THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this document and the action you should take, you are recommended immediately to seek your own advice from a person duly authorised under the Financial Services and Markets Act 2000 (as amended) (or, if you are a person outside of the United Kingdom, otherwise duly qualified in your jurisdiction) who specialises in advising on the acquisition of shares and other securities.

The Directors of Pacific Alliance China Land Limited (the "Company"), whose names appear on page 6 of this document, accept responsibility both individually and collectively for the information contained in this document including responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import. This document, which constitutes an AIM admission document, has been drawn up in accordance with the AIM Rules for Companies. This document does not contain an offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) and is not required to be issued as a prospectus pursuant to section 85 of the UK Financial Services and Markets Act 2000 (as amended).

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the United Kingdom Listing Authority nor the London Stock Exchange has examined or approved the contents of this document.

Application has been made for the admission of the entire issued and to be issued share capital of the Company to trading on AIM, a market operated by London Stock Exchange plc (the "London Stock Exchange"). It is expected that admission will become effective and dealings in the Ordinary Shares will commence on AIM on 22 November 2007. The rules of AIM are less demanding than those of the Official List of the United Kingdom Listing Authority. Application has been made for all of the issued and to be issued capital of the Company to be admitted to listing and trading on the Channel Islands Stock Exchange, LBG (the "CISX"). It is expected that admission to the Daily Official List of the CISX will become effective and that dealings will commence on 22 November 2007.

The CISX has been recognised by the UK Inland Revenue under section 841 of the Income and Corporation Taxes Act 1988, as amended, and approved by the UK Financial Services Authority as a Designated Investment Exchange within the meaning of the Financial Services and Markets Act 2000.

This document comprises the Listing Document for the purposes of the application to list the issued and to be issued share capital of the Company on the CISX and includes particulars given in compliance with the Listing Rules of the CISX for the purpose of giving information with regard to the Company. The Directors, whose names appear on page 6 of this document, accept full responsibility for the information contained in this document 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 herein misleading.

Neither the admission of the Ordinary Shares to the Daily Official List of the CISX nor the approval of this document pursuant to the listing requirements of the CISX shall constitute a warranty or representation by the CISX as to the competence of the service providers to or any other party connected with the Company the adequacy and accuracy of the information contained in this Document or the suitability of the Company for investment or for any other purpose.

The whole of this document should be read. Attention is drawn in particular to the "Risk Factors" set out in Part 3 of this document.

Pacific Alliance China Land Limited

(An exempted company incorporated in the Cayman Islands with registration number MC-194556)

Placing of 400,000,000 new Ordinary Shares of $0.01 each at $1.00 per Ordinary Share
Admission to trading on AIM and to listing and trading on the CISX

Nominated Adviser
Grant Thornton Corporate Finance

Broker
LCF Edmond de Rothschild Securities Limited

CISX Listing Sponsor
LCF Edmond de Rothschild (C.I.) Limited

Share capital immediately following admission to trading on AIM

Authorised			Issued and fully paid	
Number	Nominal Amount		Number	Nominal Amount
10,000,000,000	$100,000,000	Ordinary Shares of $0.01 each	400,000,000	$4,000,000

Grant Thornton Corporate Finance, a division of Grant Thornton UK LLP which is authorised and regulated by the Financial Services Authority, is acting as nominated adviser to the Company for the purposes of the AIM Rules for Companies in connection with the Placing and admission to trading on AIM and as such, its responsibilities are owed solely to the London Stock Exchange and are not owed to the Company, to any Director or to any other person or entity. Grant Thornton Corporate Finance will not be responsible to any person other than the Company for providing the protections afforded to clients of Grant Thornton Corporate Finance or for providing advice to any other person in connection with the Placing and admission to trading on AIM.

LCF Edmond de Rothschild Securities Limited is authorised and regulated by the Financial Services Authority, is a member of the London Stock Exchange and is acting as broker to the Company in connection with the Placing and no one else. LCF Edmond de Rothschild Securities Limited will not be responsible to anyone other than the Company for providing the protections afforded to clients of LCF Edmond de Rothschild Securities Limited for providing advice in relation to the Placing and admission to trading on AIM.

LCF Edmond de Rothschild (C.I.) Limited, as CISX Listing Sponsor, is acting for the Company and for no one else in connection with the application for admission to listing and trading on the CISX and will not be responsible to anyone other than the Company for providing the protections afforded to customers of LCF Edmond de Rothschild (C.I.) Limited or for affording advice in relation to the contents of this document or any other matters referred to herein.

No representation or warranty, express or implied, is made by Grant Thornton Corporate Finance, LCF Edmond de Rothschild Securities Limited or LCF Edmond de Rothschild (C.I.) Limited as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued), and neither Grant Thornton Corporate Finance, LCF Edmond de Rothschild Securities Limited nor LCF Edmond de Rothschild (C.I.) Limited have authorised the contents of any part of this document nor are they responsible for the accuracy of any information or opinion contained in this document or for any omission of information.

Once the Ordinary Shares have been admitted to the Official List of the CISX, trading in those shares will be subject to the rules of both the CISX, and the AIM Rules for Companies. The Directors have undertaken not to refuse to register the transfer of any shares on which the Company has a lien. Any lien is waived by the Company on transfer. The Directors have undertaken to make information required by either the CISX or the London Stock Exchange available to both the CISX and the London Stock Exchange at the same time. In particular any suspension in trading of the Ordinary Shares will be notified to both the CISX, and the London Stock Exchange.

As at the date of this document, there is one Ordinary Shares in issue, but the Placing will result in 400,000,000 Ordinary Shares in issue. The Company, at Admission, will have an unissued share capital of 9,600,000,000 Ordinary Shares. Subsequent to the Placing Shares being issued on 22 November 2007, the Company could issue additional Ordinary Shares following Admission. Shareholders should note that, should Ordinary Shares (other than the Placing Shares) be issued on any day or over a period on a cumulative basis, a dilution of their current shareholding would occur as a result of the additional Ordinary Shares being issued. Any further issues and listings of Ordinary Shares will be advised to the London Stock Exchange and to the CISX and will be announced via the regulatory news service and will be announced on the CISX website. The Directors have resolved not to issue Ordinary Shares at less than the prevailing Net Asset Value per Share unless the Shareholders consent to a lower allotment price by ordinary resolution.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with any such restriction may constitute a violation of the securities laws of such jurisdictions. Your attention is drawn to the information contained on pages 2 to 4 of this document under the heading "Important Information."

IMPORTANT INFORMATION

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this admission document and wishing to subscribe for any Ordinary Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. No person has been authorised by the Company to issue any advertisement or to give any information or to make any representation in connection with the contents of this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company. This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, this document does not constitute an offer to sell or the solicitation of an offer to buy any of the Ordinary Shares in Canada, Australia, South Africa, the Republic of Ireland or Japan (collectively, the "Prohibited Territories") and this document should not be forwarded or transmitted to or into the Prohibited Territories or to any resident, national, citizen or corporation, partnership or other entity created or organised under the laws thereof or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The distribution of this document may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. Prospective investors should inform themselves as to: (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this document are based on the law and practice currently in force in the Cayman Islands, England and Wales, the United States and Switzerland and are subject to change. This document should be read in its entirety. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles of the Company.

For the attention of Cayman Islands residents

No invitation or offer, whether direct or indirect, may be or has been made to the public in the Cayman Islands to subscribe for the Ordinary Shares. Neither the Cayman Islands Monetary Authority nor any other governmental authority in the Cayman Islands has passed judgment upon or approved the terms or merits of this document. There is no investment compensation scheme available to investors in the Cayman Islands.

For the attention of United Kingdom residents

Neither Grant Thornton Corporate Finance nor LCF Edmond de Rothschild Securities Limited (nor, for the avoidance of doubt, LCF Edmond de Rothschild (C.I.) Limited) has approved this document for the purposes of the Financial Services and Markets Act 2000, as amended ("FSMA"). Outside the United Kingdom (and subject as provided below), this document is only being sent to persons reasonably believed by the Company to be investment professionals or to persons to whom it may otherwise be lawful to distribute it. This document is being supplied to you solely for your information and may not be reproduced, further distributed or published in whole or in part by any other person. As the Placing Shares will be offered to fewer than 100 persons (other than qualified investors within the meaning of Section 86(7) of FSMA) per member state of the European Economic Area, the Placing will be an exempt offer of securities to the public for the purposes of Section 86 of FSMA. Accordingly, this document is not a prospectus and does not require the approval of the FSA or any other relevant authority in any other member state of the European Economic Area.

For the attention of United States residents

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any US State or any other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of,"US persons" (as defined in Regulation S under the Securities Act ("Regulation S")). In addition, the Company and the Investment Manager have not been and will not be registered under the US Investment Company Act of 1940, as amended (the "Investment Company Act"), and investors will not be entitled to the benefits of that Act. Accordingly, the Company and the Investment Manager are not subject to the provisions of the Investment Company Act, except Section 12(d)(1) thereof in reliance upon certain exemptions from registration provided in the Investment Company Act. The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States and re-offer or resale of any of the Ordinary Shares in the United States or to US persons may constitute a violation of US law or regulation.

For the attention of Swiss residents

Under the Collective Investment Schemes Act of 23 June 2006 (the "CISA"), the offering, sale and distribution of interests in foreign collective investment schemes in or from Switzerland are subject to authorisation by the Swiss Federal Banking Commission. The concept of "foreign collective investment schemes" covers *inter alia* foreign companies and similar schemes (including those created on the basis of a collective investment contract or a contract of another type with similar effects) created for the purpose of collective investment, whether such companies or schemes are closed-ended or open-ended. Interests in a foreign investment scheme which has not been authorised by the Swiss Federal Banking Commission may only be promoted in or from Switzerland provided that no public solicitation, offering or advertising is carried out by persons operating in or from Switzerland. There are reasonable grounds to believe that the Company would be characterised as a foreign collective investment scheme from a Swiss legal point of view. As the Ordinary Shares have not been and cannot be registered or authorised for distribution under the CISA, any offering of the Ordinary Shares, and any other form of solicitation of investors in relation to the Ordinary Shares (including by way of circulation of information or offering materials), must be made by way of private placement, e.g. by limiting the offer to investors considered as "qualified investors", as defined in the CISA and in Circular 03/1 Public Offering of the Swiss Federal Banking Commission dated 28 May 2003, as amended (for the last time on 29 August 2007). Failure to comply with the above-mentioned requirements may constitute a breach of the CISA.

For the attention of Danish residents

This document has not been filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in the Kingdom of Denmark. The Ordinary Shares have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark, unless in compliance with Chapter 6 or Chapter 12 of the Danish Act on Trading in Securities and executive orders issued pursuant thereto as amended from time to time or in compliance with Chapter 4 of the Danish Act on Investment Associations, Special-Purpose Associations as well as Other Collective Investments Schemes, etc. and executive orders issued pursuant thereto as amended from time to time.

For the attention of Singapore residents

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Ordinary Shares may not be circulated or distributed, nor may Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where Ordinary Shares are subscribed or purchased in Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Ordinary Shares pursuant to an offer made under Section 275 except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

For the attention of French residents

This document has not been prepared in the context of a public offering of securities in France within the meaning of Article L.411-1 of the French Code monétaire et financier and Articles 211-1 of the General Regulation of the Autorité des Marchés Financiers ("AMF") and has therefore not been submitted to the AMF for prior approval. The Ordinary Shares may not be offered to the public in the Republic of France except only to (i) persons providing a portfolio management investment service for third parties (as provided by Article L.411-2-5 a) of the French Code monétaire et financier) or (ii) qualified investors and/or to a restricted circle of investors (as defined in Articles L.411-2-4 b), and D.411-1 through D.411-4 of the French Code monétaire et financier), provided that said investors are acting for their own account in accordance with Articles D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754- 1 et D. 764-1 of the French Code monétaire et financier and undertake not to retransfer, directly or indirectly, the Ordinary Shares to the public in the Republic of France, other than in compliance with applicable laws and regulations (Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Code monétaire et financier).

For the attention of Swedish residents

This document has not been, nor will it be, registered with the Swedish Financial Supervisory Authority (Finansinspektionen). The Ordinary Shares are not and may not, directly or indirectly, be offered for subscription or purchase, and no drafts or definite documents related to such offer may be distributed, except in circumstances which will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (lagen (1991:980) om handel med finansiella instrument).

For the attention of Israeli residents

This document does not constitute a prospectus approved by the Israeli Securities Authority. The securities are being offered in Israel solely to investors of the categories listed in the First Appendix to Israeli Securities Law under circumstances that do not constitute an "offering to the public" under Section 15 of the Israeli Securities Law. This document may not be reproduced or used for any other purpose or furnished to any other person other than those to whom copies have been sent.

For the attention of Finnish residents

This document does not constitute a public offer or an advertisement of securities to the public in the Republic of Finland. The shares will not and may not be offered, sold, advertised or otherwise marketed in Finland under circumstances, which would constitute a public offering of securities under Finnish law. Any offer or sale of the shares in Finland shall be made pursuant to a private placement exemption as defined under European Council Directive 2003/71/EC, Article 3 (2) and the Finnish Securities Markets Act (1989/495, as amended) and any regulation there under. This offering memorandum has not been approved by or notified to the Finnish Financial Supervision Authority.

For the attention of residents of Luxembourg

The Luxembourg regulatory authorities have neither reviewed nor approved this document. The Ordinary Shares are not and may not be offered to the public in or from Luxembourg and they may not be offered outside the scope of the exemptions provided for by Article 5 section 2 of the law of 10 July 2005 on prospectuses for securities. The Placing has not been and may not be announced to the public and offering material may not be made available to the public.

For the attention of residents of the Netherlands

The Ordinary Shares will not be offered or sold, directly or indirectly in the Netherlands, other than (i) for a minimum consideration of €50,000 (or currency equivalent) per investor, (ii) to fewer than 100 individuals or legal entities other than qualified investors; or (iii) solely to qualified investors, all within the meaning of Article 4 of the Financial Supervision Act Exemption Regulations (Vrijstellingsregeling Wet op het financieel toezicht). In respect of the Placing, the Company is not required to obtain a licence as a collective investment scheme pursuant to the Netherlands Financial Supervision Act (Wet op het financiãle toezicht-"WFT") and is not subject to supervision by the Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiãle Markten).

For the attention of residents of Norway

This document has not been produced in accordance with the prospectus requirements set out in the Norwegian Securities Trading Act (Act no. 79 of 19 June 1997). "Verdipapirhandlebuen" or in accordance with the prospectus requirements of the Norwegian Securities Act (Act no. 52 of 12 June 1981) "Verdipapirfondloven" as amended. This document has not been approved or disapproved by, or registered with, either the Oslo Stock Exchange or the Norwegian Registry of Business Enterprises. The Placing of the Ordinary Shares in Norway is only and will only be addressed to potential Norwegian professional investors. This document cannot be distributed, offered or presented, either directly or indirectly to other persons or entities domiciled in Norway.

Forward-looking statements

This document contains forward-looking statements. These relate to the Company's future prospects, developments and strategies. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts 1, 2 and 4 of this document. The forward looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

TABLE OF CONTENTS

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors	Horst Joachim Franz Geicke *(Chairman)* Margaret Eileen Brooke Paul Ming Fun Cheng Christopher Marcus Gradel Ming Mei Kennedy Ying Ho Wong
	all non-executive and all of:
Registered Office	PO Box 309GT Ugland House South Church Street George Town Grand Cayman Cayman Islands
Web-site Address	www.pacl-fund.com
Investment Manager	Pacific Alliance Real Estate Limited Commence Chambers Road Town Tortola British Virgin Islands
Nominated Adviser	Grant Thornton Corporate Finance Grant Thornton House Melton Street Euston Square London NW1 2EP United Kingdom
Broker	LCF Edmond de Rothschild Securities Limited 5 Upper St Martin's Lane London WC2H 9EA United Kingdom
CISX Listing Sponsor	LCF Edmond de Rothschild (C.I.) Limited Suite D Hirzel Court St. Peter Port Guernsey GY1 2NH Channel Islands
Principal Banker	UBS AG (Jersey Branch) 24 Union Street St Helier Jersey JE4 8UJ Channel Islands
Legal Adviser to the Company *(as to English law)*	Lawrence Graham LLP 4 More London Riverside London SE1 2AU United Kingdom

Legal Adviser to the Company *(as to PRC law)*	Zhong Lun Law Firm 11th Floor, Bank of China Tower 200 Yingcheng Road Central Pu Dong New Area Shanghai 200120 China
Legal Adviser to the Company *(as to Cayman Islands law)*	Maples and Calder PO Box 309GT Ugland House South Church Street George Town Grand Cayman Cayman Islands
Legal Adviser to the Nominated Adviser and Broker *(as to English law)*	Halliwells LLP 1 Threadneedle Street London EC2R 8AY United Kingdom
Reporting Accountants	Grant Thornton UK LLP The Explorer Building Fleming Way Manor Royal Crawley, RH10 9GT United Kingdom
Tax Adviser	Ernst & Young Level 6, Ernst & Young Tower (Tower E3), Oriental Plaza No. 1 East Chang An Avenue Dong Cheng District Beijing 100738 China
Administrator, Custodian and Registrar	Sanne Trust Company Limited 13 Castle Street St Helier Jersey JE4 5UT Channel Islands
Auditors	PricewaterhouseCoopers 22nd Floor Prince's Building Central, Hong Kong
Property Market Analyst	CB Richard Ellis 34/F Central Plaza 18 Harbour Road Wanchai, Hong Kong

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Administration, Custodian and Registrar Agreement"	the agreement entered into between the Company and Sanne Trust Company Limited dated 20 November 2007, further details of which are set out in paragraph 7.5 of Part 9 of this document
"Administrator", "Custodian" or "Registrar"	Sanne Trust Company Limited
"Admission"	the admission of the Ordinary Shares to trading on AIM in accordance with the AIM Rules for Companies and the admission of the Ordinary Shares to listing on the Daily Official List and trading on the CISX both becoming effective in accordance with the CISX Rules
"Advisory Panel"	the advisory panel established by the Investment Manager and comprising initially Nicholas Brooke and Yue Kai Zhuang
"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules"	the rules governing the operation of AIM comprising the AIM Rules for Companies and the AIM Rules for Nominated Advisers
"AIM Rules for Companies"	the AIM Rules for Companies as published by the London Stock Exchange from time to time
"AIM Rules for Nominated Advisers"	the AIM Rules for Nominated Advisers as published by the London Stock Exchange from time to time
"ARCH"	ARC Capital Holdings Limited
"Articles"	the Articles of Association of the Company
"Board" or "Directors"	the directors of the Company as set out on page 6 of this document
"Broker" or "LCF Rothschild"	LCF Edmond de Rothschild Securities Limited
"Business Day"	any day (except Saturday) on which banks are open for usual business in London, Hong Kong and the PRC
"Buyback Programme"	a programme to effect buybacks of Ordinary Shares by means of a tender offer by the Company
"CAGR"	compound annual growth rate
"CISX"	the Channel Islands Stock Exchange, LBG
"CISX Listing Sponsor"	LCF Edmond de Rothschild (C.I.) Limited
"CISX Rules"	the listing rules published by CISX and applicable to securities listed on the CISX
"CISX Sponsorship Agreement"	the CISX sponsorship agreement between the Company and the CISX Listing Sponsor dated 5 November 2007, further details of which are set out in paragraph 7.8 of Part 9 of this document
"Clearstream"	the system of paperless settlement of trades and the holding of shares without share certificates administered by Clearstream Banking SA
"Companies Law"	the Companies Law (2007 Revision) (as amended) of the Cayman Islands
"Company", "Pacific Alliance China Land" or "PACL"	Pacific Alliance China Land Limited, an exempted company incorporated in the Cayman Islands with limited liability
"Daily Official List"	Daily Official List of the CISX
"Euroclear"	the system of paperless settlement of trades and the holding of shares without share certificates administered by Euroclear Bank SA
"FSA"	the UK Financial Services Authority

