since the date of our incorporation:

- (a) On November 20, 2007, one Share was allotted and issued as fully paid to Codan Trust Company (Cayman) Limited as the initial subscriber, which was then transferred to Mrs. Hawken on the same day;
- (b) On December 7, 2007, that one Share was transferred from Mrs. Hawken to Super Brilliant in consideration of HK\$0.01;
- (c) On December 13, 2007, a shareholders’ special resolution was passed pursuant to which the authorised share capital of the Company of HK\$380,000 divided into 38,000,000 Shares was reorganized, re-designated and reclassified so that the authorized share capital of the Company shall be HK\$380,000 divided into 355,000 Class A Preference Shares of a par value of HK\$0.01 each and 37,645,000 ordinary shares of a par value of HK\$0.01 each (the latter of which includes the re-designation and re-classification of the existing one share of HK\$0.01 in issue into an ordinary share). On the same day, 130,000 Class A Preference Shares and 1,569,999 ordinary shares were allotted and issued, credited as fully paid, to Super Brilliant at par value;
- (d) On December 14, 2007, 90,000 ordinary shares were allotted and issued, credited as fully paid, to Super Brilliant at the subscription price of the equivalent of RMB10,000 per share;

- (e) On December 28, 2007, a shareholders' resolution was passed pursuant to which 98,000 of the ordinary shares then held by Super Brilliant were reclassified and re-designated into 98,000 Class A Preference Shares. On the same day, 53,000 ordinary shares were allotted and issued, credited as fully paid, to Super Brilliant at the subscription price of the equivalent of RMB10,000 per share;
- (f) On January 31, 2008, a shareholder's resolution was passed pursuant to which 119,795 of the ordinary shares then held by Super Brilliant were reclassified and re-designated into 119,795 Class A Preference Shares;
- (g) On August 25, 2008, shareholders' resolutions were passed pursuant to which the 347,795 Class A Preference Shares (being all of the Class A Preference Shares then in issue) were converted into 347,795 ordinary shares, at a conversion rate of 1:1, and the memorandum and articles of the association of the Company were amended to extinguish Class A Preference Shares; and
- (h) On August 25, 2008, shareholders' resolutions were passed to approve, among other things, (i) the increase of authorised share capital of the Company and (ii) the Capitalization Issue, details of which are set out below.

Immediately after the Global Offering becomes unconditional and the Hong Kong Offer Shares and the Shares under the Capitalization Issue are issued, and assuming the Over-allotment Option is not exercised, our authorised share capital upon completion of the Capitalization Issue and the Global Offering will be HK\$400,000,000 divided into 40,000,000,000 Shares of HK\$0.01 each of which 20,000,000,000 Shares will be allotted and issued as fully paid or credited as fully paid. On the basis that the Over-allotment Option is exercised in full, 20,450,000,000 Shares will be allotted and issued as fully paid or credited as fully paid. Other than pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders at a general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this Appendix, there has been no alteration in our share capital since the date of our incorporation.

### **3. Resolutions of our Shareholders**

Pursuant to the written resolutions passed by our Shareholders on August 25, 2008:

- (a) the Memorandum and the Articles were approved and adopted with effect conditional upon the Listing.
- (b) conditional upon the Listing, the authorised share capital of the Company is to increase by HK\$399,620,000 by the creation of 39,962,000,000 new Shares and that part of the authorised share capital of the Company comprising 355,000 Class A Preference Shares is to be reorganised, re-designated and re-classified into 355,000 Shares, such that the authorised share capital of the Company would become HK\$400,000,000 divided into 40,000,000,000 Shares.

- (c) Conditional upon the conditions for completion of the Global Offering being fulfilled:
- (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Hong Kong Offer Shares pursuant to the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option; and
  - (ii) the Share Option Scheme was approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of the options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary and/or desirable to implement and give effect to the Share Option Scheme.
- (d) Subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of Hong Kong Offer Shares pursuant to the Global Offering, our Directors are authorised to allot and issue a total of 16,998,157,000 Shares credited as fully paid at par to the holders of Shares on the register of members of the Company at the close of business on August 25, 2008 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of \$169,981,570 standing to the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (the “**Capitalization Issue**”).
- (e) A general unconditional mandate was granted to our Directors to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of:
- (i) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the Global Offering and the completion of the Capitalization Issue referred to in sub-paragraph (d) above; and
  - (ii) the aggregate nominal amount of the share capital of the Company repurchased pursuant to the authority granted to our Directors referred to in sub-paragraph (f) below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the Over-allotment Option or the options to be granted under the Share Option Scheme. Such mandate will expire:

- (i) at the conclusion of the next annual general meeting of the Company;
- (ii) at the end of the period within which the next annual general meeting of the Company is required to be held under the applicable laws or the Memorandum of Association and the Articles of Association; or

- (iii) when revoked or varied by ordinary resolution of our Shareholders at a general meeting of the Company, whichever occurs first.
- (f) A general unconditional mandate was given to our Directors to exercise all powers of the Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue immediately following the Capitalization Issue and the Global Offering (excluding Shares which may be allotted and issued under the Over-allotment Option or pursuant to the exercise of the options to be granted under the Share Option Scheme):

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will expire:

- (i) at the conclusion of the next annual general meeting of the Company;
- (ii) at the end of the period within which the next annual general meeting of the Company is required to be held under the applicable laws or Memorandum of Association and the Articles of Association; or
- (iii) when revoked or varied by ordinary resolution of our Shareholders at a general meeting of the Company;

whichever occurs first.

#### **4. Changes in share capital of our subsidiaries**

Our subsidiaries are referred to in the Accountants' Report on the Company as set out in Appendix I to this prospectus.

Save as disclosed in this prospectus, there has been no other alteration in the share capital of our subsidiaries in the two years preceding the date of this prospectus.

#### **5. The Reorganization**

We underwent the Reorganization to rationalise the business and the structure of the Company in anticipation of the Global Offering. Following the Reorganization, the Company became the holding company of our Group. For further information about our Reorganization, please refer to the section headed "History and Reorganization" in this prospectus.

## 6. Repurchases of our own securities

This section includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

### (a) *Relevant Legal and Regulatory Requirements*

The Hong Kong Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by our Shareholders at a general meeting.

### (b) *Shareholders' Approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders at a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On August 25, 2008, our Directors were granted a general unconditional mandate to repurchase up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following the Capitalization Issue and completion of the Global Offering (excluding Shares which may be allotted and issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose. This mandate will expire at the earliest of (i) the conclusion of our next annual Shareholders' general meeting; (ii) the date by which our next Shareholders' general meeting is required by applicable laws and our Articles of Association to be held; or (iii) such mandate being revoked or varied by ordinary resolutions of our Shareholders at a general meeting of the Company (the "**Track Record Period**").

### (c) *Source of Funds*

Our repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, we may make repurchases out of our profit or out of the proceeds of a fresh issue of Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of our Shares to be repurchased must be out of profits of the Company or out of the Company's share premium account. If authorised by our Articles of Association and subject to the Cayman Islands Companies Law, repurchase may also be made, out of capital.

(d) *Reasons for Repurchases*

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(e) *Funding of Repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association and the Hong Kong Listing Rules.

On the basis of the current financial position of the Company as disclosed in this prospectus and taking into account the current working capital position of the Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) *Share Capital*

The exercise in full of the current repurchase mandate, on the basis of 20,000,000,000 Shares in issue immediately after the Global Offering (without taking into account the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme), could accordingly result in up to 2,000,000,000 Shares being repurchased by us during the Track Record Period.