"FSA Handbook"	the FSA Handbook of Rules and Guidance (as amended and replaced from time to time)
"GDP"	gross domestic product
"Government" or "State"	the government of the PRC
"Grant Thornton Corporate Finance"	the corporate finance division of Grant Thornton UK LLP which is authorised in the UK by the FSA to carry on investment business
"Grant Thornton UK LLP"	a limited liability partnership registered in England and Wales whose principal place of business is Grant Thornton House, Melton Street, Euston Square, London NW1 2EP and which is the UK member firm of Grant Thornton International
"Greater China"	together, the PRC, Taiwan, Hong Kong and Macau
"Gross Asset Value"	the value of the Company's assets, as determined in accordance with guidelines laid down by the Board from time to time, further details of which are set out in paragraph 4 of Part 4 of this document
"Investee Company"	a special purpose vehicle through which the Company will hold its investments
"Investment Committee"	the committee established by the Board to assess and approve all investments and divestments and comprising Horst Geicke, Christopher Gradel and Margaret Brooke
"Investment Management Agreement"	the agreement entered into between the Investment Manager and the Company dated 20 November 2007, further details of which are set out in paragraph 7.4 of Part 9 of this document
"Investment Manager" or "PARE"	Pacific Alliance Real Estate Limited, a limited liability company incorporated in the British Virgin Islands and acting as the investment manager to the Company pursuant to the Investment Management Agreement
"London Stock Exchange"	London Stock Exchange plc
"Net Asset Value"	the value of the Company's assets less its liabilities, as determined in accordance with guidelines laid down by the Board from time to time, further details of which are set out in paragraph 4 of Part 4 of this document
"Net Asset Value per Share"	the Net Asset Value divided by the number of the Ordinary Shares in issue from time to time
"Official List"	the Official List of the United Kingdom Listing Authority
"Ordinary Shares"	ordinary shares of $0.01 each in the capital of the Company
"Pacific Alliance Group"	the Pacific Alliance Group of companies which includes PAIM, ARC Capital Partners Limited and VinaCapital Investment Management Ltd and which collectively manage the PAG Investment Companies
"PAG Investment Companies"	the AIM listed investment companies managed by the Pacific Alliance Group comprised of Pacific Alliance Asia Opportunity Fund Limited, ARC Capital Holdings Limited, Vietnam Opportunity Fund Limited, VinaLand Limited and Vietnam Infrastructure Limited
"PAIM"	Pacific Alliance Investment Management Limited, a company organised under the laws of the British Virgin Islands
"PAX"	Pacific Alliance Asia Opportunity Fund Limited
"PAX LP"	Pacific Alliance Asia Opportunity Fund L.P.
"Placing"	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
"Placing Agreement"	the conditional agreement entered into by and among the Company, the Investment Manager, PAIM, the Directors, Grant Thornton UK

	LLP, LCF Rothschild and the CISX Listing Sponsor dated 20 November 2007, further details of which are set out in paragraph 7.3 in Part 9 of this document
"Placing Price"	$1.00 per Ordinary Share
"Placing Shares"	400,000,000 new Ordinary Shares to be issued by the Company pursuant to the Placing
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this document, Hong Kong, Macau and Taiwan
"Regulatory Information Service"	a regulatory information service that is approved by the FSA
"RMB" or "Renminbi"	the renminbi, the legal currency of the PRC
"SEC"	the US Securities and Exchange Commission
"Securities Act"	the US Securities Act 1933 (as amended)
"Shareholders"	the holders of Ordinary Shares
"US", "USA" or "United States"	the United States of America, its territories and possessions, any state of the United States of America and District of Columbia and all other areas subject to its jurisdiction
"US GAAP"	United States Generally Accepted Accounting Principles
"Valuation Date"	the last Business Day of each quarter or such other day as the Directors may prescribe
"VNI"	Vietnam Infrastructure Limited
"VNL"	VinaLand Limited
"VOF"	Vietnam Opportunity Fund Limited
"$" or "US Dollar"	United States dollars, the legal currency of the United States
"£" or "Pound Sterling"	UK pound sterling, the legal currency of the UK

EXPECTED TIMETABLE

Publication of the AIM admission document on	20 November 2007
Admission of the Ordinary Shares to trading on AIM and the CISX and commencement of dealings	8:00 a.m. on 22 November 2007
Crediting (where applicable) of Euroclear/Clearstream stock accounts in respect of the Ordinary Shares by	22 November 2007
Share certificates (where applicable) in respect of Ordinary Shares dispatched by	6 December 2007

Save in relation to the date on which the admission document is published, each of the times and dates in the above timetable are subject to change. All references to time are to Greenwich Mean Time.

PLACING STATISTICS

Placing Price	$1.00
Market capitalisation of the Company at the Placing Price on Admission	$400,000,000
Number of Ordinary Shares being issued pursuant to the Placing	400,000,000
Number of Ordinary Shares in issue on Admission	400,000,000
Estimated initial Net Asset Value per Share on Admission*	$0.9674
Estimated net proceeds of the Placing receivable by the Company	$386,973,000

* Figure obtained by dividing the estimated net proceeds of the Placing by the total number of Ordinary Shares in issue on Admission.

EXCHANGE RATES

All references in this document to $ are to US Dollars. The rates of exchange used for the purpose of this document is, unless otherwise stated, $1.00 = RMB 013 and £1.00 = $2.05, being the relevant rates of exchange at the close of business in London on 19 November 2007.

SUMMARY INFORMATION

The attention of potential investors is drawn to the risk factors set out in Part 3 of this document. The Ordinary Shares are only suitable for investors who understand the potential risk of capital loss, and that there may be limited liquidity in the underlying investments of the Company for whom an investment in the Ordinary Shares constitutes part of a diversified investment portfolio and who fully understand and are willing to assume the risks involved in investing in the Company. The following information should be read as an introduction to the full text of this document and any decision to invest in the Ordinary Shares should be based on consideration of the full text of this document and not solely on the information in this "Summary Information" section or any other information summarised in this document.

The Company, Investment Manager and Track Record

Pacific Alliance China Land Limited is a newly incorporated, closed-ended Cayman Islands registered, exempted company established to invest in a portfolio of investments in existing properties and new developments in Greater China.

The Company has appointed PARE as its investment manager. PARE was established on 25 July 2007 and has recruited a team of property professionals who have significant investment experience within the property market in Asia and an extensive local network of business contacts.

The Company will seek to leverage the local knowledge and experience of the Pacific Alliance Group network. The Pacific Alliance Group includes Pacific Alliance Investment Management Limited, the investment manager of Pacific Alliance Asia Opportunity Fund Limited ("PAX"), ARC Capital Partners Limited, the investment manager for ARC Capital Holdings Limited ("ARCH") and VinaCapital Investment Management Ltd, which manages Vietnam Opportunity Fund Limited ("VOF"), VinaLand Limited ("VNL") and Vietnam Infrastructure Limited ("VNI"). Each of PAX, ARCH, VOF, VNL and VNI is traded on the AIM market of the London Stock Exchange. The Pacific Alliance Group also includes Pacific Alliance Asia Opportunity Fund L.P. and DFJ VinaCapital L.P. both of which are unlisted limited partnership investment vehicles. As at 1 November 2007, the Pacific Alliance Group collectively had over $3.5 billion in assets under management and employs over 180 professionals in offices in Hong Kong, Shanghai, Beijing, Hangzhou, Ho Chi Minh City and Hanoi.

The Company and the Investment Manager will also draw on the experience and advice of the members of the Advisory Panel established by the Investment Manager and comprised of international and local property specialists and professionals. In addition, the Company has established an Investment Committee, responsible for considering and approving property investments that the Investment Manager believes are suitable for investment by the Company and comprised of individuals with property investment, financial and business backgrounds and extensive local experience.

Investment Opportunities and Objectives

The Company's principal investment objectives are to provide Shareholders with capital growth and a regular level of income, from a diversified portfolio of property in Greater China and to achieve above average returns for an acceptable level of risk. The Directors and Investment Manager believe that attractive opportunities exist in China's residential, office, retail, hospitality and industrial real estate sectors and that the key growth drivers include the following:

- ***Large and growing market.*** In China, strong and sustained economic growth has strengthened demand for property development. Between 2000 and 2005, investment in residential real estate grew at a CAGR of 15.2 per cent. and is estimated to reach approximately $240 billion in 2007. China's total investable real estate stock is expected to grow by $2.4 trillion over the next five years.

- ***Long term positive supply and demand dynamic.*** Growth in demand for real estate has been driven by rapid growth in the economy, which experienced a CAGR of 13.4 per cent. between 2000 and 2006, and increasing incomes, which grew at a CAGR of 11.0 per cent. between 2000 and 2005.

  The supply of property, however, is constrained by limited land and space in city centres. China has the same land area as the US and four times the population. In the US, approximately 80 per cent. of the population live in the cities. China is rapidly urbanising and the proportion of the Chinese population living in cities is expected to reach 70 per cent. by 2035.

- ***Profitable and stable market conditions.*** Currently, profit margins of listed developers in China are some of the highest in the world. Rental yields are also high in comparison to other Asian countries such as Japan and Singapore.

Several factors indicate a fairly stable market environment. Firstly, leverage is low. Secondly, although the price of China's residential property has increased in recent years, such growth has been at a much lower rate than income growth resulting in increased affordability within the real estate sector. Thirdly, the Chinese economy is well placed to weather a slow down, as the Government has large foreign currency reserves and can reverse more than two years of monetary and fiscal tightening measures to spur growth should this be required.

- ***Borrowing restrictions driving need for capital.*** The Government has, through a series of interest rises and "austerity measures", been actively trying to cool the rapid growth of the economy and Chinese property market. As a result of some of these measures, developers can now borrow less and therefore require a large amount of equity in any real estate project and must either look to the capital markets and/or foreign investors to provide funding. As a result, the Directors and the Investment Manager believes there are opportunities to acquire assets at distressed prices from developers who are unable to access the capital markets, but need to raise capital to fund their land acquisitions and development pipeline, and to make pre-IPO investments in developers seeking to fund sufficient land acquisitions to allow a listing on a domestic market. **It should be noted that PRC laws, regulations and interpretation thereof are subject to change from time to time and it should be noted in particular that such laws, regulations and the interpretation thereof can change swiftly and without prior notice to any person.**
- ***Positive market conditions for exit.*** Whilst developers are struggling to fund their projects, the Directors and the Investment Manager believe that conditions for sale of completed projects are generally positive. This is primarily due to three factors. Firstly, the Government allowed Chinese insurance companies and the State Pension Fund to acquire real estate for the first time in 2007. Secondly, the Directors and the Investment Manager believe that there is a decreasing supply of new projects caused by the imposed borrowing restrictions and that this has resulted in prices starting to increase at greater rates. Thirdly, many Chinese developers listed on domestic markets are currently trading at significant premiums to net asset value and therefore it is an attractive time for any public market exits.

The Company will seek to achieve its objectives by acquiring a portfolio of diversified property assets in Greater China which would be split among (i) strategic pre-IPO investments in mid-size regional developers; (ii) co-investments in attractive new development projects which the Investment Manager selects from its strategic partners; and (iii) direct property acquisitions at distressed situation prices from developers who need to raise funds for additional land acquisition or to make full payment on existing land acquisition contracts. The Company will not invest in an opportunity unless the Directors and the Investment Manager believe it has the ability to generate a return above a minimum internal rate of return of 20 per cent.

The Placing

On 20 November 2007, the Company, the Investment Manager, PAIM, the Directors, Grant Thornton UK LLP, LCF Edmond de Rothschild Securities Limited and LCF Edmond de Rothschild (C.I.) Limited entered into the Placing Agreement pursuant to which the Investment Manager agreed, to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price which are allocated pursuant to the Placing. For its services in connection with the Placing, the Investment Manager is entitled to commission equal to three per cent. of the gross proceeds of the Placing. All such subscriptions will be at the Placing Price. The Placing is subject to the satisfaction of conditions contained in the Placing Agreement, including Admission occurring on or before 29 November 2007 (or such later date as the Company, the Investment Manager, Grant Thornton UK LLP and LCF Rothschild may agree (not being later than 20 December 2007)). Certain conditions are not capable of waiver. The Placing Agreement contains provisions entitling the Investment Manager, Grant Thornton UK LLP and/or LCF Rothschild to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. Further details of the terms of the Placing Agreement are set out in paragraph 7.3 of Part 9 of this document.

Fees and Expenses

Formation and Initial expenses

The formation and initial expenses of the Company are those that are necessary for the incorporation and organisation of the Company and in order to effect the Placing. Such expenses will include fees payable to the Investment Manager, or other promoters in connection with the Placing, listing and Admission fees, printing, advertising and distribution costs, legal and accounting fees and any other related expenses. These expenses will be met by the Company out of the proceeds of the Placing and will be paid on or after Admission. The Directors do not anticipate that these formation and initial expenses will exceed four per cent. of the gross proceeds of the Placing.

Ongoing and Annual Expenses

The Company will also incur ongoing and annual expenses. These expenses will include, among others, the fees payable to the Investment Manager and the Directors. The Directors will initially be paid an aggregate fee of $160,000 per annum. Messrs. Geicke and Gradel have agreed to waive their Directors' fees for so long as each has an interest in the Investment Manager. Other ongoing operational expenses of the Company include, among others, interest payments, bank fees, regulatory fees, legal fees, acquisition and disposal fees where the service is provided by someone other than the Investment Manager, insurance costs, audit fees and other applicable expenses. It is estimated that the total expenses of the Company for the period ending 31 December 2009 (excluding the initial expenses of the Company) are not expected to exceed five per cent. per annum of the Net Asset Value, annualised over this period.

Management Fees

Under the Investment Management Agreement, the Investment Manager will receive a management fee equal to one quarter of two per cent. of each quarterly Net Asset Value which fee shall be payable in US Dollars quarterly in advance on the first Business Day of each quarter based upon the last preceding published quarterly Net Asset Value. The Investment Manager is also entitled to a performance fee amounting to 20 per cent. of the annual increase in Net Asset Value over the higher of an annualised non-compounding hurdle rate of eight per cent. or a "high water mark" requirement and subject to an Investment Manager's "catch–up". The Investment Management Agreement will be for an initial four year period commencing on Admission and is terminable on twelve months' prior written notice given at any time expiring on or after the fourth anniversary of Admission. Further details of the Investment Management Agreement are set out in paragraph 7.4 of Part 9 of this document.

PART 1

THE COMPANY

1. Introduction

Pacific Alliance China Land Limited is a newly incorporated, closed-ended Cayman Islands registered, exempted company established to invest in a portfolio of investments in existing properties and new developments in Greater China.

The Company has appointed Pacific Alliance Real Estate Limited as its investment manager. PARE was established on 25 July 2007 and has recruited a team of property professionals who have significant investment experience within the property market in Asia and an extensive local network of business contacts. The Company and the Investment Manager will also draw on the experience and advice of the members of the Advisory Panel established by the Investment Manager and comprised of international and local property specialists and professionals. In addition, the Company has established an Investment Committee, responsible for considering and approving property investments that the Investment Manager believes are suitable for investment by the Company and comprised of individuals with property investment, financial and business backgrounds and extensive local experience.

PARE is part of the Pacific Alliance Group which was formed in 2002 by Horst Geicke and Christopher Gradel to seek value and growth investments in Asia, with a primary focus on Greater China and Vietnam. The Pacific Alliance Group includes Pacific Alliance Investment Management Limited and ARC Capital Partners Limited, investment management companies that focus on China, and VinaCapital Investment Management Ltd, an investment management company and investment bank based in Vietnam. The Pacific Alliance Group collectively manages five AIM traded investment companies and, as at 1 November 2007, had over $3.5 billion in assets under management. The Pacific Alliance Group employs over 180 professionals in offices in Hong Kong, Shanghai, Beijing, Hangzhou, Ho Chi Minh City and Hanoi.

The Company has raised $400 million pursuant to the Placing conditionally upon Admission. The Placing will consist of 400 million Ordinary Shares at $1.00 per share. The Ordinary Shares will be admitted to trading on AIM and admitted to listing and trading on the CISX.

2. Investment opportunity

The Directors and Investment Manager believe that attractive opportunities exist in China's residential, office, retail, hospitality and industrial real estate sectors and that the key growth drivers include the following:

- ***Large and growing market.*** In China, strong and sustained economic growth has strengthened demand for property development. Between 2000 and 2005, investment in residential real estate grew at a CAGR of 15.2 per cent. and is estimated to reach approximately $240 billion in 2007. China's total investable real estate stock is expected to grow by $2.4 trillion over next five years and the value of commercial properties is expected to treble and to exceed Germany, a leading industrialised nation with a mature economy, over the same period.

- ***Long term positive supply and demand dynamic.*** Growth in demand for real estate has been driven by rapid growth in the economy, which experienced a CAGR of 13.4 per cent. between 2000 and 2006, and increasing incomes, which grew at a CAGR of 11.0 per cent. between 2000 and 2005.

  The supply of property, however, is constrained by limited land and space in city centres. China has the same land area as the US and four times the population. In addition, in 2005 China had the same level of urbanisation that the US did in 1910, with approximately 40 per cent. of the population living in the cities and 60 per cent. in the countryside. In the US, approximately 80 per cent. of the population live in the cities. China is rapidly urbanising and the proportion of the Chinese population living in cities is expected to reach 70 per cent. by 2035, which represents a large scale movement of people into the ever more crowded cities over that time.

- ***Profitable and stable market conditions.*** Currently, profit margins of listed developers in China are some of the highest in the world. The ten largest Chinese developers listed on the domestic Chinese stock exchanges achieved net profit margins of approximately 18 per cent. in the first half of 2007. Rental yields are also high in comparison to other Asian countries such as Japan and Singapore. For example, rental yields in Beijing for the first half of 2007 ranged from 8 to 12 per cent. across asset classes.

Several factors indicate a fairly stable market environment. Firstly, leverage is low. Mortgages currently represent only 10 per cent. of GDP in China as compared to 80 per cent. of GDP in the US. Secondly, although the price of China's residential property has increased in recent years, such growth has been at a much lower rate than income growth resulting in increased affordability within the real estate sector. Thirdly, the Chinese economy is well placed to weather a slow down, as the Government has large foreign currency reserves and can reverse more than two years of monetary and fiscal tightening measures to spur growth should this be required.

- ***Borrowing restrictions driving need for capital.*** The Government has been actively trying to cool the rapid growth of the economy. There have been six interest rate increases in 2007 and multiple increases in the bank minimum reserve requirements. In addition, there have been numerous changes to the regulations governing the Chinese property market. These measures include the requirement for land use rights acquired from the Government to be paid 100 per cent. in advance, prohibition of leverage on land, a limitation of pre-sale of units until after the superstructure of a building is complete and a requirement for at least 40 per cent. equity in a project. Consequently, developers can now borrow less and therefore require a large amount of equity in any project and must either look to the capital markets and/or foreign investors to provide funding. As a result, the Directors and the Investment Manager believe there are opportunities to acquire assets at distressed prices from developers who are unable to access the capital markets, but need to raise capital to fund their land acquisitions and development pipeline, and to make pre-IPO investments in developers seeking to fund sufficient land acquisitions to allow a listing on a domestic market. **It should be noted that PRC laws, regulations and the interpretation thereof are subject to change from time to time and it should be noted in particular that such laws, regulations and the interpretation thereof can change swiftly and without prior notice to any person. Further information on current Government measures aimed at cooling the property market is set out in Part 7 of this document.**

- ***Positive market conditions for exit.*** Whilst developers are struggling to fund their projects, the Directors and the Investment Manager believe that conditions for sale of completed projects are generally positive. This is primarily due to three factors. Firstly, the Government allowed Chinese insurance companies and the State Pension Fund to acquire real estate for the first time in 2007. Secondly, the Directors and the Investment Manager believe that there is a decreasing supply of new projects caused by the imposed borrowing restrictions and that this has resulted in prices starting to increase at greater rates. Thirdly, many Chinese developers listed on domestic markets are currently trading at significant premiums to net asset value and therefore it is an attractive time for any public market exits.

3. Investment objectives

The Company's principal investment objectives are to provide Shareholders with capital growth and a regular level of income, from a diversified portfolio of property in Greater China and to achieve above average returns for an acceptable level of risk. The Company will seek to achieve these objectives by acquiring a portfolio of diversified property assets in Greater China which would be split among (i) strategic pre-IPO investments in mid-size regional developers; (ii) co-investments in attractive new development projects which the Investment Manager selects from its strategic partners; and (iii) direct property acquisitions at distressed situation prices from developers who need to raise funds for additional land acquisition or to make full payment on existing land acqusition contracts. The Company will not invest in an opportunity unless the Directors and the Investment Manager believe it has the ability to generate a return above a minimum internal rate of return of 20 per cent. The Investment Manager intends to invest a majority of the net proceeds of the Placing within six months of Admission, with the balance being invested within nine months of Admission, subject to standard holdbacks for potential follow-on investments and future management fees.

4. Investment strategy

The Company intends to invest and hold equity interests in a portfolio of property assets in the residential, office, retail, hospitality and industrial real estate sectors. This will be comprised of strategic investments in pre-IPO companies (which would have an intended holding period of 12 to 24 months), co-investments in new developments with strategic partners (which would have an intended holding period of 18 to 36 months) and opportunistic acquisitions of distressed assets (which would have an intended holding period of 12 to 18 months) which may be either substantially complete or completed assets requiring a major lease-up or repositioning.

The Company will not be restricted as to where it may invest within Greater China. However, the Company intends to focus primarily on the following two geographical areas:

- ***Second and third tier cities.*** Cities such as Dalian, Suzhou and Xiamen are generally experiencing faster GDP growth than first tier cities. In addition, the Government is investing in infrastructure in such cities and is channelling foreign and local investment into these cities to take advantage of the lower labour costs. The Directors and Investment Manager believe that such investment by the Government and relatively low real estate prices may result in significant price appreciation in these cities. It is expected that investments in second and third tier cities will form the majority of the portfolio.
- ***First tier cities***. First tier cities such as Beijing have been the main Chinese recipients of foreign direct investment and generally have the most developed infrastructure and educational institutions in China. In addition, they have the largest share of GDP and exports and as such are in a more mature phase of their development cycle. Accordingly, real estate prices in these cities have generally risen the most. The Directors and Investment Manager believe, however, that first tier cities, especially those such as Shanghai and Guangzhou, still have a potential for significant price appreciation and intend to target select opportunities in these markets where developers are selling existing assets or developing new sites at in-fill central business district locations.

The Company may invest in Macau, Taiwan and Hong Kong should the Investment Manager identify investments that would generate attractive returns relative to those available in China.

5. Investment policies and restrictions

The Company intends to invest in a diverse portfolio of property assets while adhering to the following investment policies and restrictions:

- ***Geographical and sector focus.*** The Investment Manager intends to invest approximately 85 per cent. of Gross Asset Value in China's first, second and third tier cities. Approximately 15 per cent. of Gross Asset Value may be invested in Hong Kong, Macau and Taiwan should the Directors and the Investment Manager consider that such investments offer potentially attractive returns. Whilst the Company's approach will be fundamentally opportunistic, the Investment Manager intends to invest approximately 50 per cent. of Gross Asset Value in residential properties, approximately 20 per cent. in office real estate and the remaining 30 per cent. equally among retail, hospitality and industrial real estate.
- ***Type of investments.*** Investments will be funded by way of cash. Ordinary Shares will not be used as consideration for any investment. The Investment Manager intends to make investments through Investee Companies, which are special purpose vehicles established offshore to hold investments. Investments may also be made using a Chinese domestic holding entity with a pre-approved level of registered capital which is licensed to enable foreign entities to acquire real estate in the PRC.
- ***Investment size.*** The Company expects individual investments will range from $30 million to $60 million although initial investments may be smaller if the Company anticipates follow-on investments may be required. No single initial investment will exceed 20 per cent. of Gross Asset Value at the time of investment.
- ***Control of investments.*** The Company will seek to own a substantial interest in its investments or, where necessary, secure adequate minority protection rights.
- ***Realisation of investments.*** The Company intends to exit individual investments when the Investment Manager and the Investment Committee believe realisation would be in the best interests of the Company and consistent with its investment objective. The Company anticipates the average holding period of investments will be between 12 and 36 months.
- ***Borrowings.*** There is no limit in the Articles as to the amount of debt the Company may incur. As is typical with property development and investment, Investee Companies may use leverage for individual developments. The level of debt incurred may vary depending on the laws and regulations pertaining to the debt market with regard to any specific investment and the ability of the relevant Investee Company to service the debt. The Investment Manager has the authority under the Investment Management Agreement to arrange recourse borrowings on behalf of the Company up to an aggregate maximum of 50 per cent. of Net Asset Value from time to time, calculated at the time such borrowings are undertaken. All recourse debt incurred on behalf of the Company above this level will require majority Board approval.
- ***Uninvested funds.*** Cash pending investment, reinvestment or distribution will be placed in bank deposits, bonds or US government-issued treasury securities, or in capital-guaranteed schemes offered by major global financial institutions, in order to protect the capital value of the Company's

cash assets. In order to hedge against interest rate risks or currency risk, the Company may, where appropriate, also enter into forward interest rate agreements, forward currency agreements, interest rate and bond futures contracts and interest rate swaps and purchase and write (sell) put or call options on interest rates and put or call options on futures on interest rates.

The Directors will review the investment policies set out in this document on an annual basis and, subject to their review and in the absence of unforeseen circumstances, the Company intends to adhere to these policies for at least three years following Admission. Changes to the investment policies may be prompted, *inter alia*, by changes in government policies or economic conditions which alter or introduce additional investment opportunities. The Company will not materially change its principal investment objectives and policies within three years of Admission without the consent of a majority of the Shareholders. In the event of a breach of any investment restriction, the Investment Manager will inform the Board upon becoming aware of the same and the Board shall discuss such breach with the Company's nominated adviser and the CISX listing sponsor to determine if any notification should be made via a Regulatory Information Service.

6. Track record

The Directors and Advisory Panel collectively have over 100 years of international real estate investment and development experience, with the majority of those years spent in Greater China. The Investment Manager has recruited a team of property professionals who have significant investment experience within the property market in Asia and an extensive local network of business contacts. The Directors, the key personnel of the Investment Manager and the members of Advisory Panel have established relationships with leading local and international property developers.

The Company will also be able to leverage the local knowledge and experience of the Pacific Alliance Group network. The Pacific Alliance Group includes Pacific Alliance Investment Management Limited, the investment manager of Pacific Alliance Asia Opportunity Fund Limited ("PAX"), ARC Capital Partners Limited, the investment manager for ARC Capital Holdings Limited ("ARCH") and VinaCapital Investment Management Ltd, which manages Vietnam Opportunity Fund Limited ("VOF"), VinaLand Limited ("VNL") and Vietnam Infrastructure Limited ("VNI"). Each of PAX, ARCH, VOF, VNL and VNI is traded on the AIM market of the London Stock Exchange. The Pacific Alliance Group also includes Pacific Alliance Asia Opportunity Fund L.P. ("PAX LP") and DFJ VinaCapital L.P. both of which are unlisted limited partnership investment vehicles. As at 1 November 2007, the Pacific Alliance Group collectively had over $3.5 billion in assets under management and employs over 180 professionals in offices in Hong Kong, Shanghai, Beijing, Hangzhou, Ho Chi Minh City and Hanoi.

PAX is an AIM traded closed-ended investment company, that focuses on value, arbitrage and special situations investments in Greater China and emerging Asia. Since its admission to AIM in September 2006, PAX's market capitalisation has increased from approximately $275 million to approximately $429 million as at 31 October 2007.

ARCH is an AIM traded closed-ended investment company, that focuses on buy-out and expansion stage private equity investments in consumer and retail related businesses in Greater China. Since its admission to AIM in June 2006, and following the completion of a secondary fundraising of $375 million in May 2007, ARCH's market capitalisation has increased from approximately $120 million to approximately $712 million as at 31 October 2007.

Potential investors should note the past performance of any of the funds managed by the Pacific Alliance Group is not necessarily a guide to the future performance of the Company or the Investment Manager or an indication of the likely projects in which the Company may invest.

7. Potential investment opportunities

The Investment Manager has identified a number of potential investment opportunities for the Company. While the Company does not have a legally binding agreement in place relating to any potential investment, the Investment Manager is currently in discussions relating to the following projects:

(i) ***Strategic pre-IPO Investments***

- a joint venture with a leading Chinese developer and other institutional investors to create a residential and resort development platform. The joint venture company intends to acquire large parcels of land at some of the major tourist destinations in China which will then be developed into residential and resort communities;
- a pre-IPO stake in a major developer in South-East China;

(ii) ***Co-investment in new development projects***

- a controlling interest in a mid-size private developer. The developer has a land bank in certain key second and third tier markets, and intends to use the investment made by the Company for its land bank and continued development of its land;
- a high-end residential development of 92,050 m^2 situated on a prime piece of land in the Nam Van Lake area on the Macau peninsula;

(iii) ***Direct property acquisitions***

- two properties located in Shanghai comprising (i) a commercial mixed use development with gross floor area of 12,087 m^2 located to the north-west of Shanghai city centre with access to public transport and (ii) a high-end residential development of 29,280 m^2 located in a prime residential area within the central business district of the city;
- a high-end residential development in central Dalian with gross floor area of 150,650 m^2 located close to Sin Hai Bay, an area known for its luxury residential developments; and
- a retail property with gross floor area of 46,000 m^2 located in Xian at the intersection of Xian's two busiest thoroughfares. This project is located beside a subway station scheduled to be completed in 2010.

The completion of any transaction relating to any of the potential investments listed above will depend upon, *inter alia*, satisfactory due diligence and the execution of mutually satisfactory legally binding agreements. As such, at the date of this document, there is no assurance that the Company will complete any of the potential investments nor is the Placing conditional upon the Company investing in any of these aforementioned potential investments.

8. Investment process

The Investment Manager, drawing on the extensive experience and business contacts of its key personnel in the region, will carefully select a limited number of investment opportunities by adhering to a thorough investment process that includes extensive market research and due diligence. For each potential investment the Investment Manager intends to present to the Investment Committee it will prepare a report for the committee covering the key aspects of the proposed investment. The Investment Committee will review the potential investment and the unanimous approval of the Investment Committee must be secured before the potential investment is undertaken by the Company.

The Investment Manager will coordinate due diligence on the investment prior to effecting the investment and will have the ability to retain, if it considers necessary, external accounting, legal, operational and environmental consultants to perform due diligence on the target at the expense of the Company. Once the Company has committed to an investment following approval of the Investment Committee as set out above, the Investment Manager will execute the asset management strategy for the investment which will include the Investment Manger taking a pro-active management approach towards all projects and investments made by the Company.

9. Co-investments and third party investors

In cases where investments are too large for the Company given its diversification requirements or where the Company has insufficient funds, the Company may co-invest in investment opportunities with third party investors, or invite third party investors to co-invest in investment opportunities led by the Company, including entities that are affiliated with or managed by the Investment Manager or its affiliates. The Company may also invest in partnership or by way of joint venture partnerships with reputable developers. Such third party investors may have investment objectives and policies that differ from those of the Company. Although the Company may not have control over these investments and may therefore have a limited ability to protect its position therein, the Investment Manager expects appropriate rights will be negotiated to protect the Company's interests. Shareholders or other affiliates of the Investment Manager may also be invited to co-invest in investment opportunities on terms no more favourable than the terms on which the Company invests. This invitation will only be made when the Investment Manager is satisfied that the interests of the Company and its Shareholders will not be prejudiced by such invitations.

In order to execute the Company's investment strategy, the Investment Manager may also from time to time manage one or more funds incorporated, licensed or registered in China, thereby allowing the Company to invest in local companies or investment opportunities up to the foreign ownership restriction limit then existing, with the local fund making additional investments in order to gain control of that company or investment opportunity. This facility would allow the Company to benefit from majority participation in local investment opportunities thereby reducing the risks which may be associated with the use of locally established co-investors/partners and thereby also allowing effective overall control to be exercised by the Investment Manager alone.

10. Conflicts management

Under the terms of the Investment Management Agreement, the Investment Manager is required to devote its time and attention to the affairs of the Company and not to establish other investment funds or investment companies which have a similar investment focus to the Company until such time as 70 per cent. of the net proceeds of the Placing are contractually committed to investments. After this level of capital is committed, the Investment Manager will be free to manage or establish other investment funds or investment companies that might have an investment focus that is competitive with that of the Company.

The Investment Manager is part of the Pacific Alliance Group of companies, which currently manages the PAG Investment Companies and may from time to time act for other clients that have investment policies that overlap with the investment policy of the Company. The geographical focus of ARCH, PAX and PAX LP is the same as that of the Company and there may be circumstances where investment opportunities sourced by the Investment Manager are suitable for one or more of ARCH and/or PAX and PAX LP. When such conflicts arise, the investment will be allocated on a pro-rata basis with other investment entities within the Pacific Alliance Group which share similar investment strategies at the time the investment opportunity arises.

11. Foreign exchange policy

It is the Company's policy to determine the valuations of all its investments in US Dollars. Consequently, the value of its investments may fluctuate with changes in the rate of exchange of the US Dollar against the Reminbi or any other currency in which an investment is made. The Company may enter into currency arrangements to hedge currency risks if such arrangements are desirable and practicable in the future, but there is no assurance that such arrangements will be available on favourable terms or at all.

12. Distribution policy and discount control

Subject to the availability of cash and reserves, the Company will seek, where circumstances allow, to provide a regular level of income in the form of a dividend up to an annual dividend yield of six per cent.

As the Company is a closed-ended investment company the shares of which will be admitted to trading on AIM and listed and admitted to trading on the CISX, there is always a risk that the applicable quoted price of the Ordinary Shares may fall to a discount to the prevailing Net Asset Value per Share.

In the event that Ordinary Shares trade at a substantial discount to the then prevailing Net Asset Value per Share for an extended period of time, the Board will consider the most appropriate method of reducing the discount, which may include making market purchase of Ordinary Shares and/or implementing a Buyback Programme. The implementation and timing of any Buyback Programme will be at the absolute discretion of the Board and not at the option of Shareholders.

13. Suitability

As an investment company incorporated in the Cayman Islands, the Company may only be marketed to, and is only suitable as an investment for, sophisticated investors with an understanding of the risks inherent in property investment in emerging market jurisdictions and an ability to potentially accept the total loss of all capital invested in the Company.

14. Life of the Company

The Company does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Board intends to convene an extraordinary general meeting of the Company in 2015 where a special resolution will be proposed that the Company continue as presently constituted. If the resolution is passed, the Board intends that a similar resolution will be proposed at an extraordinary general meeting to be convened each fifth subsequent year thereafter. If any such resolution is not passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up.

15. Shareholder notification and disclosure requirements

Under the terms of the Articles, Shareholders in the Company are obliged to comply (where necessary) with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules

Sourcebook (the "DTR") of the FSA Handbook as if the Company were a UK domestic company. The DTR can be accessed and downloaded from the FSA's website at http://fsahandbook.info/fsa/html/handbook/DTR/5. Further details of these notification and disclosure requirements are summarised in paragraph 4.3 of Part 9 of this document. **Shareholders are urged to consider their notification and disclosure obligations carefully because a failure to make a required disclosure to the Company may result in disenfranchisement.**

16. The Placing

On 20 November 2007, the Company, the Investment Manager, PAIM, the Directors, Grant Thornton UK LLP, LCF Rothschild and LCF Edmond de Rothschild (C.I.) Limited entered into the Placing Agreement pursuant to which PAIM agreed to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price which are allocated pursuant to the Placing. For its services in connection with the Placing, PAIM is entitled to receive a commission equal to three per cent. of the gross proceeds of the Placing. All such subscriptions will be at the Placing Price. Under the Placing, the Placing Shares have been offered to institutional and certain other investors in the UK and certain other jurisdictions. No Placing Shares have been sold or are available in whole or in part to the public in the UK or elsewhere in connection with the Placing. The Ordinary Shares have not been and will not be registered under the US Securities Act and may not be offered or sold within, or to persons in, the United States, except pursuant to an exemption from the registration requirement of the Securities Act and applicable US State securities laws. The Placing is subject to the satisfaction of conditions contained in the Placing Agreement, including Admission occurring on or before 29 November 2007 (or such later date as PAIM, Grant Thornton UK LLP, LCF Rothschild and the Company may agree (not being later than 20 December 2007)). Certain conditions are not capable of waiver. The Placing Agreement contains provisions entitling PAIM, Grant Thornton UK LLP and/or LCF Rothschild to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse and any monies received in respect of the Placing will be returned to applicants without interest. Further details of the terms of the Placing Agreement are set out in paragraph 7.3 of Part 9 of this document. The Placing is not being underwritten by the Investment Manager, PAIM, Grant Thornton UK LLP, LCF Rothschild or LCF Edmond de Rothschild (C.I.) Limited. The net proceeds of the Placing will be used to fund investments for the Company in accordance with the investment objective, strategy and policies outlined in this document, and to pay the Company's ongoing ancillary costs.