(g) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Hong Kong Listing Rules) currently intends to sell any of our Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Hong Kong Listing Rules, the Memorandum of Association and Articles of Association, the Cayman Islands Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in

concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No connected person as defined by the Hong Kong Listing Rules has notified us that he has a present intention to sell his Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

- (1) A preferred share purchase agreement dated December 8, 2007 entered into between Elite Wealth Investment Limited, Fast Flow Investments Limited, Vivid China Investment Limited, Skybird International Limited and Go Winner Investments Limited, Super Brilliant, Mrs. Hawken and the Company, pursuant to which Elite Wealth Investment Limited, Fast Flow Investments Limited, Vivid China Investment Limited, Skybird International Limited and Go Winner Investments Limited acquired from Super Brilliant 57,225, 57,225, 10,000, 5,000 and 550 Class A Preference Shares respectively at a total consideration of RMB1.3 billion.
- (2) A first amendment agreement dated December 28, 2007 amending the preferred share purchase agreement dated December 8, 2007 referred to in item No. 1 above.
- (3) A second amendment agreement dated January 31, 2008 amending the preferred share purchase agreement dated December 8, 2007 referred to in item No. 1 above.
- (4) A preferred share purchase agreement dated December 28, 2007 entered into between Capital International Private Equity Fund V, L.P., CGPE V, L.P. and Sequoia, Super Brilliant, Mr. Dai, Mrs. Hawken and the Company, pursuant to which Capital International Private Equity Fund V, L.P., CGPE V, L.P. and Sequoia acquired from Super Brilliant 77,044, 2,956 and 18,000 Class A Preference Shares at a total consideration of RMB980 million.
- (5) A preferred share purchase agreement dated January 31, 2008 entered into between Elite Wealth Investment Limited, Ever Union Capital Limited, Palmas Assets Limited, Global Giant Enterprises Limited, Super Brilliant, Mr. Dai, Mrs. Hawken and the Company, pursuant to which Elite Wealth Investment Limited, Ever Union Capital Limited, Palmas Assets Limited and Global Giant Enterprises Limited acquired from Super Brilliant 27,645, 11,979, 6,451 and 73,720 Class A Preference Shares at a total consideration of RMB1.3 billion.



- (6) A shareholders agreement of the Company dated December 14, 2007 entered into between Elite Wealth Investment Limited, Fast Flow Investments Limited, Vivid China Investment Limited, Skybird International Limited and Go Winner Investments Limited, Super Brilliant and the Company in relation to the regulation of certain aspects of the affairs of the Company.
- (7) An amended and restated shareholders agreement of the Company dated December 28, 2007 entered into between Elite Wealth Investment Limited, Fast Flow Investments Limited, Vivid China Investment Limited, Skybird International Limited and Go Winner Investments Limited, Capital International Private Equity Fund V, L.P., CGPE V, L.P. and Sequoia, Super Brilliant, Mr. Dai, Mrs. Hawken and the Company in relation to the regulation of certain aspects of the affairs of the Company.
- (8) A second amended and restated shareholders agreement of the Company dated January 31, 2008 entered into between Elite Wealth Investment Limited, Fast Flow Investments Limited, Vivid China Investment Limited, Skybird International Limited and Go Winner Investments Limited, Capital International Private Equity Fund V, L.P., CGPE V, L.P. and Sequoia, Ever Union Capital Limited, Palmas Assets Limited and Global Giant Enterprises Limited, Super Brilliant, Mr. Dai, Mrs. Hawken and the Company in relation to the regulation of certain aspects of the affairs of the Company.
- (9) The share transfer agreement dated November 25, 2007 entered into between China Supreme and SWC in relation to the share acquisition of 50% equity interest of Harbin 1 Renhe from SWC by China Supreme at a consideration of US\$1.
- (10) The share transfer agreement dated November 25, 2007 entered into between Globe Home and Renhe Group in relation to the share acquisition of 10% equity interest of Harbin 2 Baorong from Renhe Group by Globe Home at a consideration of RMB6,000,000.
- (11) The share transfer agreement dated November 25, 2007 entered into between Globe Home and SWC in relation to the share acquisition of 90% equity interest of Harbin 2 Baorong from SWC by Globe Home at consideration of US\$1.
- (12) The share transfer agreement dated November 25, 2007 entered into among Gold Track and SWC in relation to the share acquisition of 90% equity interest of Harbin 3 Century from SWC by Gold Track at a consideration of US\$1.
- (13) The share transfer agreement dated November 25, 2007 entered into among Gold Track and Renhe Group in relation to the share acquisition of 10% equity interest of Harbin 3 Century from Renhe Group by Gold Track at a consideration of RMB3,000,000.
- (14) The share transfer agreement dated October 5, 2007 entered into between Longain Park and KII in relation to the acquisition of 55% equity interest of Guangzhou Renhe from KII by Longain Park at a consideration of RMB19,250,000.



- (15) The share transfer agreement dated October 5, 2007 entered into between Longain Park and ARI in relation to the acquisition of 35% equity interest of Guangzhou Renhe from ARI by Longain Park at a consideration of RMB12,250,000.
- (16) The share transfer agreement dated October 5, 2007 entered into between Longain Park and Renhe Group in relation to the acquisition of 10% equity interest of Guangzhou Renhe from Renhe Group by Longain Park at a consideration of RMB3,500,000.
- (17) The share transfer agreement dated October 6, 2007 entered into between Star Legend and KII in relation to the acquisition of 75% equity interest of Zhengzhou Renhe from KII by Star Legend at a consideration of HK\$6,400,000.
- (18) The share transfer agreement dated October 6, 2007 entered into between Star Legend and ARI in relation to the acquisition of 5% equity interest of Zhengzhou Renhe from ARI by Star Legend at a consideration of US\$1.
- (19) The share transfer agreement dated October 6, 2007 entered into between Star Legend and Renhe Group in relation to the acquisition of 20% equity interest of Zhengzhou Renhe from Renhe Group by Star Legend at a consideration of RMB1,500,000.
- (20) a deed of non-competition dated August 25, 2008 entered into between Mrs. Hawken, Shining Hill, Super Brilliant, Wealthy Aim Holdings Limited (collectively, the “Covenantors”) and the Company pursuant to which certain non-competition undertakings were provided by the Covenantors in favour of the Company.
- (21) a deed of indemnity dated August 25, 2008 entered into between Mrs. Hawken, Shining Hill and Super Brilliant (collectively, the “Indemnifiers”) and the Company pursuant to which, the Indemnifiers agreed to give certain indemnities in relation to tax and other matters in favour of the Company; and
- (22) the Hong Kong Underwriting Agreement dated September 29, 2008 entered into by, among others, the Joint Global Coordinators, the Hong Kong Underwriters and the Company, in relation to the underwriting of the Hong Kong Public Offering by the Hong Kong Underwriters as referred to in the section headed “Underwriting” of this prospectus.







## 2. Intellectual property rights

As of the Latest Practicable Date, the Company had registered or had applied for the registration of the following intellectual property rights.

### A. Trademarks

#### (a) Trademarks under application




As of the Latest Practicable Date, we had applied for the registration of a number of trademarks, details of which are as follows:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Class (Note)</u>	<u>Application Number</u>	<u>Application Date</u>
	Hong Kong	35, 36, 37	301062341	February 29, 2008
	PRC	36	6612689	March 24, 2008
	PRC	37	6612690	March 24, 2008
THE FIRST TUNNEL	Hong Kong	35, 36, 37	301051055	February 14, 2008
人和 RENHE	Hong Kong	35, 36, 37	301061225	February 28, 2008
地一大道	PRC	35	6621678/ 6695567	March 27, 2008/ May 4 2008
地一大道	PRC	36	6621679	March 27, 2008
地一大道	PRC	37	6621680	March 27, 2008
	PRC	35	6621692	March 27, 2008
	PRC	36	6621693	March 27, 2008
	PRC	37	6621694	March 27, 2008

*Note:* On 27 March 2008, we have filed the trademark applications for the trademark “地一大道” under classes 1-12, 14-34, 38-45 and for the trademark “地一大道” under classes 18 and 25 in the PRC and these classes are not relevant to the core business of our Group.