PART 2

DIRECTORS, MANAGEMENT AND ADMINISTRATION

1. The Directors of the Company

The Board comprises four independent non-executive Directors and two non-independent Directors who are also senior investment personnel of the Investment Manager. The Directors have overall responsibility for the Company's activities including the review of its investment activities and performance. They have primary responsibility for determining the Company's overall investment objectives, strategy and policies and for implementing the Company's investment policies. The Board is also responsible for supervising and reviewing the activities of the Investment Manager. The Board will meet at least four times a year to review the Company's investment strategy and policies. The Directors of the Company are:

Horst Joachim Franz Geicke, *aged 51 (Chairman)*

Mr. Geicke is the co-founder and chairman of Pacific Alliance Group and PAIM. He has over 25 years of operating and investing experience in the region, having made several financial and strategic investments in China, including the establishment and operation of several factories in major cities in China. Mr. Geicke was the President of the German Chamber of Commerce of Hong Kong for four years and in 2005 was the President of the European Chamber of Commerce in Hong Kong. He is a founding and active director of the Hong Kong – Thailand Business Council. He has been a member of the Trade and Industry Advisory Panel of the Government of the Hong Kong Special Administrative Region since 2004. Mr. Geicke is a director of VNL,VOF, VNI, ARCH and PAX, five AIM traded investment companies, and he is a director of VinaCapital Group Limited, the immediate parent company of VinaCapital Investment Management Ltd. He is also a director of several other listed and private companies in Asia. Mr. Geicke has a masters degree in Economics and Business Law from the University of Hamburg, Germany.

Margaret Eileen Brooke, *aged 64*

Mrs. Brooke is an experienced property professional who has worked in the Asia Pacific region for over 20 years. Mrs. Brooke is the chief executive officer of Professional Property Services Limited which provides strategic development and investment advice, land use planning strategies, feasibility studies and appraisal services mainly in Hong Kong and China, but also across the Asia Pacific region. Mrs. Brooke was co-founder of Brooke International, a regional consultancy and advisory group with offices and alliance partners in all major markets in the Asia Pacific region. Brooke International was acquired by the US Insignia Group in 2000 and its name changed to Insignia Brooke, which later merged with CB Richard Ellis. Mrs. Brooke worked for a number of years at The Royal Institution of Chartered Surveyors in the UK and later was Hon. Secretary of the Hong Kong Institute of Surveyors and the Hong Kong Branch of the Royal Institution of Chartered Surveyors. More recently Mrs. Brooke has been involved in efforts to promote improved harbourfront planning and in the protection and conservation of heritage buildings in Hong Kong. Mrs. Brooke is also a member of Vision 2047, one of Hong Kong's leading think tanks, and sits on the real estate committee of the American Chamber of Commerce and the Asia/Africa committee of the Hong Kong General Chamber of Commerce. Mrs. Brooke has a degree in Estate Management from the University of London.

Paul Ming Fun Cheng, *aged 70*

Mr. Cheng is currently an independent non-executive Director of Esprit Holdings Limited and Kingboard Chemical Holdings Limited, both of which are listed on the Hong Kong Stock Exchange. He is also a member of the International Advisory Board of Abdul Latif Jameel (one of the largest private companies in Saudi Arabia), adviser to Steelcase Corporation of the United States, a member of the Executive Committee of the PRC-based All China Federation of Industry and Commerce and adviser to the China National Committee for Pacific Economic Co-operation and the China Centre for Economic Research of the Peking University. From 2005 until March 2007, Mr. Cheng was the Chairman of The Link Management Limited, a Hong Kong based real estate investment trust (or REIT) that manages a portfolio of previously Hong Kong government-owned retail and car park assets valued at over HK$30 billion. In addition, he is a former member of the Hong Kong Legislative Council, former Chairman of Inchcape Pacific Limited (from 1992 until 1997) and Chairman of N.M. Rothschild & Sons (Hong Kong) Ltd. (from 1995 until 1999). Mr. Cheng has served as Chairman of both the American Chamber of Commerce in Hong Kong and the Hong Kong General Chamber of Commerce. Mr. Cheng has an MBA from the Wharton Graduate School of Business at the University of Pennsylvania.

Christopher Marcus Gradel, *aged 35*

Mr. Gradel has over 10 years experience investing in China and South-East Asia, initially with the Marmon Group in China, where he established two green field manufacturing businesses and structured the buy-out of a state-owned coal mining equipment company. Following his time at the Marmon Group, Mr. Gradel became an engagement manager at McKinsey and Company in Hong Kong focusing on strategy and mergers and acquisitions for industrials, investment companies and conglomerates and was involved in transactions in China, Hong Kong, Singapore, Indonesia, Taiwan, US and Germany. Mr. Gradel co-founded PAIM, the investment manager for PAX and ARC Capital Partners Limited, the investment manager of ARCH. He is also a director and investment committee member of PAX and ARCH, and an investment committee member of VOF, VNL and VNI. Mr. Gradel has a joint Masters degree in Engineering, Economics and Management from Oxford University.

Ming Mei, *aged 35*

Mr. Mei is President of China for ProLogis, where he is responsible for expanding the company's operations and developing its distribution properties throughout the country. ProLogis owns and manages a global portfolio of properties valued at more than $26 billion. Mr. Mei also serves on its Executive Committee, responsible for setting the strategic direction of ProLogis and monitoring its implementation and progress. In addition, he serves as Chief Investment Officer of SZITIC commercial property. Prior to joining ProLogis in March 2003, Mr. Mei was with Owens Corning, one of the world's largest building materials manufacturers, where he held various key roles in finance, manufacturing and strategic planning. Since 1997, he worked in China for the company to expand its building materials business in Asia. His last position with Owens Corning was as Director of Finance and Business Development for the Asia Pacific Region, where he oversaw all finance, acquisitions, supply chain management and planning, site selection and establishing relationships with local governments and developers. Mr. Mei received his MBA from Northwestern University's Kellogg School of Management and Hong Kong University of Science and Technology's School of Business, and he received his B.S. in Finance from Indiana University.

Kennedy Ying Ho Wong, *aged 44*

Mr. Wong has extensive operating and investing experience in Greater China with a broad network of Government and business relationships. He is managing partner of the law firm Philip K. H. Wong, Kennedy, Y. H. Wong & Co. Mr. Wong is a director of several regional companies including China Overseas Land and AXA Asia. He is a national committee member of the Chinese People's Political Consultative Conference and vice chairman of the All China Youth Federation. Mr. Wong is a graduate of the University of Kent and became a Solicitor of the High Court of Hong Kong in 1988 and a China Appointed Attesting Officer in 1993.

2. The Investment Manager

The Company and PARE have entered into the Investment Management Agreement under which the Investment Manager has been given responsibility for the day-to-day management of the Company's portfolio of assets, including (subject to the approvals process outlined in Part 1 of this document) the day-to-day acquisition and disposal of investments in accordance with the Company's investment objectives, policies and restrictions. The Investment Manager is also, amongst other things, responsible for the following:

- the investigation, valuation, analysis and selection of investment opportunities and exit strategies;
- presenting investment opportunities and appropriate information to the Investment Committee;
- executing investments on behalf of the Company;
- arranging debt facilities where required;
- participating on the board of directors of Investee Companies to represent the interests of the Company;
- monitoring and supporting Investee Companies;
- formulating and implementing investment and exit strategies for Investee Companies and other assets;
- co-ordinating the collection of benefits due to the Company;
- recommending to the Board, the level and method of distributions from the Company to the Shareholders, if any;
- supervising the preparation of financial statements for the Company in compliance with US GAAP;

- advising the Board generally in relation to investment trends, market movements, peer group performance and other matters relevant to the investment focus of the Company which the Investment Manager considers material; and
- maintaining investor relations and other investor communications.

Under the Investment Management Agreement, the Investment Manager will receive a management fee equal to one quarter of two per cent. of each quarterly Net Asset Value which fee shall be payable in US Dollars quarterly in advance on the first Business Day of each quarter based upon the last preceding published quarterly Net Asset Value.

The Investment Manager is also entitled to a performance fee amounting to 20 per cent. of the annual increase in Net Asset Value over the higher of an annualised non-compounding hurdle rate of eight per cent. or a "high water mark" requirement and subject to an Investment Manager's "catch–up". The Investment Manager shall be paid 25 per cent. of any performance fee in the form of Ordinary Shares at the higher of (i) fair market value (being the average of the middle market quotation for Ordinary Shares on AIM for the five prior trading days); and (ii) the then prevailing Net Asset Value per Share. The Investment Management Agreement will be for an initial four year period commencing on Admission and is terminable on twelve months' prior written notice given at any time expiring on or after the fourth anniversary of Admission or terminable immediately in certain circumstances. Further details of the Investment Management Agreement are set out in paragraph 7.4 of Part 9 of this document.

To successfully perform these duties, as well as to complement the skills of the Board, the Investment Manager has assembled a dedicated management team with a combination of local and international experience in property investment, finance, entrepreneurship and mergers and acquisitions.

The key personnel of the Investment Manager who will be responsible for managing the Company's property portfolio are Messrs. Christopher Gradel (whose biography is set out above) and Patrick Boot (whose biography is set out below).

Patrick James Boot, *Managing Director*

Mr. Boot joined PARE from ProLogis in 2007. ProLogis is a global leader in industrial real estate. Mr. Boot was recruited by ProLogis in 2003 to lead the establishment of its China business. Mr. Boot began his real estate career in Canada in 1988 with Cadillac Fairview, Canada's leading developer of shopping centers and office buildings. After six years he relocated to Asia to help establish Lippo Group's shopping centre division in Indonesia. Mr. Boot joined a division of the Salim Group in 1997 to develop an airport business park and golf course at the Jakarta International Airport, and at the same time obtained a joint executive MBA from Northwestern University's Kellogg Graduate School of Management and Hong Kong University of Science and Technology (Asia Program).

3. The Investment Committee

The Investment Committee has been established by the Board and is responsible for considering and approving property projects that the Investment Manager believes are suitable for investment by the Company. The Investment Committee is comprised of individuals with financial, business and property backgrounds. The current appointees to the Investment Committee are Messrs. Horst Geicke and Christopher Gradel and Mrs. Margaret Brooke, whose biographies are set out above.

4. The Advisory Panel

The Investment Manager has established an Advisory Panel which will consist of such local investment specialists, business leaders and existing and former government officials as it deems appropriate from time to time to supplement the expertise of the management team. There are currently two appointees to the Advisory Panel, namely Messrs. Nicholas Brooke and Yue Kai Zhuang whose biographies are set out below.

Charles Nicholas Brooke

Mr. Brooke, BBS, JP, FRICS, CRE, FHKIS, RPS is the Chairman of Professional Property Services Limited which is a specialist real estate consultancy, based in Hong Kong, providing to clients a selected range of advisory services across the Asia Pacific region. Mr. Brooke is a former President of the Royal Institution of Chartered Surveyors and was the first overseas surveyor to be accorded that honour.

Mr. Brooke is a recognised authority on land administration and planning matters and has provided advice in these areas to many international companies and organisations including several Asian governments as well as the US State Department.

He is the Chairman of the Hong Kong Science and Technology Parks Corporation and the Chairman of the Hong Kong Coalition of Service Industries, which is the voice of the service sector in Hong Kong. He sits on the Board of the Hong Kong Cyberport Management Company Limited and is a member of the Hong Kong Harbour-front Enhancement Committee. He is also a Justice of the Peace, a former Deputy Chairman of the Hong Kong Town Planning Board and a former member of the Hong Kong Housing Authority and is a member of the Election Committee responsible for the selection of the future Chief Executive of the Hong Kong SAR.

In 1999, Mr. Brooke was awarded the Bronze Bauhinia Star by the Chief Executive of the Hong Kong SAR for his dedicated public service in Hong Kong, and in particular, his valuable contribution to the work of the Housing Authority. He is a member of the Board of Review (Inland Revenue Ordinance) and an active member of Vision 2047, a group of long term Hong Kong residents dedicated to supporting and promoting Hong Kong. He is also the Chairman of Project Chambers, a grouping from the various professions who are involved in many community related initiatives. He is an Honorary Member of the American Institute of Architects and an Honorary Professor of the Universities of Hong Kong and Chongqing in China, an Honorary Fellow of the College of Estate Management, University of Reading and in 2004 was admitted as a Freeman of the City of London; and become a Liveryman of the Worshipful Company of Chartered Surveyors.

Mr. Brooke also sits as a non-executive director on the boards of a number of companies including Shanghai Forte Land Company Limited, one of China's largest residential developers, Majid Al Futtaim Properties, one of Middle East's leading shopping centre developers, VNL, and China Central Properties Limited. Mr. Brooke is the husband of Margaret Brooke, a Director of the Company.

Yue Kai Zhuang

Mr. Zhuang is a certified senior engineer, corporate legal advisor, and property surveyor. He is currently a deputy general manager at Construction and Development Group and is the Chairman of Construction and Development Real Estate Corporation Limited. The group is one of the largest investment holding companies in China with investments mainly in real estate, trading and logistic and tourism. It also owns significant stakes in Xiamen International Bank and Xiamen Airline. It is recognised as one of the top 100 Chinese developers and holds the First Class Development Qualification in China. It currently has over 200 staff across seven offices in Xiamen, Fuzhou, Zhangzhou, Quanzhou, Shanghai, Changsha and Chengdu. Mr. Zhuang, one of the founders of the group, has worked in the group since 1986.

5. The Administrator, Custodian and Registrar

The Company has appointed Sanne Trust Company Limited to act as its administrator, custodian and registrar pursuant to the Administration, Custodian and Registrar Agreement. Further details of this agreement with the Administrator are set out in paragraph 7.5 of Part 9 of this document.

6. CISX Listing Sponsor

LCF Edmond de Rothschild (C.I.) Limited has been appointed as CISX listing sponsor to the Company. Details of the CISX Sponsorship Agreement are set out in paragraph 7.8 of Part 9 of this document.

PART 3

RISK FACTORS

Investment in the Ordinary Shares involves a high degree of risk and prospective purchasers of Ordinary Shares should carefully evaluate the factors set out below. The Company's investment activities will entail certain special risks not typically associated with investments in Western Europe and the United States including political, social, legal and economic uncertainty, high inflation, price volatility, limited liquidity, less transparent and rigorous regulatory, disclosure and financial reporting requirements, restrictions on foreign investment and repatriation of capital and income, fluctuations of currency exchange rates, currency devaluations and the possibility that the exchange of a foreign currency may be blocked. In addition, there are certain risks when making real estate investments in China such as onerous licensing and approval processes for foreign-invested projects, limitations on the equity stake that can be held by foreign investors in domestic projects and enterprises, uninsured losses, discovery of previously undetected environmentally hazardous conditions, illiquidity of underlying investments and competition from other investors. An investment in the Company should be considered speculative and long term in nature and is suitable only for sophisticated investors who understand the risks involved including the risk of a total loss of capital.

It should be noted that PRC laws, regulations and the interpretation thereof are subject to change from time to time and it should be noted in particular that such laws, regulations and the interpretation thereof can change swiftly and without prior notice to any person.

The following factors are not exhaustive and do not purport to be a complete explanation of all the risks and significant considerations involved in investing in the Ordinary Shares. Accordingly and as noted above, additional risks and uncertainties not presently known to the Directors, may also have an adverse effect on the Company's business.

Risks relating to the Company's business and structure

The Company is a new company with no operating history

The Company is recently incorporated and has no operating history upon which to evaluate its likely performance. The past performance of assets, investment funds or other investment companies managed by the Investment Manager, the Pacific Alliance Group or the Directors is not necessarily a guide to the future performance of the Company.

Dependence on Investment Manager and Board of the Company

The Company's ability to provide returns to Shareholders and achieve its investment objective is substantially dependent on the performance of the Investment Manager in the identification, acquisition and disposal of investments, the management of such investments and the determination of financing arrangements. The Board will have broad discretion to monitor the performance of the Investment Manager but the Investment Manager's performance cannot be guaranteed. Failure by the Investment Manager to manage investments effectively could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the Company has neither employees nor separate facilities and, as such, is reliant on the Investment Manager, which has significant discretion as to the implementation of the Company's operating policies and strategies. If the Investment Manager or the Company terminated the Investment Management Agreement there is a risk that no suitable replacement could be found or would exist.

Life of the Company

The Company does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Board intends to convene an extraordinary general meeting of the Company in 2015 where a special resolution will be proposed that the Company continue as presently constituted. Unless Shareholders vote against this resolution, Shareholders will only be able to realise their investment by selling their Ordinary Shares or accepting any Buyback Programme proposals that may or may not be made by the Company from time to time.

Conflicts of interest

The shareholders of the Investment Manager as well as certain of the Directors, have other interests and operations in Asia, including China. The Company may, from time to time, enter into transactions with its affiliates, but only after approval of the Board and subject to compliance with the AIM Rules for Companies. The Company may invest in property at the same time as other entities that are affiliated with or managed by the Investment Manager or its affiliates (an "affiliated entity") are investing in property.

There is a risk that the Investment Manager will choose a real estate related asset for the Company that provides a lower return than a real estate related asset chosen for an affiliated entity.

Subject to the Investment Management Agreement, the Investment Manager may from time to time act for other clients that have investments policies that overlap with the investment policy of the Company. There may be circumstances where investment opportunities sourced by the Investment Manager are suitable for one or more of ARCH, PAX and/or PAX LP. When such conflicts arise, the investment will be allocated on a pro-rata a basis with other investment entities within the Pacific Alliance Group which share similar investment strategies at the time the investment opportunity arises.

Independence of the Board of Directors

Certain members of the Board cannot be considered wholly independent due to the following relationships:

- Mr. Geicke has a 45 per cent. indirect shareholding in the Investment Manager. Mr Geicke cannot, therefore, be considered to be independent of the Investment Manager.
- Mr. Gradel has a 45 per cent. indirect shareholding in the Investment Manager. Mr Gradel cannot, therefore, be considered to be independent of the Investment Manager.

In addition, certain Directors have interests in other entities that invest in Asia. Specifically:

- Mr. Geicke is a director of each of VOF, VNL, VNI, ARCH and PAX and a member of the investment committee of each of these companies. He is a co-founder and director of VinaCapital Group Limited, a co-founder and director of ARC Capital Partners Limited and a co-founder of the Pacific Alliance Group.
- Mr. Gradel is a member of the investment committee for each of VOF, VNL and VNI and a co-founder and director of VinaCapital Group Limited.
- Mr. Gradel is a director of ARCH and a member of the ARCH investment committee. He is also a co-founder and director of ARC Capital Partners Limited.
- Mr. Gradel is a director of PAX and a member of the PAX investment committee. He is also a co-founder of the Pacific Alliance Group.
- Mr. Cheng is a director of VNI and Mr. Wong is a director of PAX.

Investments with third parties in joint ventures and other entities

The Company may co-invest in property investments with third parties through special purpose vehicles and may acquire non-controlling interests. Although the Company may not have control over these investments, and therefore may have a limited ability to protect its position therein, the Investment Manager expects that appropriate rights will be negotiated to protect the Company's interests. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party partner or co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals inconsistent with those of the Company, or may be in a position to take action contrary to the Company's investment objectives or where other investors in the project have rights of first refusal over investments or transfers of equity interests in the project. In addition, the Company may be liable for the actions of its third party partners or co-venturers in certain circumstances.

Competition

A large number of private equity and direct investment funds have become active in seeking investment opportunities with a focus on Greater China and the rest of Asia. The Company may face significant competition from domestic investors, other foreign investment funds and strategic investors. Many competitors have greater financial resources than the Company and a greater ability to borrow funds to acquire assets. Competition for attractive investment opportunities may lead to higher asset prices which may affect the Company's ability to invest on terms which the Investment Manager considers attractive. Such conditions may have a material adverse impact on the Company's ability to secure attractive investment opportunities and consequently may have an adverse effect on the Net Asset Value and the market price of the Ordinary Shares. The Directors and the Investment Manager believe the current market for property projects to be extremely competitive.

The use of leverage may increase the Company's investment risk and other risks

The Company has no leverage calculated at the date of this document, but under the terms of the Investment Management Agreement, the Investment Manager is entitled to arrange recourse borrowings on behalf of the Company up to an aggregate level of 50 per cent. of the Net Asset Value, calculated as at the time of borrowing without further Board approval to partly finance investments or to satisfy working capital requirements. The use of leverage creates special risks and will increase the Company's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated with such investments may cause the Net Asset Value and the Net Asset Value per Share to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the Net Asset Value per Share may decrease more rapidly than would otherwise be the case. Lenders will require security to be taken over the Company's assets, including its interest in Investee Companies. Failure by the Company to meet its payment obligations under credit agreements could result in enforcement by lenders of their security interest over the Company's assets, which could have a material adverse effect on the Net Asset Value and returns to Shareholders. Moreover, the Company is likely to have indirect exposure to leverage through the use of leverage by Investee Companies.

Operating expenses

The Company's annual operating expenses may be higher than those of other investment companies operating in more mature markets, primarily because of the additional time and expense required to pursue the Company's investment objectives. Investing in Greater China requires additional time and expense because available public information concerning investment targets, industry sectors and comparables is limited and difficult to obtain. Government approvals and regulations could further delay investments, as well as any realisation of such investments.

Availability of profits for distribution

There is no guarantee that distributable profits of the Company will be sufficient to allow the payment of dividends or any share buyback under a Buyback Programme or otherwise. The expenses and other outgoings of the Company are likely, at least in the short term, to exceed its income resulting in a reduction of the assets of the Company to the extent of that excess.

A change to Cayman Islands laws could affect the Company's ability to make distributions or the Company's tax exempt status

Representations in this document concerning the taxation of investors in Ordinary Shares are based upon current tax law and practice which is subject to change. Any change to the basis on which profits could be distributed by Cayman Islands companies could have a negative impact on the Company's ability to pay dividends. Any change in the Company's tax status or in taxation legislation could have a negative effect on the value of the investments held by and the performance of the Company.

Risks relating to property investments

General risks relating to property

An investment in Ordinary Shares will be subject to the general and specific risks connected with investment in real estate. In particular, as all property acquisitions will be made in Greater China, an investment in Ordinary Shares will be subject to the risks of owning, developing, refurbishing, managing, financing, leasing and selling real estate assets in Greater China.

Any future property market recession (whether global or specific to Greater China or any other geographic location) could materially adversely affect the value of properties and therefore the results of the Company.

Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the construction, redevelopment, refurbishment and management of the property, as well as upon changes in its market value. Rental income and the market value of properties are generally affected by overall conditions in the local economy, such as growth in GDP, employment trends, inflation and changes in interest rates. Changes in GDP may also impact employment levels, which in turn may impact the demand for premises, especially for office space for commercial enterprises in the service sector. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies. Both rental income and property values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

In addition, certain significant expenditures, including, without limitation, operating expenses, must be met by the owner even when the property is vacant.

The Company's operating performance may be adversely affected by the limited supply of partially completed property projects within the PRC

The Company's investment strategy includes investment in partially completed property projects within the PRC. The success of this strategy and future growth depends upon the Company's ability to build its property portfolio and to identify and acquire partially completed properties in selected locations with acquisition costs in line with the Company's targeted internal rate of return for investments. A rapid land price appreciation may also reduce the already limited supply of suitable opportunities available for investment by the Company. To the extent the Company is not able to invest in additional partially completed property projects meeting its investment criteria, its operating performance may suffer materially. If the PRC property market or the PRC economy improves substantially, the supply of partially completed property projects may be significantly affected.

The Company's operating results may be adversely impacted by certain Governmental measures intended to discourage real estate speculation

In light of increasing speculation and investment in the property market, which has resulted in a rapid increase in property prices, the Government has implemented a series of measures to discourage speculation in the property market. Such measures can change without notice and currently include that, among others, (1) under the "existing commercial principles" requirements, a foreign invested real estate related entity with specific business scope has to be set up in order to purchase and operate completed properties. From July 2006, the direct purchase from an offshore purchaser is not allowed; (2) the registered capital of a foreign invested real estate related entity may not be less than 50 per cent. of the total investment amount, provided the latter exceeds $10,000,000. The gap between registered capital and total investment amount was treated as the borrowing capacity for offshore debts in the past, but from 1 June 2007, no offshore borrowing is allowed and such a gap can now only be met with local bank loans; (3) upon approval of its incorporation by the relevant approving authority at provincial level or its local competent authority, each foreign invested real estate related enterprise has to be filed with the PRC Ministry of Commerce. Failing to comply with this requirement would mean no foreign currency could be transferred into the PRC as registered capital of the newly set up entity.

Although such measures are intended to promote more balanced property development in the long-term, there can be no assurance that the measures will not adversely affect sales, acquisition or rental income from or the ability to acquire units in the Company's property projects. In addition, there can be no assurance that the Government will not introduce further measures to regulate the rate of growth of the property market. The continuation of the existing measures and the introduction of any new measures may adversely affect the Company's business, financial condition and results of operations. Further information on the regulation of the PRC property market and recent Government policies is detailed in Part 7 of this document.

The Company's business is subject to extensive Government regulation, which may increase costs or delay project completion and thereby adversely impact the Company's operating results

As an investor and a developer of partially completed property projects, the Company's ability to complete existing properties and to acquire additional properties within the Company's targeted markets depends to a considerable degree upon PRC laws and regulations. In the PRC, governmental authorities typically control the supply of land, and both the Company's ability to acquire land use rights for future development and the acquisition costs of these land use rights will be affected by Government policies toward land supply. The Company's ability to invest in real estate will depend on its receipt of requisite approvals from relevant authorities in the PRC. For example, since January 1999, various local governments and the central Government have promulgated regulations requiring that land use rights for commercial, cultural, entertainment, residential and office property developments be sold by public tender or auction. Land use rights for industrial purposes must also now be sold by public tender or auction since January 2007.

This requirement, among others, may significantly increase the Company's property acquisition costs. Once the Company has acquired a particular property project, in order to complete development of that asset, the Company must obtain various permits, licences, certificates and other approvals from the relevant administrative authorities during various stages of the Company's property development, including land use rights documents, planning permits, construction permits, pre-sale permits, environmental and safety permits, approvals and certificates or confirmation of completion and acceptance and property ownership certificates. Each such approval is dependent on the satisfaction of certain conditions and there are costs associated therewith.

There is no assurance that the Company will not encounter significant problems in fulfilling the conditions precedent to the receipt of governmental or administrative approvals or permits, or that the Company will be able to adapt itself in a timely manner to new laws, regulations or policies that may come into effect from time to time with respect to the property industry in general or the particular processes involved in the granting of the approvals or permits. There may also be delays on the part of administrative bodies in reviewing the Company's applications and granting approvals or permits. The Company may also be subject to periodic delays in upgrading and completing its property projects due to building moratoria in any of the areas in which the Company operates or plans to operate. If the Company fails to obtain, or experiences material delays in obtaining, the requisite governmental or administrative approvals or permits, or if a building moratorium is implemented at one or more of its project sites, the completion of the Company's projects could be substantially disrupted, which would have a material adverse effect on its business, results of operations and financial condition. Further, the implementation of laws and regulations by the relevant authorities, or the interpretation or enforcement thereof, may require the Company to incur additional unforeseen costs, which could have a material adverse effect on its business, financial condition and results of operations. If, as a result of governmental regulation, the Company is not able to invest in suitable properties, at prices in line with its investment criteria, the Company's business, growth prospects and operating results may be materially and adversely affected.

For a detailed description of the regulations relevant to the PRC property market, please refer to Part 7 of this document.

Changes to planning regulations

Changes in the legal and regulatory framework concerning planning rules may negatively influence the values of properties making them less attractive for both leaseholders and potential purchasers. Accordingly, such changes may have a material adverse impact on the Company's business, growth prospects and operating results.

Increases in mortgage interest rates and minimum down payment requirements may reduce the number of prospective buyers for the Company's residential properties

Mortgages have become increasingly popular as a means of financing property purchases in the PRC. Most of the prospective buyers of the Company's residential properties are expected to finance a substantial portion of the purchase price with mortgage loans. Because of the need for mortgages, demand for residential properties is likely to be adversely affected by increases in interest rates, which would make residential properties less affordable for some prospective purchasers. In addition, recent "austerity measures" designed to stabilise housing prices increased the minimum down payment for individual residential properties from 20 per cent. to 30 per cent. of the total purchase price, and minimum down payment for second residential properties to 40 per cent, with certain exceptions for low-income purchasers purchasing residential units with a floor area under 90 square metres. These factors could to some extent have a material adverse effect on the Company's sales and, accordingly, the Company's business, financial condition and results of operations.

The Company may be required to forfeit a project if it does not comply with the terms of the relevant land grant contracts

Under PRC laws, if a developer fails to develop a plot of land according to the terms of the land grant contract (including those relating to payment of land premiums, land use or the time for commencement and completion of the development of the land), the relevant land authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights.

The Company's land grant contracts with relevant land authorities will typically specify:

- the date to commence and complete construction;
- the amount of land premiums including, without limitation, land grant fees, infrastructure costs and relocation expenses (if any);
- when such land premiums should be paid and the payment schedule; and
- technical specifications (for example, gross floor area, height, plot ratio, greenery ratio) for the buildings to be built thereon.

In the event that the Company delays development of a project site or delays the payment of required land premiums, the Company may have to pay late penalties, which are required under certain of the land grant contracts, to the relevant land authority in respect of delays in the payment of land premium, or the Company may even be required to forfeit projects pursuant to certain land grant contracts.

There is no assurance that circumstances leading to possible forfeiture of land or acquired development projects, or delays in the completion of a property development may not occur in the future. However, the risks can be minimised greatly by paying for the land premium within the scheduled timeline in the land grant contracts, and by contributing substantial efforts to construct the building in good faith.

The Company may be adversely affected by the inherent illiquidity of and ability to sell property investments

Investments in PRC property may be difficult, slow or impossible to realise and property investments are relatively illiquid. Such illiquidity may affect the Company's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, financial, property market or other conditions.

The acquisition of property holding companies may be riskier than direct acquisition of properties

The Company may acquire property holding companies in the future, as opposed to acquiring property directly. Acquisition of a company is usually riskier than acquiring property directly as the Company will be taking over all the liabilities as well as the assets of the acquired company. There is always the risk that the acquired company may have hidden liabilities, contingent or otherwise, not revealed in its accounts or the due diligence reports commissioned by the Company, as a result of deliberate withholding of information or poor record keeping by the vendor.

The Company's investments are likely to be in companies or entities that are highly leveraged

The Company expects to make equity investments in property companies, businesses and assets which may have a significant degree of leverage. It is possible that a significant level of debt may be required by the Company in order to finance property acquisition and development activities. An increase in interest rates might adversely affect the Company's results of operations as the Company's cost of financing increases. In addition, the ability of the Company to raise funds for development and refurbishment activity on favourable terms depends on a number of factors including general economic, political and capital market conditions and credit availability from commercial banks. If the Company were to be confronted with a liquidity crisis in the future, whether for macroeconomic reasons or for reasons specific to the Company, it could significantly increase the Company's cost of funding or lead to serious difficulties for the Company in refinancing its debt. The Company could also be forced to sell assets in order not to default on its payment obligations. Such forced sales may not be on as favourable terms as the Company might otherwise obtain which may adversely affect the Company's business.

A leveraged company's income and net assets also tends to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. As a result, the risk of loss associated with a leveraged company would generally be greater than for companies with comparatively less debt.

The Company's investments may be few in number or concentrated in particular areas

The Company may be exposed to a relatively small number of individual investments and consequently the aggregate returns that the Company realises may be adversely affected if any of these investments perform poorly or the value of any of these investments is substantially written down. Except for provisions in the Company's current investment policies and procedures which limit the amount of capital that may be used for investments and its stated objective to achieve a diversified portfolio of equity investments, the Company does not generally have fixed requirements for investment diversification.

Building standards and materials

The building standards applicable in China may not be as stringent as those in other jurisdictions. For example, the applicable Chinese seismic load design requirements may be less than those required by other international standards. Where a developed property asset is acquired which was constructed prior to the entry into force of the latest Chinese building standards, the risk that the building is not in conformity with international standards is increased. Compliance with amended building codes may be required retrospectively, which could entail significant costs for the Company. Furthermore, construction materials and plant employed may not comply with international standards.

Where developments do not meet the most recent requirements they may be less desirable than developments which have been built in accordance with the latest standards which may affect the ability to sell or let the properties and consequently the Company business.

Compulsory acquisition

The Government has the power compulsorily to acquire any land in China. In the event of any compulsory acquisition of property in China, the amount of compensation to be awarded is based on the open market value of the property and is assessed on the basis prescribed in the relevant law. If any of the Company's property assets were to be acquired compulsorily by the Government, the level of compensation paid to the

Company pursuant to this basis of calculation may be less than the price which the Company paid for such property assets and may not take into account any perceived future loss or "loss of bargain".

General investment risks

Inability to find suitable investments

There can be no guarantee the Investment Manager will be successful in identifying and obtaining suitable investments on financially attractive terms or that the Company's investment objectives will be achieved.

Acquisition of investments

Acquisitions of assets involve a number of inherent risks. Assessing the values, strengths and weaknesses of properties is complex and not certain. Acquisitions may have short-term adverse effects on the Company's operating results, may divert management's attention and may give rise to risks associated with unanticipated problems and latent liabilities or contingencies such as the existence of hazardous substances or environmental liabilities. Additional risks inherent in acquisitions include risks that the acquired properties will not achieve anticipated rental rates or occupancy levels, and that judgements with respect to improvements to increase the financial returns of acquired properties will prove inaccurate.

While the Company will endeavour to conduct appropriate due diligence investigations prior to any acquisition of property, there can be no assurance that the property will not have defects or deficiencies requiring repair or maintenance, thereby requiring the Company to incur significant capital expenditure or payment or other obligations to third parties. Furthermore, although provision may be made for any significant risks identified in connection with developments, refurbishments and acquisitions, such provisions may prove inadequate and the Company's business may accordingly be adversely affected.

Nature of investments

The Company will invest in Greater China. It is likely that the performance of its investments will be affected by the general economic conditions, including the rate of GDP growth and consumer sentiment, of Greater China, Asia and the wider global economy. The Company will aim to minimise exposure to local economic conditions through conservative valuations, investing with strong operating partners and structuring downside protection and diversification. However, there can be no assurance that the capital appreciation sought by the Company will be achieved. The Company may lose some or all of the capital it invests in any particular investment, which loss could have a significant adverse effect on the performance of the Company as a whole. Through its Investee Companies, the Company will aim to use available sources of local currency debt as an additional source of funds to reduce the Company's potential capital at risk and to increase equity returns, but this may increase the risk of the investment in the event the investment does not perform as expected. The Company will, where possible, seek to guide and oversee the management of Investee Companies through board participation, supervisory, audit and oversight committees and entering into shareholders' agreements and other means of protecting minority shareholders' rights.

Exchange rates

While the Company will seek to make US Dollar based investments whenever possible, the Company may make investments in, and earn income denominated in, local currencies. The Renminbi is not freely convertible into other currencies. Exchange rate fluctuations and local currency devaluation are a real possibility and could have a material adverse effect on the Net Asset Value, which will be expressed in US Dollars. The Company may seek to hedge against a decline in the value of its Renminbi-denominated investments due to currency fluctuations if suitable hedging instruments are available on a timely basis and on acceptable terms. Such hedges are currently limited. There can be no assurance that any hedging transaction will provide the Company with effective protection against currency devaluations or fluctuations.

The external value of the Renminbi is subject to changes in policies by the Government and to international economic and political developments. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong Dollars and US Dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. The Renminbi to US Dollars exchange rate experienced significant volatility prior to 1994, including periods of sharp devaluation and the Government remains under international pressure to allow this rate to float. There is a likelihood that Renminbi may appreciate as a result of it being permitted to enter into a full or limited free float. Both of these circumstances could have an adverse effect on the Company's business and operating results.

In addition, financial markets in many Asian countries have in the past experienced severe volatility. As a result, some Asian currencies have experienced significant devaluation from time to time. The devaluation of some Asian currencies may have the effect of rendering exports from China more expensive and less competitive. An appreciation in the value of Renminbi could have a similar effect. To increase competitiveness, there is pressure on the Government to devalue the Renminbi. Such devaluation of the Renminbi could result in increased volatility within Asian currency and capital markets.

Under the current regulations on foreign exchange control in the PRC, foreign investment entities ("FIEs"), are allowed to distribute their profits or dividends in foreign currencies to foreign investors through designated foreign exchange banks without the prior approval of the State Administration of Foreign Exchange ("SAFE"). However, the exchange of Renminbi into foreign currencies for capital items, such as direct investment, loans and security investment, is under strict control and requires the approval of the SAFE. Distribution of the Company's profits or dividends may be adversely affected if the Government imposes greater restrictions on the ability to exchange Renminbi into foreign currencies. There can be no assurance that the Company will be able to obtain sufficient foreign exchange to pay dividends or satisfy other foreign exchange requirements in the future.

Ability to realise investments

Investments in Greater China may be difficult, slow or impossible to realise. The Company will be subject to the general risks incidental to equity investment in the relevant market sectors, including general economic conditions, poor management of the Investee Company, increasingly competitive market conditions, changing sentiment and increasing costs, among others. The marketability and value of any investment will depend on many factors beyond the control of the Company and there can be no assurance that an exit through various avenues including a trade sale, buyback or listing of the Company's interest in any Investee Company will be realised. Although the laws and regulations applicable to ownership interests in companies in Greater China have been established and have been tested for some time, there is no certainty that future changes will not adversely affect the Company's investments.

Ability to invest in and control domestic enterprises

The ability of the Company as a foreign investor to invest in and take a controlling position in businesses engaged in certain industry sectors (including certain real estate sectors) is subject to official restrictions.

Ability to manage a controlled domestic enterprise

In the event the Company does take a controlling position in a domestic enterprise, it may not be possible to hire qualified executives to manage the operations of such enterprises.

Asset realisation in bankruptcy proceedings may be time consuming and expensive

The PRC Enterprise Law and other applicable PRC bankruptcy regulations are relatively new and their practical operation is still in the process of development. Bankruptcy proceedings may therefore be pending for a long time and asset realisation may consequently be time consuming and expensive.

Recognition of foreign arbitration awards and their enforcement

Although China is a signatory to a number of international treaties dealing with reciprocal recognition of foreign arbitration awards, there have been a relatively limited number of cases where Chinese courts have recognised and enforced such awards. However, the ability of the Company to enforce foreign arbitration awards or judgements in China may be more restricted than in other jurisdictions.