(b) *Registered trademarks*

As of the Latest Practicable Date, we had obtained the registration of the following trademarks, details of which is as follows:

<u>Trademark</u>	<u>Place of Registration</u>	<u>Class (Note)</u>	<u>Trademark Number</u>	<u>Duration of Registration</u>
	Hong Kong	35, 36, 37	301051064	February 14, 2008 to February 13, 2018
	Hong Kong	35, 36, 37	301051073	February 14, 2008 to February 13, 2018
	Hong Kong	35, 36, 37	301073853	March 17, 2008 to March 16, 2018
人和商業控股有限公司	Hong Kong	35, 36, 37	301061261	February 28, 2008 to February 27, 2018
<b>RENHE COMMERCIAL HOLDINGS COMPANY LIMITED</b>	Hong Kong	35, 36, 37	301061252	February 28, 2008 to February 27, 2018

*Notes:*

Class 35: Business management of department stores, shopping centres, retail and wholesale outlets; business advice relating to the establishment, management and organization of retail stores; business development and business management of retail operations and commercial undertakings; shopping centre business management and promotion services; wholesale and retail outlet business management; information, consultancy and advisory services relating to all the aforesaid services.

Class 36: Leasing of property; leasing of shop units; leasing of stores; arranging leases for the rental of property; information, consultancy and advisory services relating to all the aforesaid services.

Class 37: Construction, repair and maintenance of shopping centres, department stores, retail and wholesale outlets; development of shopping centres, department stores, retail and wholesale outlets, advisory services relating to the development of property; information, consultancy and advisory services relating to all the aforesaid services.

**B. Domain Names**

As at the Latest Practicable Date, the Company had registered the following domain names:

<u>Domain name</u>	<u>Registrant</u>	<u>Date of registration</u>	<u>Expiry Date</u>
renhebusiness.com	Renhe Commercial Holdings Company Limited	July 23, 2007	July 23, 2013
gzrenhe.com	Renhe Commercial Holdings Company Limited	September 6, 2005	September 6, 2009

**3. Further information about our subsidiaries**

A summary of the corporate information and the principal terms of our subsidiaries are set out below.

**I. Subsidiaries outside the PRC****A. Hong Kong Subsidiaries**

1. Renhe Commercial Management Limited (人和商業管理有限公司) (formerly known as Billion Jade Group Limited (億翠集團有限公司))
  - a. Place of incorporation                      Hong Kong
  - b. Date of incorporation                        December 18, 2007
  - c. Authorised share capital                    HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital                         One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company                      100%
  - f. General nature of business                 Investment holding
  - g. Director(s)                                     Mrs. Hawken, Mr. Dai and Mr. Wang Hongfang
  - h. Type of company                                Private

2. China Supreme Investments Limited (威奧投資有限公司)
  - a. Place of incorporation Hong Kong
  - b. Date of incorporation September 14, 2007
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
  
3. Globe Home Limited (佳泛有限公司)
  - a. Place of incorporation Hong Kong
  - b. Date of incorporation September 21, 2007
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private

4. Gold Track Group Limited (協源集團有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation September 14, 2007
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
5. Longain Park Limited (錦凌有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation September 14, 2007
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private

6. Star Legend Group Limited (志潤集團有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation September 14, 2007
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
7. Summer Joy Investments Limited (開領投資有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation September 14, 2007
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private

8. Best Record Investments Limited (顯迅投資有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation December 4, 2007
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
9. Easy Trip Limited (遠晴有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation January 2, 2008
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private



10. Great Peaceful Limited (祺碩有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation January 2, 2008
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
11. Lead Wealthy Limited (智煌有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation January 2, 2008
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private

12. New Peace Limited (祺新有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation January 2, 2008
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
13. Upper Choice Investments Limited (可高投資有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation December 3, 2007
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private

14. Join Gain Group Limited (成康集團有限公司)
- a. of incorporation Hong Kong
  - b. Date of incorporation December 18, 2007
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
15. Gain Swift Limited (得易有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation January 2, 2008
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private



18. Super Ally Limited (翔合有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation April 10, 2008
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
19. Dawn Success Limited (旭凱有限公司)
- a. Place of incorporation Hong Kong
  - b. Date of incorporation January 2, 2008
  - c. Authorised share capital HK\$10,000 divided into 10,000 shares each with a par value of HK\$1.00
  - d. Issued share capital One share with a par value of HK\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private



**B. BVI subsidiaries**

1. Fine Genius Enterprises Limited (賢華企業有限公司)
  - a. Place of incorporation BVI
  - b. Date of incorporation October 25, 2007
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
  
2. Billion Luck Enterprises Limited (億祥企業有限公司)
  - a. Place of incorporation BVI
  - b. Date of incorporation September 27, 2007
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private

3. Fast Reach Group Limited (快達集團有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation September 12, 2007
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
4. King Wealthy Enterprises Limited (君裕企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation August 30, 2007
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private



5. Superb Power Enterprises Limited (鉅力企業有限公司)
- |   |   |
|---|---|
| a. Place of incorporation                             | BVI   |
| b. Date of incorporation                              | September 27, 2007  |
| c. Authorised share capital                           | US\$50,000 divided into 50,000 shares each with a par value of US\$1.00 |
| d. Issued share capital                               | One share with a par value of US\$1.00                                  |
| e. Percentage of equity interest owned by the Company | 100%  |
| f. General nature of business                         | Investment holding  |
| g. Director(s)  | Mrs. Hawken   |
| h. Type of company                                    | Private   |
6. Victory Faith Group Limited (凱信集團有限公司)
- |   |   |
|---|---|
| a. Place of incorporation                             | BVI   |
| b. Date of incorporation                              | September 27, 2007  |
| c. Authorised share capital                           | US\$50,000 divided into 50,000 shares each with a par value of US\$1.00 |
| d. Issued share capital                               | One share with a par value of US\$1.00                                  |
| e. Percentage of equity interest owned by the Company | 100%  |
| f. General nature of business                         | Investment holding  |
| g. Director(s)  | Mrs. Hawken   |
| h. Type of company                                    | Private   |

7. Blooming Future Group Limited (景升集團有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation November 28, 2007
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
8. Bright Smart Holdings Limited (明智控股有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation December 3, 2007
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private

9. Cheerfar Enterprises Limited (展發企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation January 8, 2008
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
10. Easy Cheer Enterprises Limited (順志企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation January 4, 2008
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private

11. Magic Dynasty Enterprises Limited (妙代企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation December 7, 2007
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
12. Mega Thru Enterprises Limited (百通企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation January 3, 2008
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private

13. Joyous Rise Enterprises Limited (喜升企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation November 29, 2007
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
14. Brilliant China Enterprises Limited (卓華企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation February 6, 2008
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private

15. Great Smooth Enterprises Limited (宏順企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation January 9, 2008
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
16. Maxwing Enterprises Limited (榮盛企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation January 31, 2008
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private

17. Proper Way Enterprises Limited (正通企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation January 31, 2008
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
18. Allyking Enterprises Limited (京邦企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation January 11, 2008
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private

19. Head Park Enterprises Limited (柏源企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation January 9, 2008
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private
20. Huge Extent Enterprises Limited (廣浩企業有限公司)
- a. Place of incorporation BVI
  - b. Date of incorporation January 11, 2008
  - c. Authorised share capital US\$50,000 divided into 50,000 shares each with a par value of US\$1.00
  - d. Issued share capital One share with a par value of US\$1.00
  - e. Percentage of equity interest owned by the Company 100%
  - f. General nature of business Investment holding
  - g. Director(s) Mrs. Hawken
  - h. Type of company Private