Valuation

The valuation of unlisted real estate investments is inherently subjective due to the lack of marketability and the nature of accounting practices. As a result, valuations of unlisted Investee Companies are subject to uncertainty. There can be no assurance that the reported valuations of investments of the Company will reflect actual sale prices even if an investment is sold shortly after the relevant valuation date of that investment.

Access to financing

Access to conventional financing for private companies in China, such as commercial bank lending, is limited. Investee Companies may need to raise additional financing for working capital and capital expenditures in order to grow their business, which in the absence of access to conventional financing, may lead to the issue of further equity in such companies which may dilute the Company's investment and reduce its capital value.

Uninsured losses

The relatively undeveloped insurance market in China may mean there is a risk of loss which cannot be insured or is too expensive to insure. In the event that an Investee Company incurs a loss that is not fully covered by insurance, the value of the Company's investment may decrease.

Management risks

There is no certainty that the managers of Investee Companies will be effective. Changes in management or poor management will affect the performance of an Investee Company and may reduce the value of the Company's investment.

General China Economic, Political and Environmental Risks

General risks of investing in China

Investments in China are subject to the usual risks inherent in the ownership of any company operating a business in other jurisdictions. These include risks associated with the general economic climate, inflation, interest rates, equity and property market trends and their impact on consumer sentiment, competition, supply chain issues, shortages in human resources, various uninsured or uninsurable risks, natural disasters, government regulations and changes in taxation. As a result, a general economic downturn or the materialisation of any one or a combination of the aforementioned risks could have a materially adverse effect on the Company's financial results.

Political risks

Although China's political stability has improved during the last two decades, there remain various political risks. Changes in Government policy may have an unpredictable impact on investments in China. The low level of transparency in the central Government and the regulatory approvals process also pose risks to investors either by delaying or restricting the ability to make or exit investments. A corollary risk to the lack of transparency is the resulting incidental corruption which can result in an increase in the cost of investment. PRC law forbids nationalisation or expropriation of equity interests and assets of sino-foreign joint ventures and wholly foreign owned enterprises, except under "special circumstances" which are generally interpreted as those matters related to national security or large scale civil projects. Local protests and civil unrest have been rising in recent years, however, and the source of discontent is largely related to land and property rights disputes at the village level, while major urban centres have been largely free of such disturbances. Such disturbances can disrupt business operations which may affect the value of the Company's investments.

Legal system

Although China's main legislative body is the National People's Congress, provincial, municipal and other levels of government have some autonomy in creating regulations, provided that they do not contravene national laws. However, in some cases, there are conflicts between local and national regulations. In particular the interpretation and enforcement of laws and regulations varies widely between regions. This can create uncertainty for investors and potential legal risks. Furthermore, China's legal system is still greatly influenced by the Chinese Communist Party. Although the trend towards judicial independence is positive, especially in the major urban centres, enforcement of legal rights through the court system may be affected by local biases or other influences on the presiding judges. These problems are further compounded by a shortage of competent persons who understand and can implement or administer the relevant rules and regulations. There is also a low level of transparency in regulatory authorities with the interpretation of rules and regulations being subject to lobbying or other influence. Since 1979, many laws and regulations dealing with economic matters with respect to general and foreign investments have been promulgated in the PRC. In 1982, the National People's Congress amended the PRC constitution to attract foreign investments and to safeguard the "lawful rights and interests" of foreign investors in the PRC. Since then, the trend of legislation has been to enhance the protection afforded to foreign investors and to allow more active control by foreign investors of FIEs in the PRC and China's accession to the World Trade Organisation since 2001 has brought a further positive shift in the legal environment.

However, despite significant improvements in its legal system, there may still be difficulties in obtaining swift and equitable enforcement or to obtain enforcement of a judgement by a court of another jurisdiction in the PRC. This creates additional uncertainties as to the outcome of litigation. Further, as a result of political changes, interpretation of statutes and regulations may be subject to Government policies. Such uncertainties may affect the Company's operations and accordingly its profitability.

It should be noted that PRC laws, regulations and the interpretation thereof are subject to change from time to time and it should be noted in particular that such laws, regulations and the interpretation thereof can change swiftly and without prior notice to any person.

Title to land, recognition of rights and planning

Although the Company will attempt to ensure that good title is obtained for all properties acquired, that adequate registration of title is made, and that full planning, zoning and other similar consents have been obtained for all properties acquired, the quality and reliability of the official information available in China may not generally be equivalent to that in Western countries. It may therefore be difficult to ensure that an acquired title is incapable of challenge by a third party or that a property complies in all respects with planning and zoning requirements. Furthermore, any redress against the Government for inaccurate, misleading or incomplete information may be limited.

In certain circumstances the Company may enter into agreements to acquire land prior to the grant of the relevant Governmental documentation conferring the right on the land in question. There can be no guarantee that such grant will be made or that contractual arrangements will provide sufficient compensation or redress. In addition, any damages awarded are likely to be only for any actual loss incurred and not for any perceived future loss or "loss of bargain".

Tax uncertainty

PRC tax laws and regulations are under constant development and often subject to change as a result of changing Government policy. Such changes may occur without sufficient warnings. For example, implementation of increases in various consumption taxes have affected consumption in certain product sectors. There is a risk that changes in tax policy and regulations may adversely affect the demand for certain products or services and return on investment. Additionally, the PRC is currently undergoing a legislative reform process to unify the two sets of tax laws applicable to Chinese domestic enterprises and FIEs. The new tax law was enacted on 16 March 2007, which will take effect on 1 January 2008. The detailed implementation rules of the new law ("DIR") are expected to be issued by the PRC State Council by the end of 2007.

Accounting and auditing standards

There is a PRC GAAP accounting standard which is widely adopted for Chinese incorporated companies but which differs in some areas such as depreciation and amortisation, carrying cost and revenue recognition to generally accepted international accounting practices such as US GAAP and International Financial Reporting Standards. PRC financial statements have a tendency to be subject to manipulation, which adds to the degree of investment risk through poor quality financial information. To minimise such risk, the Board and the Investment Manager will undertake appropriate financial due diligence as required for each investment.

Risks related to health epidemics and other outbreaks

The business operations of Investee Companies and economic activity in general could be adversely affected by the effects of avian flu, severe acute respiratory syndrome ("SARS") or another epidemic or outbreak. China reported a number of cases of SARS in April 2003. In 2005 and 2006, there have been reports on the occurrence of avian flu in various parts of China, including confirmed human cases. Any prolonged recurrence of SARS, avian flu or other adverse public health developments in Greater China or Asia could have a material adverse effect on the business operations of Investee Companies and the market price of the Ordinary Shares.

Risk relating to the Ordinary Shares and their trading markets

AIM and the CISX

Application will be made for the Ordinary Shares to be admitted to AIM, a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies, and to listing and trading on the CISX. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the United Kingdom Listing Authority. AIM has been in existence since June 1995 and the CISX since 1998 but the future success of both markets, and liquidity in the market for the Company's securities, cannot be guaranteed.

Lack of liquidity of the Company's Ordinary Shares

Although the Company has applied for the Ordinary Shares to be admitted to trading on AIM and to listing and trading on the CISX, no assurance can be given that at any time after Admission a liquid market for the Ordinary Shares will develop. Shareholders who need to dispose of their Ordinary Shares may be forced to do so at prices that do not fully reflect the Net Asset Value per Share.

Market value of Ordinary Shares

The market value of, and the income derived from, the Ordinary Shares can fluctuate. Investors may not get back the full value of their investment. The market value of the Ordinary Shares, as well as being affected by the Net Asset Value per Share, also takes into account the relevant dividend yield and prevailing interest rates. As such, the market value of an Ordinary Share may vary considerably from the underlying Net Asset Value per Share. The Company does not have a fixed winding up date and therefore, unless Shareholders vote against the continued existence of the Company, Shareholders will only be able to realise their investment through the market. There can be no guarantee that the investment objective of the Company will be met.

Limited regulatory control

The holders of the Ordinary Shares will not enjoy any protections or rights other than those reflected in the Articles and those rights conferred by law. Although the Directors recognise the importance of good corporate governance, neither the Listing Rules of the United Kingdom Listing Authority nor the UK Principles of Good Governance and Code of Best Practice will apply to the Company.

Shareholders are unlikely to be entitled to the takeover offer protections provided by the City Code on Takeovers and Mergers (the "City Code")

The City Code applies, *inter alia*, to offers for all listed public companies considered by the Panel on Takeovers and Mergers to be resident in the United Kingdom, the Channel Islands or the Isle of Man. However, the Panel on Takeovers and Mergers will normally consider a company resident in the United Kingdom, the Channel Islands or the Isle of Man only if it is incorporated in one of those jurisdictions or has its place of central management in one of those jurisdictions. The Panel on Takeovers and Mergers is unlikely to regard the Company as having its place of central management in the United Kingdom, the Channel Islands or the Isle of Man, in which case the Panel on Takeovers and Mergers would decline to apply the City Code to the Company with the result that Shareholders will not receive the benefit of the takeover offer protections provided by the City Code.

Future issues of Ordinary Shares could dilute the interest of existing Shareholders and lower the price of the Ordinary Shares

The Company intends in the future to issue additional Ordinary Shares in subsequent offerings. The Company may issue additional Ordinary Shares without limitation and is not required under the laws of the Cayman Islands or the AIM Rules or the CISX Rules to offer any such Ordinary Shares to existing Shareholders on a pre-emptive basis. Therefore, it may not be possible for existing Shareholders to participate in such future issues of Ordinary Shares, which would dilute the existing Shareholders' interests in the Company. The issue of additional Ordinary Shares by the Company, or the possibility of such issue, may cause the market price of the Ordinary Shares to decline. However, it should be noted that the Board has resolved that it will not issue further Ordinary Shares at a subscription price that is less than the then prevailing Net Asset Value per Share unless it has first obtained the approval of Shareholders.

The foregoing factors are not exhaustive and do not purport to be a complete explanation of all the risks and significant considerations involved in investing in the Company. Accordingly and as noted above, additional risks and uncertainties not presently known to the Directors may also have an adverse effect on the Company's business and prospects.

PART 4

OTHER INFORMATION

1. Annual expenses

Formation and initial expenses

The formation and initial expenses of the Company are those that are necessary for the incorporation and organisation of the Company and in order to effect the Placing. Such expenses will include fees payable to PAIM or other promoters in connection with the Placing, listing and Admission fees, printing, advertising and distribution costs, legal and accounting fees and any other related expenses. These expenses will be met by the Company out of the proceeds of the Placing and will be paid on or after Admission. The Directors do not anticipate that these formation and initial expenses will exceed four per cent. of the gross proceeds of the Placing.

Ongoing and Annual Expenses

The Company will also incur ongoing and annual expenses. These expenses will include, among others, the fees payable to the Investment Manager and the Directors. Each Director will initially be paid a fee of $30,000 per annum and certain other fees in connection with their membership on the Company's committees plus re-imbursement for out-of-pocket expenses. Messrs. Geicke and Gradel have agreed to waive their Director's fees and Board Committee fees for so long as each is interested in the Investment Manager. Other ongoing operational expenses of the Company include, among others, interest payments, bank fees, regulatory fees, legal fees, acquisition and disposal fees (where the service is provided by someone other than the Investment Manager) insurance costs, audit fees and other applicable expenses. It is estimated that the total expenses of the Company for the period ending 31 December 2008 (excluding the initial expenses of the Company) are not expected to exceed five per cent. per annum of the Net Asset Value, annualised over this period.

2. Accounting policy

The unaudited and audited accounts of the Company will be prepared under US GAAP.

3. Reports and accounts

The Company's annual report and accounts will be prepared up to 31 December each year with the first accounting period of the Company ending on 31 December 2008. The first annual report and accounts will be despatched to Shareholders by 30 April 2009. Thereafter, the report and accounts covering the year ended 31 December each year, will be despatched within six months of that date. Copies of the annual report and accounts will be sent to Shareholders within six months of the fiscal year end. The first unaudited interim report covering the nine month period ended 30 June 2008 will be despatched to Shareholders by 30 September 2008. Thereafter, Shareholders will receive an unaudited interim report covering the six month period ended 30 June each year, which will be despatched within three months of that date.

4. Valuation policy and reporting

The Net Asset Value per Share, expressed in US Dollars, will be determined by the Administrator and will be published monthly. In all cases, the Net Asset Value per Share will be determined by dividing the Net Asset Value on the Valuation Date by the total number of Ordinary Shares outstanding at that date.

The Gross Asset Value shall be calculated by aggregating the value of the securities owned or unconditionally and irrevocably contracted for by the Company with the value of the other assets of the Company. The Net Asset Value shall be calculated by deducting from the Gross Asset Value the liabilities of the Company (which shall where appropriate be deemed to accrue from day to day).

The Company will appoint a valuation committee (the "Valuation Committee") comprised of Chris Gradel and two independent Directors, Ming Mei and Margaret Brooke who will act as chairperson to the committee. The Investment Manager will present valuation reports (prepared by independent valuers) to the Valuation Committee on a quarterly basis.

The Investment Manager will seek the approval of the Valuation Committee for all changes to the Company's valuation policy, where the valuation method defined in the policy cannot be adhered to. The Valuation Committee will report to the Board with the Board having final determination over all internal valuation guidelines. For the avoidance of doubt, all valuation issues for the purposes of calculating the Net Asset Value and fees payable to the Investment Manager shall be determined by the Administrator.

In the event the Company acquires a controlling shareholding in an investment, it will continue to value this investment at fair market value under US GAAP.

The assets of the Company will be valued as follows:

- securities listed on a stock exchange or traded on any other regulated market will be valued at the last closing price on such exchange or market or, if no such price is available, at the mean of the bid and asked price on such day. If there is no such price or such market price is not representative of the fair market value of any such security, then the security will be valued at the same price as at the last reporting date, in consultation with the Investment Manager, unless there are specific considerations or events which have occurred which the Investment Manager in good faith considers, with reference to the valuation guidances set out in US GAAP, to have an impact on the fair market value of such securities, in which case the securities will be valued in accordance with US GAAP;
- if a security is listed on several stock exchanges or markets, the last closing price on the stock exchange or market which constitutes the main market for such security will be used;
- where the securities are not listed on any stock exchange they shall be valued at fair value with reference to US GAAP and the International Private Equity and Venture Capital Valuation Guidelines which were developed by the Association Française des Investisseurs en Capital, the British Venture Capital Association and the European Private Equity and Venture Capital Association;
- if a revaluation of an unlisted security/asset of the Company is proposed by the Investment Manager, it shall be accepted by the Company at its revised value only upon approval of the Valuation Committee. The Investment Manager will present a valuation report (including a valuation report prepared by an independent external valuer, as deemed appropriate). The Valuation Committee will accept or reject the valuation report and may require the Investment Manager to obtain other third party valuation reports if deemed necessary. The Investment Manager will revalue all unlisted securities/assets at least on an annual basis;
- cash or other liquid assets will be valued at their face value with interest accrued to the end of the day;
- the value of accounts receivable, prepaid expenses and interest receivable and dividend income receivable will be the full amount thereof less any withholding tax unless the Investment Manager determines the value of the asset to be less than that amount;
- values expressed in a currency other than US Dollars will be translated into US Dollars at the average of the last available buying and selling price for such currency;
- for avoidance of doubt, all derivatives, forwards or other option contracts on listed securities will be held at fair value. The Investment Manager may use such probable realisation value estimated with care and in good faith by a competent professional appointed by the Investment Manager. Due to the nature of such unquoted securities or investments and the difficulty in obtaining a valuation from other sources, such competent professional may be related to the Investment Manager;
- notwithstanding the foregoing, the Investment Manager, having obtained Valuation Committee approval, may adjust the value of any investment if, having regard to currency, applicable rate of interest, maturity, marketability and/or such other considerations as it deems relevant, it considers that such adjustment is required to reflect the fair market value thereof;
- if in any case a particular value is not ascertainable as above provided or if the Investment Manager shall consider that some other method of valuation better reflects the fair market value of the relevant investment, then in such case the method of valuation of the relevant investment shall be such as the Manager shall decide having received approval from the Valuation Committee; and
- where at the time of any valuation, any asset of the Company has been realised or contracted to be realised, there shall be included in the assets of the Company in place of such asset, the net amount receivable by the Company in respect thereof provided that if such amount is not then known exactly then its value shall be the net amount estimated by the Investment Manager as receivable by the Company.

With respect to the calculation of the Net Asset Value, the Administrator, pursuant to the Administration, Custodian and Registrar Agreement, may rely upon valuations provided to it by third parties. The Administrator shall not be liable for any errors in Net Asset Value calculations where such errors are the result of incorrect information provided by such third parties, unless the Administrator's reliance upon such third party information constitutes fraud, misconduct or negligence.

To the extent feasible, investment income including interest receivable and dividend income, interest payable, fees and other liabilities (including taxes and management fees) will be accrued monthly.

The Net Asset Value per Share will be published monthly through a Regulatory Information Service to the London Stock Exchange as soon as practicable after the end of the relevant month. It is expected that the first Net Asset Value per Share following Admission will be calculated as at 31 December 2008 and will be published approximately two months following such date. Valuations will be suspended in circumstances where the underlying data necessary to value an investment cannot readily, or without undue expenditure, be obtained. Such suspensions will be communicated to investors via a Regulatory Information Service. The Net Asset Value per Share will be notified monthly to the CISX and will also be published via the Reuters network at <CISXINDEX> and on the CISX website www.CISX.com.

5. Corporate governance

There is no applicable regime of corporate governance to which directors of a Cayman Islands company must adhere to over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Cayman Islands law. The Directors, however, recognise the importance of good corporate governance and intend to comply with the UK Combined Code on Corporate Governance (the "Combined Code") to the extent practicable and commensurate with the size, operations and structure of the Company and the Board. The Company has also adopted, and the Directors have undertaken to comply with, a share dealing code for directors' dealings in securities of the Company which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules for Companies) and the CISX. In accordance with the Combined Code, the Board has formally constituted an audit committee constituted of Messrs. Cheng and Wong and Mrs. Brooke to be chaired by Paul Cheng.

6. Taxation

Information concerning the tax status of the Company in China, UK, US and as a Cayman Islands incorporated exempted company and the taxation of certain Shareholders is contained in Part 8 of this document. **If any potential investor is in any doubt about the tax consequences of acquiring, holding or disposing of Ordinary Shares, he or she should seek advice from his or her own independent professional adviser.**

7. Lock-in arrangements

Each of the Directors (and related parties) has agreed not to dispose of any interest in Ordinary Shares for a period of one year following Admission except in certain restricted circumstances in accordance with Rule 7 of the AIM Rules for Companies. Details of these lock-in arrangements are set out in paragraph 7.6 of Part 9 of this document.

8. Admission, settlement and dealings

Application has been made to the London Stock Exchange for the Ordinary Shares to be issued pursuant to the Placing to be admitted to trading on AIM. Application has also been made to the CISX for the Ordinary Shares to be admitted to listing and trading on the CISX. It is expected that Admission will become effective and that dealings will commence on AIM and on the CISX on 22 November 2007. The Ordinary Shares will be in registered form and the Company's Cayman Islands registered agent, will be responsible for the maintenance of the Shareholders register. The Directors have arranged for the Ordinary Shares to be admitted to Euroclear and Clearstream with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the Euroclear or Clearstream systems if the relevant Shareholder so wishes. Euroclear and Clearstream are paperless settlement procedures that allow securities to be evidenced without a certificate and transferred otherwise than by written instrument.