21. Newest Sino Enterprises Limited (新東企業有限公司)
- |   |   |
|---|---|
| a. Place of incorporation                             | BVI   |
| b. Date of incorporation                              | January 30, 2008  |
| c. Authorised share capital                           | US\$50,000 divided into 50,000 shares each with a par value of US\$1.00 |
| d. Issued share capital                               | One share with a par value of US\$1.00                                  |
| e. Percentage of equity interest owned by the Company | 100%  |
| f. General nature of business                         | Investment holding  |
| g. Director(s)  | Mrs. Hawken   |
| h. Type of company                                    | Private   |

## II. PRC subsidiaries

- (i) 哈爾濱人和公共設施有限公司 (*Harbin Renhe Public Facilities Co., Ltd.*)
- |   |   |
|---|---|
| a. Place of incorporation                             | The PRC   |
| b. Date of incorporation                              | January 11, 1992  |
| c. Registered share capital                           | RMB20,000,000   |
| d. Total investment capital                           | RMB20,000,000   |
| e. Paid-in Capital                                    | RMB10,000,000   |
| f. Percentage of equity interest owned by the Company | 100%  |
| g. General nature of business                         | rental of shopping counter, entertainment venue and service facility                        |
| h. Director(s)  | Wang Chunrong, Mrs. Hawken, Zhang Xingmei, Wang Min <sup>▲</sup> , Tony Hawken <sup>▲</sup> |
| i. Type of company                                    | Private   |

- (ii) 哈爾濱寶榮公共設施有限公司 (*Harbin Baorong Public Facilities Co., Ltd.*)<sup>▲</sup>
- |   |   |
|---|---|
| a. Place of incorporation                             | The PRC   |
| b. Date of incorporation                              | October 24, 2000  |
| c. Registered share capital                           | RMB60,000,000   |
| d. Total investment capital                           | RMB110,000,000  |
| e. Paid-in capital                                    | RMB60,000,000   |
| f. Percentage of equity interest owned by the Company | 100%  |
| g. General nature of business                         | construction of underground mall and service facility, rental of shopping counter |
| h. Director(s)  | Zhang Dabin, Mrs. Hawken, Zhang Xingmei, Wang Min, Tony Hawken <sup>▲</sup>       |
| i. Type of company                                    | Private   |
- (iii) 哈爾濱人和世紀公共設施有限公司 (*Harbin Renhe Century Public Facilities Co., Ltd.*)<sup>▲</sup>
- |   |   |
|---|---|
| a. Place of incorporation                             | The PRC   |
| b. Date of incorporation                              | March 7, 2003   |
| c. Registered share capital                           | RMB30,000,000   |
| d. Total investment capital                           | RMB60,000,000   |
| e. Paid-in capital                                    | RMB30,000,000   |
| f. Percentage of equity interest owned by the Company | 100%  |
| g. General nature of business                         | construction of underground mall and service facility, rental of shopping counter |
| h. Director(s)  | Mr. Dai, Zhang Dabin, Jiang Mei, Zhang Xingmei, Tony Hawken <sup>▲</sup>          |
| i. Type of company                                    | Private   |

(iv) 廣州人和新天地公共設施有限公司 (*Guangzhou Renhe New World Public Facilities Co., Ltd.*)

a. Place of incorporation	The PRC
b. Date of incorporation	August 3, 2005
c. Registered share capital	RMB35,000,000
d. Total investment capital	RMB335,000,000
e. Paid-in capital	RMB35,000,000
f. Percentage of equity interest owned by the Company	100%
g. General nature of business	construction and operation of underground mall, rental of shopping counter
h. Director(s)	Mr. Dai, Zhang Dabin, Jiang Mei, Zhang Xingmei, Geng Xiaoguo, Tony Hawken <sup>▲</sup>
i. Type of company	Private

(v) 鄭州人和新天地投資管理有限公司 (*Zhengzhou Renhe New World Investment Management Co., Ltd.*)

a. Place of incorporation	The PRC
b. Date of incorporation	May 15, 2007
c. Registered share capital	RMB300,000,000
d. Total investment capital	RMB300,000,000
e. Paid-in capital	RMB300,000,000
f. Percentage of equity interest owned by the Company	100%
g. General nature of business	rental and operation of shopping counter
h. Director(s)	Mr. Dai, Zhang Dabin, Jiang Mei, Zhang Xingmei, Yue Taoming <sup>▲</sup>
i. Type of company	Private

(vi) 瀋陽新天地人和公共設施管理有限公司 (*Shenyang New World Renhe Public Facilities Management Co., Ltd.*)<sup>▲</sup>

a. Place of incorporation	The PRC
b. Date of incorporation	April 30, 2008
c. Registered share capital	US\$49,800,000
d. Total investment capital	US\$49,800,000
e. Paid-in capital	US\$49,800,000
f. Percentage of equity interest owned by the Company	100%
g. General nature of business	Air defense shelter projects, underground car parks, property rental, storage services and property management
h. Directors	Mr. Dai, Zhang Dabin, Wang Chunrong, Wang Luding, Chen Bangju <sup>▲</sup>
i. Type of company	Private

(vii) 哈爾濱人和春天公共設施有限公司 (*Harbin Renhe Spring Public Facilities Co. Ltd.*)<sup>▲</sup>

a. Place of incorporation	The PRC
b. Date of incorporation	July 18, 2008
c. Registered share capital	HK\$220,000,000
d. Total investment capital	HK\$220,000,000
e. Paid-in capital	HK\$120,000,000
f. Percentage of equity interest owned by the Company	100%
g. General nature of business	construction of underground facilities and management of air defense shelter projects
h. Director(s)	Mr. Dai, Qu Zhengping <sup>▲</sup> , Zhang Dabin, Wang Luding and Wang Chunrong
i. Type of company	Private

(viii) 哈爾濱新天地人和公共設施有限公司 (*Harbin New World Renhe Public Facilities Co. Ltd.*)<sup>▲</sup>

a. Place of incorporation	The PRC
b. Date of incorporation	July 18, 2008
c. Registered share capital	HK\$220,000,000
d. Total investment capital	HK\$220,000,000
e. Paid-in capital	HK\$120,000,000
f. Percentage of equity interest owned by the Company	100%
g. General nature of business	construction of underground facilities and management of air defense shelter projects
h. Director(s)	Mr. Dai, Zhang Dabin, Wang Luding, Li Dongling <sup>▲</sup> and Wang Chunrong
i. Type of company	Private

(ix) 天津人和新天地公共設施有限公司 (*Tianjin Renhe New World Public Facilities Co. Ltd.*)

a. Place of incorporation	The PRC
b. Date of incorporation	May 13, 2008
c. Registered share capital	HK\$220,000,000
d. Total investment capital	HK\$220,000,000
e. Paid-in capital	HK\$220,000,000
f. Percentage of equity interest owned by the Company	100%
g. General nature of business	construction and management of underground facilities
h. Director(s)	Mr. Dai, Geng Xiaoguo <sup>▲</sup> , Zhang Dabin, Wang Chunrong, Wang Luding
i. Type of company	Private

- (x) 武漢人和新天地公共設施管理有限公司 (Wuhan Renhe New World Public Facilities Management Co. Ltd.)<sup>▲</sup>
- |   |   |
|---|---|
| a. Place of incorporation                             | The PRC   |
| b. Date of incorporation                              | May 19, 2008  |
| c. Registered share capital                           | RMB200,000,000  |
| d. Total investment capital                           | RMB400,000,000  |
| e. Paid-in capital                                    | RMB30,853,900   |
| f. Percentage of equity interest owned by the Company | 100%  |
| g. General nature of business                         | construction and management of underground facilities (except underground railways) |
| h. Director(s)  | Mr. Dai, Zhang Dabin, Wang Chunrong, Wang Luding, Jiang Wei <sup>▲</sup>            |
| i. Type of company                                    | Private   |
- (xi) 南昌人和新天地公共設施有限公司 (Nanchang Renhe New World Public Facilities Co. Ltd.)
- |   |  |
|---|--|
| a. Place of incorporation                             | The PRC  |
| b. Date of incorporation                              | May 20, 2008   |
| c. Registered share capital                           | RMB300,000,000   |
| d. Total investment capital                           | RMB300,000,000   |
| e. Paid-in capital                                    | RMB61,286,400  |
| f. Percentage of equity interest owned by the Company | 100%   |
| g. General nature of business                         | construction and management of facilities                                |
| h. Director(s)  | Mr. Dai, Zhang Dabin, Wang Chunrong, Wang Luding, Sun Qiwei <sup>▲</sup> |
| i. Type of company                                    | Private  |

- (xii) 遼寧人和新天地公共設施管理有限公司 (*Liaoning Renhe New World Republic Facilities Co., Ltd.*)<sup>^</sup>
- |   |  |
|---|--|
| a. Place of incorporation                             | The PRC  |
| b. Date of incorporation                              | July 31, 2008  |
| c. Registered share capital                           | US\$49,800,000   |
| d. Total investment capital                           | US\$49,800,000   |
| e. Paid-in capital                                    | nil  |
| f. Percentage of equity interest owned by the Company | 100%   |
| g. General nature of business                         | Air defense shelter projects, underground car parks, property rental, storage services and property management |
| h. Director(s)  | Mr. Dai, Zhang Dabin, Wang Chunrong, Wang Luding, Chen Bangju <sup>^</sup>                                     |
| i. Type of company                                    | Private  |

<sup>^</sup> denotes an English translation of a Chinese name.

## C FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

### 1. Disclosure of interests

Immediately following completion of the Capitalization Issue and the Global Offering (without taking into account Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and assuming the Share Adjustments are not effected), the interests of the directors and chief executive of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Hong Kong Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed will be as follows:

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number and class of securities<sup>(1)(2)</sup></u>	<u>Approximate percentage of interest in the Company immediately after the Global Offering</u>
Mrs. Hawken	L	13,791,907,217	68.96%
	S	935,000,000	4.68%
Mr. Dai <sup>(3)</sup>	L	102,000,000	0.51%
Mr. Zhang Dabin <sup>(3)</sup>	L	68,000,000	0.34%
Mr. Wang Hongfang <sup>(3)</sup>	L	85,000,000	0.43%
Ms. Wang Chunrong <sup>(3)</sup>	L	68,000,000	0.34%
Mr. Wang Luding <sup>(3)</sup>	L	68,000,000	0.34%
Ms. Zhang Xingmei <sup>(4)</sup>	L	102,000,000	0.51%

*Notes:*

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) The letter "S" denotes the person's short position in such Shares. It represents the number of Shares in respect of which Wealthy Aim Holdings Limited, a controlled corporation of Mrs. Hawken, has granted purchase rights to our employees and other select individuals subject to certain terms and conditions.
- (3) These interests are interests under the purchase rights granted by Wealthy Aim Holdings Limited as referred to in Note (2) above.
- (4) Ms. Zhang Xingmei is deemed to be interested in these rights to purchase Shares which are granted to her spouse, Mr. Dai.



## 2. Substantial shareholders

So far as our Directors are aware, immediately following completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and assuming the Share Adjustments are not effected), the following persons will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of our subsidiaries:

<u>Name of Shareholders</u>	<u>Capacity/ Nature of interest</u>	<u>Number and class of securities<sup>(1) (2)</sup></u>	<u>Approximate percentage of interest in the Company immediately after the Global Offering</u>
Super Brilliant ( <i>note 3</i> )	Beneficial owner	12,856,907,217 Shares (L)	64.28%
	Interest in a controlled corporation	935,000,000 Shares (L)	4.68%
	Interest in a controlled corporation	935,000,000 Shares (S)	4.68%
Shining Hill ( <i>note 3</i> ) .	Interest in a controlled corporation	13,791,907,217 Shares (L)	68.96%
	Interest in a controlled corporation	935,000,000 Shares (S)	4.68%
Mrs. Hawken( <i>note 3</i> ) .	Interest in a controlled corporation	13,791,907,217 Shares (L)	68.96%
	Interest in a controlled corporation	935,000,000 Shares (S)	4.68%
Cheng Yu Tung Family (Holdings) Limited (“CYTFH”) ( <i>note 4</i> ) . . . . .	Interest in a controlled corporation	1,449,058,600 Shares (L)	7.24%
Centennial Success Limited (“Centennial”) ( <i>note 5</i> ) ( <i>note 6</i> ). . .	Interest in a controlled corporation	1,449,058,600 Shares (L)	7.24%

Notes:

(1) The letter “L” denotes the person’s long position in such Shares.

- (2) The letter “S” denotes the person’s short position in such Shares. It represents the number of Shares in respect of which Wealthy Aim Holdings Limited, a controlled corporation of Mrs. Hawken, has granted purchase rights to our employees and other select individuals subject to certain terms and conditions.
- (3) Mrs. Hawken is interested in the entire issued share capital of Shining Hill which in turn is interested in the entire issued share capital of Super Brilliant and therefore, Mrs. Hawken and Shining Hill are deemed or taken to be interested in the Shares beneficially owned by Super Brilliant for the purposes of the SFO.
- (4) CYTFH holds 51% direct interest in Centennial and is accordingly deemed to have an interest in the shares deemed to be interested by Centennial for the purposes of the SFO.
- (5) Centennial holds 100% interest in each of Chow Tai Fook Enterprises Limited (“CTF”) and Fast Flow Investments Limited, and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF and Fast Flow Investments Limited for the purposes of the SFO.
- (6) CTF, together with its subsidiaries, is interested in more than one-third of shares in New World Development Company Limited and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by New World Development Company Limited for the purposes of the SFO. New World Development Company Limited is deemed to have an interest in the shares held by its indirect subsidiaries Elite Wealth Investment Limited, Vivid China Investment Limited and Skybird International Limited.

### **3. Particulars of service contracts**

Each of Mr. Dai, Mr. Zhang Dabin, Mr. Wang Hongfang, Ms. Wang Chunrong and Mr. Wang Ludin, being our executive Director, has entered into a service contract with the Company on August 25, 2008 for an initial term of 3 years commencing from the Listing Date, until terminated by not less than 3 calendar months’ notice in writing served by either party on the other. The aggregate annual fees payable to the executive Directors is HK\$4,200,000 and RMB3,444,000 (or sum in equivalent currency).

Each of Mrs. Hawken, Ms Jiang Mei, Ms. Zhang Xingmei, Mr. Ho Gilbert Chi Hang and Mr. Ho Hsiang-Ming, James, being our non-executive Director, Mr. Wang Shengli, Mr. Wang Yifu and Mr. Fan Ren Da Anthony, being our independent non-executive Directors, has entered into a letter of appointment with the Company on August 25, 2008. Each letter of appointment is for an initial term of 1 year commencing from the Listing Date. The aggregate annual fees payable to our non-executive and independent non-executive Directors under the letters of appointment is HK\$1,680,000 (or sum in equivalent currency). Mr. Ho Hsiang-Ming, James shall not be entitled to any Director’s fees.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with the Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation).

### **4. Directors’ remuneration**

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and discretionary bonuses) which were paid to our Directors by the Company or any of our subsidiaries for each of the three financial years ended December 31, 2007, were approximately RMB466,000, RMB636,000 and RMB962,000, respectively.

It is estimated that remuneration equivalent to approximately RMB6.8 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2008 under arrangements in force at the date of this prospectus.

#### **5. Fees or commissions received**

Save as disclosed in this prospectus, none of the Directors nor any of the persons whose names are listed in the section headed “— Other Information — Consents” in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of the Company or any of our subsidiaries from the Company within the two years preceding the date of this prospectus.