9. Further issues of Ordinary Shares

The Directors will have authority to allot all of the authorised but unissued share capital of the Company following Admission on a non-pre-emptive basis and do not need to publish a further CISX listing document for further issues in excess of 10 per cent. of the Company's issued share capital. Such authority shall only be exercised at an allotment price not less than the prevailing Net Asset Value per Share, unless the Shareholders consent to a lower allotment price by ordinary or special resolution.

10. Purchase of Ordinary Shares by the Company

In addition to any Buyback Programme that may be instituted from time to time, the Directors will have general authority to make market purchases of the Ordinary Shares in issue immediately following Admission. There is no present intention to exercise such general authority. Any repurchase of Ordinary

Shares will be made subject to the laws of the Cayman Islands and within guidelines established from time to time by the Board (which will take into account the income and cash flow requirements of the Company) and the implementation and timing of any Buyback Programme will be at the absolute discretion of the Board, and not at the option of the Shareholders. General purchases of Ordinary Shares of up to 14.99 per cent. of the Ordinary Shares in issue will only be made through the market and general purchases of 15 per cent. or more of the Ordinary Shares in issue will be made through a Buyback Programme. Any purchase will be made using cash at prices below the prevailing Net Asset Value per Share where the Directors believe such purchases will enhance shareholder value. Such purchases may only be made provided the price to be paid is not more than the higher of (i) five per cent. above the average of the middle market quotations on AIM for the Ordinary Shares for the five Business Days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase.

PART 5

FINANCIAL INFORMATION

SECTION A: ACCOUNTANTS' REPORT ON THE FINANCIAL INFORMATION OF PACIFIC ALLIANCE CHINA LAND LIMITED

Grant Thornton

The Directors
Pacific Alliance China Land Limited
PO Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

20 November 2007

Dear Sirs

PACIFIC ALLIANCE CHINA LAND LIMITED

We report on the financial information set out Part 5 Section B of this admission document dated 20 November 2007 of Pacific Alliance China Land Limited ("the Company") ("the Admission Document"). This financial information has been prepared for inclusion in the Admission Document under US GAAP.

Responsibilities

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

The Directors of the Company are responsible for preparing the financial information under US GAAP.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 20 November 2007, a true and fair view of the state of affairs of the Company as at the dates stated and of its changes in equity for the periods then ended.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

SECTION B: UNAUDITED HISTORICAL FINANCIAL INFORMATION ON PACIFIC ALLIANCE CHINA LAND LIMITED

The financial information below has been prepared as of 31 October 2007 for inclusion in the Admission Document issued by Pacific Alliance China Land Limited (the "Company") relating to the admission of the entire issued share capital of the Company to AIM, a market operated by London Stock Exchange plc ("AIM").

The Company was incorporated on 5 September 2007 in the Cayman Islands as Pacific Alliance China Land Limited and has not completed its first accounting reference period. No statutory financial statements have been prepared, audited or filed with the Registry of Companies in the Cayman Islands since incorporation.

As at 31 October 2007, the Company had carried out no trading and the only transactions of the Company had been as follows.

(i) On incorporation on 5 September 2007, 10,000,000,000 ordinary shares of $0.01 each were authorised, and 1 ordinary share of US$0.01 was issued.

(ii) No dividends have been paid or proposed.

PART 6

INFORMATION ON THE PRC PROPERTY MARKET

The CBRE Report is a general report in summary form on the real estate market in the PRC and is provided for background purposes only. It includes discussions and information on different areas in the PRC.

The CBRE Report focuses mainly on the grade A office sector, prime retail sector, high-end residential sector and four and five star hotel sector. Investors should also note that the CBRE Report may include certain descriptions of property sectors in which the Company does not currently, and may not in the future, hold property projects.

All opinions, findings and conclusions expressed in the CBRE Report are those of CBRE and its sub-consultants. Unless otherwise indicated, certain information and statistics set out in this section have been derived, in part, from various government publications and databases. This information has not been independently verified by Grant Thornton Corporate Finance, LCF Edmond de Rothschild Securities Limited or LCF Edmond de Rothschild (C.I.) Limited or any other party involved in the Placing. The information and statistics set out in this Part 6 may not be consistent with other information and statistics compiled within or outside the PRC.

CB Richard Ellis Group, Inc. is a S&P 500 company headquartered in Los Angeles, and is the world's largest commercial real estate services firm (in terms of 2006 revenue). With over 24,000 employees, CB Richard Ellis Group, Inc. serves real estate owners, investors and occupiers through more than 300 offices worldwide. In Asia Pacific, CBRE has approximately 4,000 employees in over 40 offices across the region. The CBRE Consulting Department in Hong Kong is certified to ISO 9001:2000 for the provision of property consultancy services relating to development and investment, market research and valuation activities.

CBRE operates as an independent market research analyst. CBRE will receive professional fees for its preparation of the CBRE Report, however, neither CBRE nor any of its directors, staff or sub-consultants who contributed to the CBRE Report has any shareholding or other interest in the Company or financial interest in the outcome of the Placing.

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

地產代理（公司）牌照號碼
Estate Agent's Licence No: C-004065

20 November 2007

The Directors
Pacific Alliance China Land Limited
PO Box 309 GT
Ugland House
South George Street
George Town
Grand Cayman
Cayman Islands

Grant Thornton Corporate Finance
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP
United Kingdom

LCF Edmond de Rothschild Securities Limited
5 Upper St. Martin's Lane
London WC2H 9EA
United Kingdom

LCF Edmond de Rothschild (C.I.) Limited
Suite D
Herzel Court
St. Peter Port
Guernsey GY1 2NH
Channel Islands

Dear Sirs

Re: China Market Research Report

In accordance with instructions received from Pacific Alliance China Land Limited ("PACL"), CB Richard Ellis ("CBRE") has conducted a study of the real estate markets in China and prepared the following Market Research Report (the "Report") dated 20 November 2007, for inclusion in this admission document of PACL in connection with PACL's admission to the AIM market of the London Stock Exchange and to the Daily Official List of the Channel Islands Stock Exchange.

The real estate indicators in included in the Report relate to various sectors in the cities of Beijing, Shanghai, Guangzhou, Shenzhen, Dalian, Hangzhou, Chengdu and Macau have been reviewed in order to provide an overview of the economic characteristics, existing market conditions, emerging trends and future prospects within each city.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited

Brett Saint

Chief Financial Officer, Greater China

Kowloon Office 九龍辦事處
Suites 2109-12, 21/F Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong
香港九龍廣東道十五號港威大廈永明金融大樓二十一樓二一零九至十二室 T電話 852 2820 8100 F傳真 852 2521 9517

China Real Estate Market Research and Analysis

(Beijing, Shanghai, Guangzhou, Shenzhen, Macau, Dalian, Hangzhou, Tianjin)

Presented to:

Pacific Alliance China Land Limited

CONTENTS

1.0 INTRODUCTION

In accordance with instructions received from the Pacific Alliance China Land Limited ("**PACL**"), CB Richard Ellis Limited ("**CB Richard Ellis**") has conducted a study of the real estate markets in China and Macau for the purpose of inclusion in the Admission Document to be issued in connection with the proposed admission to trading of shares of PACL on the Alternative-Investment-Market (AIM) of the London Stock Exchange plc. The real estate indicators associated with these various sectors in the cities of Beijing, Shanghai, Guangzhou, Shenzhen, Dalian, Hangzhou, Chengdu and Macau have been reviewed in order to provide an overview of the economic characteristics, existing market conditions, emerging trends and future prospects within each city and generally as a sample of the first and second tier markets which are too numerous to provide detailed information on all of them.

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Assumptions

Assumptions are a necessary part of this report. CB Richard Ellis adopts assumptions because some information is not available, or falls outside the scope of our expertise. While assumptions are made with careful consideration of factors known as at the date of this document, the risk that any of the assumptions may be incorrect should be taken into account. CB Richard Ellis does not warrant or represent that the assumptions on which this report is based are accurate or correct.

Information supplied by others

This document contains a significant volume of information which is directly derived from other sources. The information is not adopted by CB Richard Ellis as our own, even where it is used in this report. Where the content of this document has been derived, in whole or in part, from sources other than CB Richard Ellis, CB Richard Ellis does not warrant or represent that such information is accurate or correct.

Future matters

To the extent that this document includes any statement as to a future matter or projections or forecasts, that statement is provided as an estimate and/or opinion based on the information known to CB Richard Ellis at the date of this document. Such projections or forecasts are to be regarded as indicative of possibilities rather than absolute certainties. They involve assumptions about many variables and any variation due to changing conditions will have an impact on the final outcome. CB Richard Ellis does not warrant that such projections or forecasts will be achieved.

2.0 EXECUTIVE SUMMARY

The cities covered in this China Market Research and Analysis includes the primary cities of Beijing, Shanghai, Guanghzou and Shenzhen, and secondary cities of Dalian, Hangzhou and Tianjin with the Macau SAR also incorporated in the report. Generally speaking, the recent strong performance of the economies as well as the real estate markets in many secondary cities is well recognised and increasing institutional investment activity has been seen with the growing maturity of the primary cities. Given this trend, the improving profiles and development potential of secondary cities is also resulting in their increasing attractiveness as an investment destination for investors seeking a higher yield than what is currently available in the primary markets. Continued interest from both developers and investors in secondary cities is expected.

The imposition of the **macro policies** has impacted the China real estate market by creating a more competitive environment in which the larger and better developers are outshining their lesser competitors. For example, the recent regulations banning bank lending to developers for land banking there is increasing pressure for all but the largest developers to seek alternate sources of funding. On the demand side, although there has been some movement in sales volumes following the introduction of these policies in certain markets, in general sales prices have been lest influenced. To improve available opportunities, secondary and tertiary cities have recently been the focus of developer activity with regards to increasing their available land banks for future developments, in anticipation of positive market movements as economic fundamentals remain strong. Further, riding on recent robust stock markets movements many mainland developers are trading at historical high and allowing them to channeling capital into the real estate sector which has influeced land prices. Following the footsteps of these existing players, the number of IPOs by mainland developers has surged in the last two years and many are in the process of launching their applications.

Demand for grade A **offices** in China main cities generally remains strong across the cites covered. As a growing number of domestic companies and MNCs require office space in both primary and secondary cities, demand for better quality buildings with professional management services has resulted in a generally marked improvement in the type and quality of new supply forecast to come on line over the next three years with a shift towards international standard Grade A as is already occurring in Beijing and Shanghai.

Retail sales and disposable incomes have been increasing steadily in recent years and in some cities quite rapidly, buoyed by the strong economic growth seen in many of the cities covered in this report. This trend has followed the opening of China's retail market in recent years as part of the WTO agreements for China's acscension. Both international and large domestic retailers are seeking to expand their foothold.

The strong economic growth recorded in the mainland Chinese cities, has largely resulted in a rise in annual disposable incomes, and society is generally becoming more affluent as noted by the declining Engel Index. Other key trends influencing the **residential** market are China's increasing urbanisation rate as more people from rural areas seek employment opportunities in the bigger cities, and from a social aspect, the trend to "upgrade" to newer and better quality housing has been noted in most of the cities covered in the report. The forward thinking government master plans and the large amount of investment in infrastructure in many of the cities covered, are having a major influence on the location and development of new residential areas with new metro lines, highways and fast trains significantly improving accessibility. The impact of the 70/90 rule is expected to lead to high end residential property price appreciation given the strong demand and reduced amount of new supply.

One of the major trends witnessed in the 5 star **hotel** sector in recent years has been the rapid rise in the number of internationally branded hotels, with many international hotel operators pursuing expansionist strategies in mainland China. The strong economic growth seen in the nominated cities has supported the development of the 5 star hotel sector through the growth in business travel, and in some cities the growth in convention business. Growing tourist numbers, both domestic and foreign have also contributed to the performance of the 5 star hotel sector.

3.0 REVIEW OF ECONOMIC ENVIRONMENT IN CHINA

3.1 ECONOMIC INDICATORS – CHINA

CHINA	2000	2001	2002	2003	2004	2005	2006	Q1 2007	CAGR (00-06)
Nominal GDP (RMB billion)	9,921	10,966	12,033	13,582	15,988*	18,308	21,087#	5,029	13.4%
Nominal GDP Growth	10.6%	10.5%	9.7%	12.9%	17.7%	14.5%	15.2%	N.A.	6.2%
Real GDP Growth Rate	8.4%	8.3%	9.1%	10.0%	10.1%	10.2%	11.1%	N.A.	4.8%
GDP – Primary Sector (RMB billion)	1,472	1,552	1,624	1,707	2,096	2,307	2,474#	363	9.0%
GDP – Secondary Sector (RMB billion)	4,556	4,951	5,390	6,244	7,390	8,705	10,316#	2,555	14.6%
GDP – Tertiary Sector (RMB billion)	3,894	4,463	5,020	5,632	6,502	7,297	8,297#	2,110	13.4%
GDP Per Capita (RMB)	7,858	8,622	9,398	10,542	12,336	14,040	N.A.	N.A.	12.3%###
Total Investment in Fixed Assets (RMB billion)	3,292	3,721	4,350	5,557	7,048	8,877	10,987	3,204##	22.2%
Utilised Foreign Direct Investment (US$ bn)	40.7	46.9	52.7	53.5	60.6	60.3	69.4	N.A.	9.3%
Contracted Foreign Direct Investment (US$bn)	62.4	69.2	82.8	115.1	153.5	189.1	132.8***	N.A.	24.9%###
Consumer Price Indices (Preceding Year = 100)	100.4	100.7	99.2	101.2	103.9	101.8	101.5	102.9##	0.2%
Retail Price Indices (Preceding Year = 100)	98.5	99.2	98.7	99.9	102.8	100.8	101.0	102.2##	0.4%
Property Price Index (Preceding Year = 100)	101.1	102.2	103.7	104.8	109.7	107.6	N.A.	N.A.	1.3%###
Total Population (million persons)	1,267.4	1,276.3	1,284.5	1,292.3	1,299.9	1,307.6	1,314.5	N.A.	0.6%
Urban Population (million persons)	459.1	480.6	502.1	523.8	542.8	562.1	N.A.	N.A.	4.1%###
Urbanisation Rate (%)	36.2	37.7	39.1	40.5	41.8	43.0	N.A.	N.A.	3.5%###
Unemployment Rate in Urban Areas (%)	3.1	3.6	4.0	4.3	4.2	4.2	4.1	N.A.	4.8%
Retail Sales of Consumer Goods (RMB billion)	3,910.6	4,305.5	4,813.6	5,251.6	5,950.1	6,717.7	7,641.0	3,502	11.8%
Annual Disposable Income Urban Households (RMB)	6,280	6,860	7,703	8,472	9,422	10,493	11,759	3,935	11.0%
Annual per Capita Consumption Expenditure of City Residents (RMB)	4,998	5,309	6,030	6,511	7,182	7,943	6,480***	N.A.	4.4%

Source: National Bureau of Statistics and China Statistical Yearbooks 2004, 2005 & 2006 (some 2006 and 2007 figures are preliminary only and subject to revision) *Revised figure for GDP for 2005 – as announced on 20th December 2005. ; **Figure up to November 2006; ***Figure up to Q3 2006; #Revised figure for GDP for 2006 as per the Announcement on Preliminary Verified GDP Data dated 12 July 2006; ## Data up to May 2007; ### CAGR 2000 to 2005

China is the most populous country in the world, with approximately 1.31 billion people at the end of 2005. According to the National Population and Family Planning Commission of China, the population will reach about 1.36 billion and 1.45 billion in 2010 and 2020 respectively.

China's economy has been experiencing rapid growth over the last two decades. China's GDP has almost doubled from RMB 9,921 billion in 2000 to RMB 21,087 billion in 2006, reflecting a compound annual growth rate of 13.4% (nominal); of which the primary sector contributed RMB 2,474 billion; and the secondary and tertiary sectors contributed RMB 10,316 billion and RMB 8,297 billion respectively. As of Q1 2007, total normal GDP accumulated to RMB 5,029 billion, up 11% over the same period last year.

One of the several economic initiatives introduced by the Government included a series of macro measures to assist the long term development of the real estate market, especially the residential sector. However, it has been observed that since their implementation, there has been a greater impact on the transaction volume as compared to transacted prices of the residential sales market. For example, China's central bank has taken several measures aimed at curbing demand for long-term loans and the overly rapid expansion in fixed-asset investments. Interest rates have been raised several times in the past year, with the latest increases in July and August 2007.

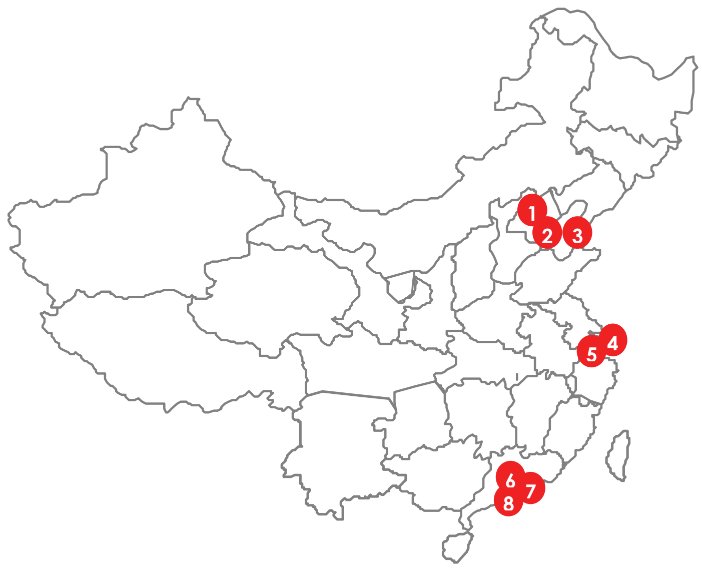
Progressive removal of tariffs and other barriers to entry have been implemented since China's accession to the WTO in 2001, which has resulted in increasing flows of foreign investment across all sectors of the economy. The amount of contracted foreign direct investment has increased rapidly from US$62.4 billion in 2000 to US$189.1 billion in 2005, demonstrating an compound annual growth of 24.9% between 2000 to 2006 (figure up to Q3 2006).

China has become one of the world's main manufacturing centres - producing goods for the food processing, automobile, textiles and apparel, footwear, toys, consumer electronics and telecommunications sectors. Its role as a manufacturer has been evidenced by the structure of the GDP. GDP for the secondary sector was RMB 10,316 billion in 2006, which accounted for approximately 48.9%, the largest portion, of the total GDP. The tertiary sector followed with 39.3% and the primary sector contributed the remaining 11.7% of the total GDP. Similar distribution of GDP for each sector is largely expected throughout 2007. The figures reinforce China's movement away from being a traditional industrial dominant economy to one that gradually relies more on the tertiary /service sector. With the opening up to foreign investment, there is still substantial room for China's services sector to further grow. China's construction sector is also very strong. Since 2000, real estate investment has experienced a compound annual growth of 26.1% from RMB 498.4 billion in 2000 to RMB 1,590.9 billion in 2005 (latest available statistics).