#### **6. Related party transactions**

During the two years preceding that date of this prospectus, we were engaged in related party transactions as described under the section headed “Connected Transactions” and note 27 of the Accountants’ Report set out in Appendix I to this prospectus.

#### **7. Interest in our largest suppliers or customers**

Save as disclosed in this prospectus, none of the Directors nor their associates, nor any Shareholder (which to the knowledge of the Director owns more than 5% of the Company’s share capital) has any interest in our five largest suppliers or our five largest customers.

#### **Disclaimers**

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of the Company has any interests and short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed;
- (b) none of the Directors nor any of the parties listed in the section headed “— Other Information — Consents” in this Appendix has any direct or indirect interest in the promotion of the Company or any of our subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to the Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to the Company or any of our subsidiaries;

- (c) none of the Directors nor any of the parties listed in the section headed “— Other Information — Consents” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (d) save for the Underwriting Agreements, none of the parties listed in the section headed “— Other Information — Consents” in this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribed for our securities;
- (e) none of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange;
- (f) we have no outstanding convertible debt securities;
- (g) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special items have been granted in connection with the issue or sale of any share or loan capital of the Company or any of our subsidiaries;
- (h) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of the Company; and
- (i) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of our promoters nor is any such securities or amount or benefit intended to be paid or allotted or given.

#### **D. SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to the written resolutions of the Shareholders passed at the extraordinary general meeting held on August 25, 2008:

##### **1. Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to provide an incentive for Qualified Participants (defined below) to work with commitment towards enhancing the value of the Company and the Shares for the benefit of our Shareholders and to retain and attract calibres and working partners whose contribution are or may be beneficial to the growth and development of the Company and its subsidiaries (our “**Group**”).

##### **2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants**

The Board may from time to time grant options to (i) any executive director, or employee (whether full time or part time) of our Company, any member of our Group or any entity in which any member of our Group holds an equity interest (“**Invested Entity**”); (ii) any non-executive director (including independent non-executive directors) of our Company, any member of our

Group or any Invested Entity; ((i) and (ii) collectively “**Eligible Employees**”) and (iii) any such other persons (including but not limited to supplier, customer, consultant, adviser, contractor, business partner or service provider of our Group or any Invested Entity) who in the absolute discretion of the Board has contributed or will contribute to our Group (collectively “**Qualified Participants**”).

### 3. Status of the Share Option Scheme

#### (a) *Conditions of the Share Option Scheme*

The Share Option Scheme shall take effect subject to: (i) the commencement of dealing in the Shares on the Stock Exchange; (ii) the passing of the necessary resolutions to adopt the Share Option Scheme by the Shareholders; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms or otherwise; and (iv) the Listing Committee approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of Options under the Share Option Scheme (the “**Conditions**”).

Application has been made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of any Options which may be granted under the Share Option Scheme.

#### (b) *Life of the Share Option Scheme*

The Share Option Scheme shall be valid and effective for 10 years (the “**Scheme Period**”) from the date (the “**Adoption Date**”) on which the last of the Conditions is fulfilled, after which time no further option may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects.

### 4. Grant of options

#### (a) *Making of offer*

An offer of the grant of an option shall be made to a Qualified Participant by letter (“**Offer Letter**”) in such form as the Board may in its sole and absolute discretion from time to time determine, requiring the Qualified Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (including any operational rules made under the Share Option Scheme). The offer shall remain open for acceptance for a period of five business days from the date on which it is made (“**Offer Date**”) PROVIDED THAT no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of the Share Option Scheme. Subject to the terms of the Offer Letter, there shall be no general performance target for the vesting or exercise of options.

#### (b) *Acceptance of an offer*

An option shall be deemed to have been granted to and accepted by the Qualified Participant (the “**Grantee**”) and to have taken effect after the duplicate letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of

the Company of HK\$1.00 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance set out in paragraph 4(a) above. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the Qualified Participant.

(c) *Restrictions on time of grant*

(i) No grant of options shall be made after a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until the price sensitive information has been announced pursuant to the requirements of the Hong Kong Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

- (1) the date of the Board meeting as shall have been notified to the Stock Exchange for the approval of the Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Hong Kong Listing Rules); and
- (2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Hong Kong Listing Rules or quarterly or other interim period (whether or not required under the Hong Kong Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(ii) No grant of options shall be made to a Qualified Participant who is a Director during a period in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or the Company's own equivalent Code.

(d) *Grant to connected persons*

Any grant of options to a connected person must be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee of the options).

(e) *Grants to substantial shareholders and independent non-executive Directors*

Without prejudice to paragraph 4(d) above, any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him

(whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed date of such grant:

- (i) would represent in aggregate more than 0.1 per cent of the Shares then in issue; and
  - (ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).
- (f) *Proceedings in general meeting to approve the grant of option*

At the general meeting to approve the proposed grant of options under paragraph (d), all connected persons of the Company must abstain from voting unless he is intending to vote against the proposed grant. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the Hong Kong Listing Rules.

#### **5. Subscription price**

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the “**Subscription Price**”) shall, subject to any adjustment pursuant to paragraph 7 below, be a price determined by the Board in its sole and absolute discretion but in any event shall be at least the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the Offer Date;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and
- (iii) the nominal value of the Shares;

except that for the purposes of calculating the Subscription Price under paragraph 5(ii) above for an option offered within five business days of the Listing Date, the price at which the Shares are to be offered for subscription pursuant to the Global Offering shall be used as the closing price for any business day falling within the period before the Listing Date.

#### **6. Maximum number of Shares available for subscription**

- (a) *Scheme Mandate*

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue (without taking into account shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) as of

the Listing Date (“**Scheme Mandate**”) which shall be 2,000,000,000 Shares. For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted in calculating the 10 per cent limit.

(b) *Renewal of Scheme Mandate*

The Company may seek approval by our Shareholders in general meeting for renewing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of the Company under the Scheme Mandate as renewed must not exceed 10% of the total number of Shares in issue as of the date of shareholders’ approval. Options previously granted under the Share Option Scheme and any other share option schemes of the Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph 6(b), a circular containing the information required under Rule 17.02(2)(d) of the Hong Kong Listing Rules and the disclaimer required under Rule 17.02(4) of the Hong Kong Listing Rules must be sent to our Shareholders.

(c) *Grant of Options beyond Scheme Mandate*

The Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Mandate provided that the options in excess of the Scheme Mandate are granted only to Qualified Participants who are specifically identified before such approval is sought.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph (6)(c), the Company must send a circular to our Shareholders containing a generic description of the specified Grantees who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Hong Kong Listing Rules and the disclaimer as required under Rule 17.02(4) of the Hong Kong Listing Rules.

(d) *Maximum number of Shares issued pursuant to Options*

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed such number of Shares as shall represent 30% of the shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

Shares issued or transferred pursuant to options or other rights granted upon assumption of, or in substitution for, outstanding awards previously granted by a company or other entity acquired by the Company or with which the Company combines shall not count against the limits in this sub-paragraph (6)(d).



(e) *Grantee's maximum holding*

Unless approved by our Shareholders in general meeting in the manner prescribed in the Hong Kong Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options during any 12 month period exceeding 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Grantee and his associates abstaining from voting. The Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2)(d) of the Hong Kong Listing Rules and the disclaimer required under Rule 17.02(4) of the Hong Kong Listing Rules. The number and terms (including the Subscription Price) of the options to be granted to such Qualified Participant must be fixed before the Shareholders' approval. The date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Subscription Price.

(f) *Adjustment*

The number of Shares subject to the options and to the Share Option Scheme may be adjusted in such manner as the Company's independent financial advisor or auditors (acting as experts and not as arbitrators) shall certify in writing to the Board to be in their opinion fair and reasonable in accordance with sub-paragraph 7(b) below.

**7. Reorganization of capital structure**

(a) *Adjustment of options*

In the event of any alteration in the capital structure of the Company whilst any option becomes or remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), the Board shall make (and shall notify to the Grantee) such corresponding alterations (if any) in:

- (i) the number of Shares subject to any option so far as such option remains unexercised;
- (ii) the Subscription Price; or
- (iii) the number of Shares subject to the Share Option Scheme;

that are required to give each Grantee the same proportion of the share capital as that to which the Grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustments to the Subscription Price and number of Shares should be made to the advantage of the Qualified Participants without specific prior approval of our shareholders.

(b) *Auditor's certificate*

On any capital reorganization other than a capitalization issue, the auditors or an independent financial advisor shall certify in writing to the Board that the adjustments made by the Board pursuant to sub-paragraph 7(a) above are in their opinion fair and reasonable.

**8. Cancellation of options**

Subject to the consent from the relevant Grantee, the Board may at its discretion cancel options previously granted to and yet to be exercised by a Grantee for the purpose of re-issuing new options to that Grantee provided that there are sufficient available unissued options under the Scheme Mandate as renewed from time to time (excluding such cancelled options) in accordance with the terms of this Scheme.

**9. Assignment of options**

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so (except that the Grantee may nominate a nominee, of which the Grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the Share Option Scheme may be registered provided that evidence of such trust arrangement between the Grantee and the nominee has been provided to the satisfaction of, and on terms acceptable by, the Board).

**10. Rights attached to the Shares**

The Shares to be allotted upon exercise of an option will be subject to all the provisions of our articles of association and will rank *pari passu* with the fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of the Company (the "**Registration Date**"). Accordingly the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the Registration Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee or his nominee as the holder of the Share on the register of members of the Company.

Unless otherwise regulated by applicable law, a Grantee shall have no rights as a Shareholder with respect to any Shares covered by an option before such Grantee exercises the option.

## 11. Exercise of options

### (a) *General*

Subject to the terms of the Share Option Scheme and this paragraph 11, an option (to the extent that it is vested and/or exercisable pursuant to the terms and conditions set out in the Offer Letter) may be exercised by the Grantee (or his or her legal personal representatives) at any time during the period of 10 years commencing on the Offer Date (the “**Option Period**”) provided that the option has not lapsed for any reason set forth herein.

### (b) *Rights of Grantee upon his retirement or death*

If the Grantee ceases to be a Qualified Participant by reason of retirement, death or disability, the option shall vest immediately at the date of cessation and the Grantee or his legal personal representative shall be entitled within a period of 12 months from the date of retirement or death (or within such longer period as the Board may determine) to exercise the option (to the extent not already exercised).

### (c) *Rights of Grantee upon his cessation of employment under certain circumstances*

If the Grantee ceases to be a Qualified Participant for any reason other than his retirement or death or disability or termination of his employment on one or more of the grounds specified in sub-paragraph 12(iv) below or the termination of his business relation with the relevant member of our Group specified in sub-paragraph 12(v) below, the Grantee may exercise the option up to his or her entitlement at the date of cessation.

### (d) *Rights on a takeover*

In the event of a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the option granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, the Grantee shall be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee’s notice to the Company in exercise of the option at any time before the expiry of the period of three business days following the date on which the offer becomes or is declared unconditional.

### (e) *Rights on a voluntary winding up*

In the event a notice is given by the Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each of our Shareholders give notice to all Grantees (together with a notice of the existence of the provisions of this sub-paragraph 11(e)). Upon receipt of such

notice, each Grantee (or where permitted, his or her legal personal representative(s)) shall be entitled to exercise all or any of the option (to the extent which has become exercisable and not already exercised) at any time not later than two (2) business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given. Upon receipt of such notice together with the remittance by the Company, the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. The allotted Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up the Company to participate in the distribution of assets of the Company available in liquidation.

(f) *Rights on a compromise or arrangement*

If a compromise or arrangement between the Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the Grantee on the same day as it gives notice of the meeting to its shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee may, during the period commencing on the date of the notice and ending on the earlier of:

- (i) the date two calendar months thereafter; and
- (ii) the date on which such compromise or arrangement is sanctioned by the court;

exercise the option (to the extent not already exercised), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all Grantee to exercise their respective options shall forthwith be suspended. The Company may require the Grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of Grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of this Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

**12. Lapse of options**

An option whether vested or unvested shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in sub-paragraphs 11(a) to (e) above;
- (iii) in respect of a Grantee (being a Director or employee of our Group or Invested Entity) who ceases to be engaged by our Group or the Invested Entity by reasons other than termination of employment on grounds under paragraph 12(iv) below, the last date on which such Grantee was at work with our Group or the Invested Entity (whether salary is paid in lieu of notice or not);
- (iv) the date on which the Grantee (being a Director or employee of our Group or Invested Entity) ceases to be a Qualified Participant by reason of the termination of his employment on any one or more of the following grounds:
  - (1) that he has been guilty of misconduct; or
  - (2) that he has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally; or
  - (3) that he has been convicted of a criminal offence involving his integrity or honesty; or
  - (4) any misconduct based on the sole and absolute option of the Company; or
  - (5) and a resolution of the Board or the board of directors of the relevant Group Company or Invested Entity to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 12(iv) shall be conclusive;
- (v) in the event of the Grantee not being a Director or employee of our Group or Invested Entity, the date on which the Board in its sole and absolute discretion resolves that such Grantee ceases to be qualified as a Qualified Participant by reason of termination of its business relation with the relevant member of our Group or by reason of its failure to comply with the provisions of the relevant contracts or agreements and/or its breaches of its fiduciary duties under common law or otherwise on other grounds as the Board considers appropriate;
- (vi) the date on which the Grantee commits a breach of paragraph 9 above.
- (vii) if an option was granted subject to certain conditions, restrictions or limitation, the date on which the Board resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitation; and

(viii) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter, if any.

### 13. Amendment of the Share Option Scheme

(a) *Amendments requiring Board approval*

Any amendment to the Share Option Scheme other than those set out in sub-paragraph 13(b) below must be approved by the majority of the Board or the scheme administrator of the Company.

(b) *Amendments requiring shareholder approval*

Subject to sub-paragraphs 13(c) and (d), the following matters require the prior sanction of a resolution of the Shareholders in general meeting:

- (i) any change to the provisions relating to:
  - (1) the purpose of the Share Option Scheme;
  - (2) the definitions of “Grantee,” “Option Period,” “Qualified Participant” and “Scheme Period” contained in the Share Option Scheme;
  - (3) the provisions relating the Scheme Period, the grant of option, the Subscription Price, granting options to connected persons, the exercise of options, the lapse of options, the maximum number of shares available for subscription, cancellation of options, reorganization of capital structure, termination and amendments of the Share Option Scheme;

which operates to the advantage of Qualified Participants or Grantees;

- (ii) any change to the authority of the Board or the scheme administrator;
- (iii) any amendment to the terms and conditions of the Share Option Scheme which are of a material nature except where such amendment takes effect automatically under the existing terms of the Share Option Scheme; and
- (iv) any amendment to the terms of options granted except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(c) *Amendments requiring the super majority consent from the Grantees*

Notwithstanding any approval obtained pursuant to sub-paragraphs 14(b) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(d) *Amendments requiring the approval of the Stock Exchange*

Any amendment to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

#### 14. Termination

The Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of our Shareholders in general meeting and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of the options (to the extent not already exercised or expired) granted prior to the termination or otherwise or may be required in accordance with the provisions of the Share Option Scheme. All options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

As at the date of the prospectus, no option has been granted by the Company under the Share Option Scheme. The Company will not grant options under the Share Option Scheme which will be exercisable within six months from the Listing Date.

### E. OTHER INFORMATION

#### 1. Tax and other indemnity

Mrs. Hawken, Super Brilliant and Shining Hill, being our Controlling Shareholders (the “**Indemnifiers**”), have entered into a deed of indemnity in favour of the Company (being a material contract referred to in the section headed “— Further Information About our Business — Summary of material contracts” in this Appendix) to provide the following indemnities in favour of the Company.

Under the deed of indemnity, among others, the Indemnifiers will indemnify each of the Company and our subsidiaries against, among others, (a) any depletion or diminution in the value of the assets of the Company as a direct or indirect consequence of, and in respect of any amount which the Company and our subsidiaries may hereafter become liable to pay, resulting from any taxation under sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (“**Estate Duty Ordinance**”); or (b) taxation falling on the Company and our subsidiaries resulting from, or relating to or in consequence of, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date when the Global Offering becomes unconditional. The indemnifiers further undertake to indemnify each of the Company and our subsidiaries against any claims, actions, demands, proceedings, judgments, direct or indirect losses, liabilities, damages, costs, charges, payments, penalties, fees, expenses and fines incurred or suffered by the Company or any of its subsidiaries as a result of or in connection with the historical non-payment of mandatory workers’ injury insurance premiums (as referred to in the section headed “Business — Health and Safety Matters”) and the administrative notice from the Guangzhou City Planning Bureau in March 2008 in relation to certain non-compliances (as referred to in the section headed “Business — Legal Proceedings”).

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where, among others, (a) provision has been made for such taxation in the audited accounts of the Company; (b) the taxation falling on the Company and our subsidiaries in respect of any accounting period commencing on or immediately on or after March 31, 2008 unless liability for such taxation would not have arisen but for some event entered into by the Indemnifiers, the Company, our subsidiaries or any of them otherwise than in the course of normal day to day trading operations on or before the date on which the Global Offering becomes unconditional; and (c) the taxation arises or is incurred as a result of a retrospective change in law or regulation or the interpretation thereof or practice by the relevant tax authority coming into force after the date on which the Global Offering becomes unconditional or to the extent that the taxation arises or is increased by an increase in rates of taxation as a result of a change in law or regulation or interpretation thereof or practice by the relevant tax authority after the date on which the Global Offering becomes unconditional with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of our subsidiaries in the Cayman Islands or the PRC.

## **2. Litigation**

As at the date of the prospectus, save as disclosed in the section headed “Business — Legal Proceedings” in this prospectus, we are not involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against the Company and our subsidiaries.

## **3. Joint Sponsors**

The listing of our Shares on the Stock Exchange is sponsored by BOCI, HSBC, Morgan Stanley and UBS. Each of HSBC, Morgan Stanley and UBS has declared pursuant to Rule 3A.08 of the Hong Kong Listing Rules that it is independent pursuant to Rule 3A.07 of the Hong Kong Listing Rules. BOCI is not independent pursuant to Rule 3A.07 of the Hong Kong Listing Rules as its indirect holding company, Bank of China Limited and/or its subsidiaries provide or are expected to provide various banking services to the Company and/or its subsidiaries.

## **4. Application for the admission of our Shares into CCASS**

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

## **5. Preliminary expenses**

The estimated preliminary expenses incurred or proposed to be incurred by the Company are approximately US\$3,650 and are payable by the Company.



**6. Promoter**

The Company has no promoter for the purpose of the Hong Kong Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

**7. Qualifications of experts**

The qualifications of the experts (as defined under the Hong Kong Listing Rules and the Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
BOCI	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
HSBC	The Hong Kong and Shanghai Banking Corporation Limited is a registered institution under the SFO to carry on type 1 (Dealing in Securities), type 4 (Advising on Securities), type 5 (Advising on Futures Contracts) and type 6 (Advising on Corporate Finance) regulated activities as defined under the SFO and is also a licensed bank under the Banking Ordinance
Morgan Stanley	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
UBS	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified public accountants
Jingtian	PRC legal advisors
CB Richard Ellis	Property valuers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

**8. Consents**

Each of BOCI, HSBC, Morgan Stanley, UBS, KPMG, Jingtian, CB Richard Ellis and Conyers Dill & Pearman, has given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included. Other than pursuant to the Underwriting Agreements, none of the experts named above has any shareholding in the Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of our subsidiaries.

**9. Share register**

The share register of members of the Company will be maintained in Hong Kong by Computershare.

**10. Miscellaneous**

Save as disclosed in this prospectus:

- (a) within the two years preceding the date of this prospectus:
  - (i) no share or loan capital of the Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of our subsidiaries;
- (b) no share or loan capital of the Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued or agreed to issue any founder shares, management shares or deferred shares;
- (d) since March 31, 2008, there has been no material adverse change in the financial or trading position or prospects of the Company;
- (e) there is no arrangement under which future dividends are waived or agreed to be waived;
- (f) the Global Offering does not involve the exercise of any right of pre-emption or the transfer of subscription rights;
- (g) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong;

- (h) there has not been any interruption in the business of the Company which may have or has had a significant effect on the financial position of the Company in the 12 months preceding the date of this prospectus;
- (i) the English text of this prospectus shall prevail over the Chinese text; and
- (j) none of the Company or any of our subsidiaries is presently listed on any stock exchange or traded on any trading system.

#### **11. Binding effect**

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

#### **12. Compliance Advisor**

The Company will appoint BOCI to act as the compliance advisor upon listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

The material terms of which are as follows:

- (a) we will appoint the compliance advisor as our compliance advisor for the purpose of Rule 3A.19 of the Hong Kong Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- (b) the compliance advisor shall provide us with services, including guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and other applicable laws, regulations and codes, and to act as one of our principal channels of communication with the Stock Exchange;
- (c) we will agree to indemnify the compliance advisor for certain actions against and losses incurred by the compliance advisor arising out of or in connection with the performance by the compliance advisor of its duties under the agreement, or any material breach or alleged breach by us of the provisions of the agreement; and
- (d) we may terminate the appointment of any compliance advisor if the compliance advisor's work is of an unacceptable standard as permitted by Rule 3A.26 of the Hong Kong Listing Rules. The compliance advisor may resign or terminate its appointment by service of three months' notice to us.

**13. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information — Other Information — Consents” in Appendix VII to this prospectus; and
- (c) copies of the material contracts referred to in the section headed “Statutory and General Information — Further Information about Our Business — Summary of material contracts” in Appendix VII — to this prospectus and their certified English translations (where appropriate).

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Norton Rose Hong Kong at 38th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountants’ Report, the text of which is set out in Appendix I;
- (c) the report on the unaudited pro forma financial information, the text of which is set out in Appendix II;
- (d) the letters relating to profit forecast of the Company, the text of which are set out in Appendix III;
- (e) the audited financial statements of the companies comprising the Company and our subsidiaries for each of the three financial years ended December 31, 2007 and the three months ended March 31, 2008;
- (f) the letter and valuation certificate relating to our property interests prepared by CB Richard Ellis, the texts of which are set out in Appendix IV — “Property Valuation”;
- (g) the letter prepared by Conyers Dill & Pearman summarizing certain aspects of Cayman Islands company law referred to in Appendix VII;
- (h) the Cayman Islands Companies Law;
- (i) the PRC legal opinions issued by Jingtian;
- (j) the material contracts referred to in the section headed “Statutory and General Information — Further Information about Our Business — Summary of material contracts” in Appendix VII to this prospectus;

- (k) the written consents referred to in the section headed “Statutory and General Information — Other Information — Consents” in Appendix VII to this prospectus;
- (l) the service contracts referred to in the section headed “Statutory and General Information — Further Information about our Directors, Management, Staff and Experts — 3. Particulars of service contracts” in Appendix VII to this prospectus;
- (m) the statement of adjustments; and
- (n) the terms of the Share Option Scheme.