The pace of urbanisation in China has also grown consistently, with the urbanisation rate reaching 43.0% in 2005 (latest available statistics). The National Bureau of Statistics of China estimates that China's urbanisation rate will reach 50% in 2020 and 70% by 2050. Rapid urbanisation, should provide underlying demand for residential property to house the large numbers of people moving to the cities and should also augur well for the retail sector.

China is also noted for its massive domestic market, with annual disposable incomes rising steadily in many cities in recent years. With improved productivity and good fiscal policies, inflation was managed effectively. This is evident in the retail price index which held steady over the past several years - with the exception of a small spike in 2004 when the annual consumption per capita of city residents increased due to an increase in food and petroleum prices. The total amount of retail consumption in China reached RMB 7,641 billion in 2006, with an increase of 13.7% compared to 2005. A growth rate of 9.0% to 14.0% was maintained from 2000 to 2006. Buoyed by rapid economic growth, consumerism has been on the rise with retail sales of consumer goods increasing by a compound annual growth rate of 11.8% from 2000 to 2006. The continuing increase in the urbanisation rate and average disposable incomes should provide a strong basis for the development of the real estate market across all sectors.

This report focuses on Beijing, Tianjin, Dalian, Shanghai, Hangzhou, Guangzhou, Shenzhen and Macau as illustrated in the following map:



Key:

1. Beijing	2. Tianjin	3. Dalian	4. Shanghai
5. Hangzhou	6. Guangzhou	7. Shenzhen	8. Macau

Source: CB Richard Ellis

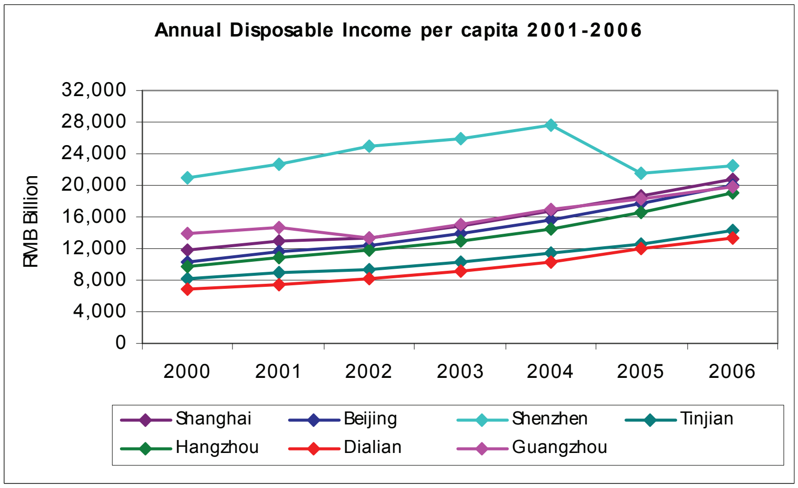
City Statistics:

2006	Beijing	Shanghai	Guangzhou	Macau
Registered Population (million)	12.0	13.7	7.6	0.5
Nominal GDP (RMB billion)	787.0	1,036.6	607.4	107.1
GDP per capita*	50,467	75,990	79,843	213,372
Total Investment in Fixed Assets (RMB billion)	337.2	392.5	169.6	N/A
Foreign Direct Investment Contracted (US$ billion)	7.30	14.6	4.4	5.2
Retail Sales of Consumer Goods (RMB billion)	327.5	336.0	218.3	10.0
Annual Disposable Income per capita (RMB)	19,978	20,668	19,851	N/A
Annual Consumer Expenditure per capita (RMB)**	14,825	14,762	15,455	N/A
Retail Price Indices (Preceding Year = 100)	100.2	100.2	101.2	N/A
Unemployment Rate	2.0%	4.4%	2.1%	3.7%
Engel Index	30.8%	35.6%	37.0%	N/A

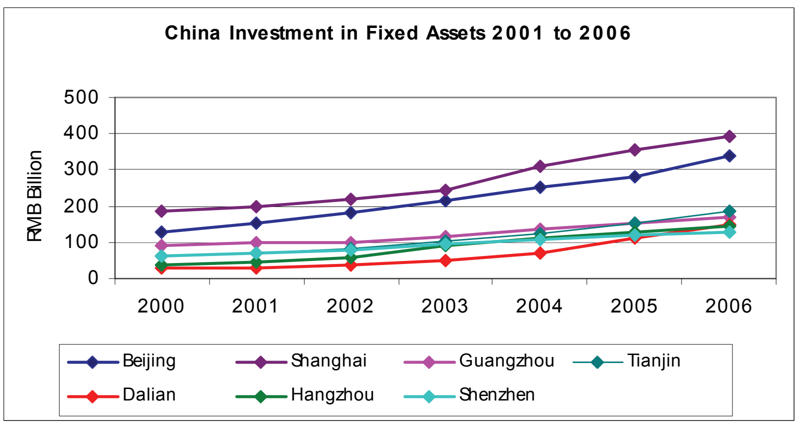
Source: Census and Statistics Bureau, Beijing Statistics Bureau, Beijing Statistics Year Book 2007, Macau Census and Statistics Department;
*Based on registered population; reflects revised GDP calculation methodology; ** in urban district

2006	Tianjin	Dalian	Hangzhou	Shenzhen
Registered Population (million)	9.5	5.7	6.7	2.0
Nominal GDP (RMB billion)	435.9	257.0	344.1	581.4
GDP per capita*	41,163	42,579##	51,875	69,450
Total Investment in Fixed Assets (RMB billion)	185.0	147.0	146.1	127.4
Foreign Direct Investment Contracted (US$ billion)	8.1	N/A	5.4	5.3
Retail Sales of Consumer Goods (RMB billion)	135.7	83.9	111.2	167.1
Annual Disposable Income per capita (RMB)	14,283	13,350	19,027**	22,567#
Annual Consumer Expenditure per capita (RMB)**	10,548	10,534	14,472	16,628#
Retail Price Indices (Preceding Year = 100)	100.4	101.4	N/A	N/A
Unemployment Rate	3.6%	2.9%	3.5%	2.3%
Engel Index	34.9%	39.9%	33.0%	33.3%

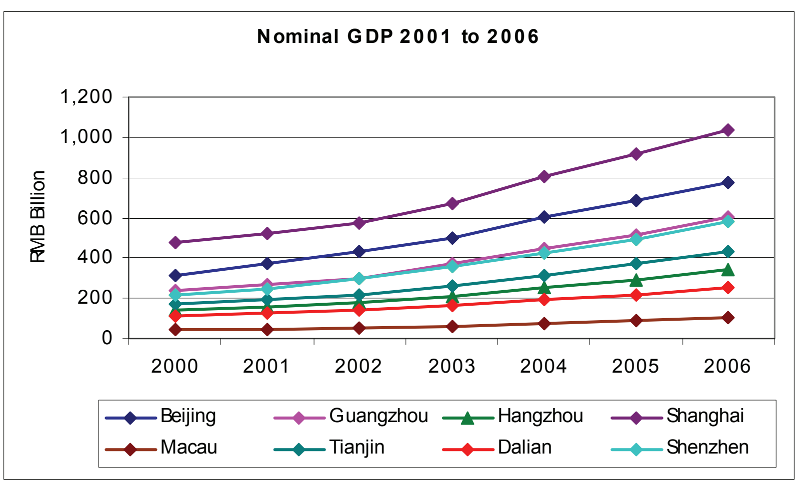
Source: Census and Statistics Bureau, Tianjin Municipal Bureau of Statistics, Hangzhou Statistics Bureau, Dalian Statistics Yearbook 2002-2006, Communique of Dalian 2006*Based on registered population; reflects revised GDP calculation methodology; ** In urban district; # New Statistics Method adopted since 2005; ## based on permanent population
Source: Census and Statistic Bureau, Beijing Statistics Bureau, Beijing Statistics Year Book 2007, Macau Census and Statistics Department, Tianjin Municipal Bureau of Statistics, Hangzhou Statistics Bureau, Dalian Statistics Yearbook 2002-2006, Communique of Dalian 2006



Source: Various cities Statistics Bureau



Source: Various cities Statistics Bureau



Source: Various cities Statistics Bureau

3.2 CHINA PROPERTY MARKET OVERVIEW

	2000	2001	2002	2003	2004	2005	2006
Investment in real estate (RMB billion)	498.4	634.4	779.1	1,015.4	1,315.8	1,590.9	26.1%
Total gross floor area sold (million sm)	186.4	224.1	268.1	337.2	382.3	554.9	24.4%
Gross floor area of projects under construction (million sm)	659.0	794.1	941.0	1,175.3	1,404.5	1,660.5	20.3%
Gross floor area of new completions (million sm)	251.0	298.7	349.8	414.6	424.6	534.2	16.3%
Average price of residential commodity properties (RMB psm)	1,948	2,017	2,092	2,197	2,608	2,937	8.6%
Average price of commercial properties (RMB psm)	3,260	3,274	3,489	3,675	3,884	5,022	9.0%
Average price of all properties, including residential, commercial, office and other properties (RMB psm)	2,112	2,170	2,250	2,359	2,778	3,168	8.4%

Source: National Bureau of Statistics

The real estate market in China has been growing strongly. As shown in the above table, both the total floor area and the amount of money invested in real estate have demonstrated a rising trend in recent years. The increase was supported by the demand for property from both local and foreign investors. In 2005 (latest available statistics), investment in real estate reached RMB 1,590.9 billion, which is slightly more than triple the investment in 2000. Property transactions remained active, and the amount of floor area sold recorded a large 197.7% growth from 2000 to 2005.

In turn this strong demand has led to a considerable increase in real estate values since 2000. The average price of residential properties was RMB 2,937 psm and that of commercial properties was RMB 5,022 psm in 2005 (latest available statistics), representing a growth of 50.8% and 54.0% respectively when compared with 2000. Also, the average price of all properties in China has risen by 14.0% in 2005 when compared with the previous year, and the average annual growth recorded since 2000 is 8.6%.

The top fifteen real estate markets by investment completed in 2005 (based on the most recently available statistics) were Beijing, Shanghai, Chongqing, Guangzhou, Chengdu, Shenzhen, Shenyang, Hangzhou, Tianjin, Wuhan, Nanjing, Dalian, Ningbo, Changsha and Qingdao.

KEY REAL ESTATE MARKETS IN CHINA

Rank	City	Registered Population (m) 2005	Population Growth 2000-05	GDP per capita growth 2000-05	Real Estate Investment 2005 (RMB bn)	Real Estate Investment Growth in 2005	Real Estate Investment Growth 2002-05
1	Beijing	11.8	6.6%	88.4%	152.5	3.5%	54.1%
2	Shanghai	13.6	2.9%	86.4%	124.7	6.1%	66.5%
3	Chongqing	31.7	2.6%	112.9%	51.8	31.7%	110.5%
4	Guangzhou	7.5	7.1%	91.1%	50.8	15.3%	19.2%
5	Chengdu	10.8	6.8%	92.0%	45.1	54.8%	121.8%
6	Shenzhen	8.3	-	-	42.4	-1.9%	19.2%
7	Shenyang	7.0	2.0%	83.1%	41.4	20.7%	256.3%
8	Hangzhou	6.6	6.3%	100.8%	41.1	25.0%	107.1%
9	Tianjin	9.4	-	-	32.8	24.1%	86.3%

KEY REAL ESTATE MARKETS IN CHINA							
Rank	City	Registered Population (m) 2005	Population Growth 2000-05	GDP per capita growth 2000-05	Real Estate Investment 2005 (RMB bn)	Real Estate Investment Growth in 2005	Real Estate Investment Growth 2002-05
10	Wuhan	8.0	7.4%	74.0%	29.8	27.7%	124.9%
11	Nanjing	6.0	9.3%	120.0%	29.6	1.1%	115.2%
12	Dalian	5.7	2.5%	88.4%	26.5	27.1%	111.9%
13	Ningbo	5.6	2.8%	75.4%	25.9	10.7%	106.0%
14	Changsha	6.2	6.5%	112.8%	25.6	45.7%	213.4%
15	Qingdao	7.4	4.8%	123.3%	22.4	37.6%	116.0%
16	Fuzhou	6.1	-	-	22.2	-0.8%	124.1%
17	Xi'an	7.4	7.8%	82.3%	21.2	29.9%	168.8%
18	Hefei	4.6	4.0%	155.8%	19.1	38.3%	376.9%
19	Zhengzhou	7.2	-	110.5%	16.8	38.0%	181.9%
20	Kunming	5.1*	-	-	14.9	71.7%	118.5%

Source: National Bureau of Statistics

* 2004 figure

Over the last few years, a marked shift has occurred in China's property market in that investors are now increasingly considering second tier cities for opportunities, especially in cities such as Chongqing, Chengdu, Foshan and Zhuhai. This is due to the extreme scarcity of finding quality en-bloc properties with high yields in Shanghai and Beijing, which has been the focus of foreign investors in the past. Investors have developed a growing awareness of the attractiveness of secondary cities and the first half of 2007 has seen a growing number of European private equity and investment funds enter the China property market, while existing players expand their scope of investment activity, despite the continued tightening of policies governing the market. The secondary cities have tended to be less impacted by the recent macro control measures affecting the residential property market, and as such, may offer better returns.

The real estate market is still developing rapidly in the primary cities of Shanghai, Beijing, Guangzhou and Shenzhen, but secondary cities are likewise seeing large growth levels, with the quality of the properties often on a par with those in the primary cities. Increasing FDI into tier 2 cities is raising incomes which support the growing residential sales per capita in many cities. Whilst primary cities still lead the rankings in GFA sales per capita, cities such as Wuxi, Wuhan, Chengdu and Suzhou are on the rise.

There have been various series of **macro-control policies** introduced by the Chinese Government in order to control the supply of or demand for property and property prices, to ensure the sustainable growth of the property markets in China. The policies and measures introduced intended to create a change in the property market conditions by controlling land supply and the type of housing that was developed. Despite the strong economic growth of China in recent years and rising disposable incomes, housing prices in certain cities have escalated significantly, especially since the real reduction of welfare housing starting from 1998. Significant macro control policies were issued in May 2003, 2004, the "Eight Regulations"in 2005, the Six Point Measures and related 15 Implementation Regulations and Circular 171 in 2006, as well as the Land Appreciation Tax, Circular 50, Circular 130, and tightening of the mortgage lending rate and interest rate increases in 2007.

The earlier policies had little cooling affect on the strong real estate market and prices actually continued to appreciate. The 2006 policies had an immediate impact on the China real estate market in general. However once developers realized that the economic fundamentals of China remained strong, and disposable incomes continued on an uptrend, this correction was short-lived. The impact on housing prices caused transaction volumes to fall temporarily as buyers adopted a wait-and-see attitude. However in general the measures had only a marginal effect on prices, with general prices remaining relatively stable, save for some minor monthly falls when the measures were announced.

Despite the imposition of restrictions of foreign funds into China's property market, those most impacted have tended to be new players to the market, and ill funded developers and speculators. Large investment funds/ companies and developers who are already active in the China real estate market have more or less continued their activities, with only a minor adjustment when the measures were announced. Foreign investment funds continue to look for property investment opportunities in both first and second tier citiesThe Central Government intends to promote continued economic growth and is expected to monitor and encourage sustainable growth rates in the real estate segment as it has been a strong engine of economic growth and has nation-wide impact.

Real Estate Developers in China

The imposition of the macro policies discussed above has impacted the China real estate market in several ways. More competitive conditions have emerged in the market in that there is a consolidation eliminating smaller and less competent developers. Although there has been volatility in sales volumes, in general sales prices have continued to increase causing developers to look further afield for real estate opportunities into secondary and tertiary cities. These cities have recently been the focus of developers adding to their land banks for future developments, in anticipation of positive market movements as economic fundamentals remain strong.

Increasingly the strength of a developer's financial position is anticipated to have an impact on its prospects, as the market becomes more competitive. The stock markets including the Hong Kong, Shanghai and Shenzhen exchanges continue to perform robustly, some of the leading public listed players are in fact, trading at higest PE in history. This is allowing those players to channel large capital into funding their landbanks and driving up land prices.

Therefore many midsized mainland developers now are seeking to tap into stock market. The amount of initial public offering fund raising in Hong Kong by mainland developers have surged in the past two years with HK$8.7 billion having been recorded in 2006, the highest level in the past 10 years. This trend is expected to continue as investor demand for China real estate assets remains strong and there are still a significant number of quality potential candidates for listing.

4.0 BEIJING

4.1 ECONOMIC INDICATORS

Beijing is the capital of China and has a site area of 16,808 sq km. The city is located on the North China Plain, about 115 km from the Bohai Bay. Beijing is composed of 18 districts and counties and has a registered population of close to 12 million.

Beijing	2000	2001	2002	2003	2004	2005	2006	1H 2007	CAGR 01-06
Registered Population (mn)	11.1	11.2	11.4	11.5	11.6	11.8	12.0	n/a	1.3%

Beijing	2000	2001	2002	2003	2004	2005	2006	1H 2007	CAGR 01-06
Population Growth		1.3%	1.2%	1.1%	1.2%	1.5%	1.4%	n/a	--
GDP (RMB billion)	316.1	371.1	433.04	502.4	606.0	688.6	787.0	406.4	16.2%
GDP Growth (inflation adjusted)	11.8%	11.7%	11.5%	11%	14.1%	11.8%	12.8%	12.1%	1.8%
GDP per capita	24,122	26,998	30,840	34,892	41,099	45,444	50,467	n/a	13.3%
Total Investment in Fixed Assets (RMB billion)	129.7	153.1	181.4	215.7	252.8	282.7	337.2	138.8	17.1%
Foreign Direct Investment Contracted (US$ billion)	4.3	3.3	5.5	3.3	6.3	6.5	7.3	n/a	17.1%
Retail Sales of Consumer Goods (RMB billion)	165.9	183.1	200.5	229.7	262.7	290.3	327.5	181.8	12.3%
Annual Disposable Income per capita (RMB)	10,350	11,578	12,464	13,883	15,638	17,653	19,978	11,242	11.5%
Annual Consumer Expenditure per capita (RMB)	8,494	8,923	10,286	11,124	12,200	13,244	14,825	7,434	10.7%
Retail Price Index (Preceding year = 100)	98.9	98.8	98.4	98.2	99.2	99.7	100.2	n/a	-
Unemployment Rate	0.8%	1.18%	1.35%	1.43%	1.30%	2.11%	1.98%	n/a	-
Engel Index	36.3	36.2	33.8	31.7	32.2	31.8	30.8	n/a	-

Source: Beijing Municipal Statistics Bureau and CB Richard Ellis

Beijing's GDP continues to experience very strong growth – above the national average for China.

- The city's GDP increased from RMB 316.1 billion in 2000 to RMB 787.0 billion at the end of 2006, equivalent to a CAGR of 16.4%, against the national average of 14.6% over the same period.
- Annual disposable income almost doubled between 2000 and 2006, indicating rising standards of living for Beijing's residents. Given the current rate of growth, it is expected that annual disposable income in 2007 will for the first time exceed RMB 20,000 per capita.
- Annual consumption expenditure has been increasing slightly more slowly than disposable incomes, with a CAGR of 9.7% for the period 2000 to 2006 suggesting that as incomes increase, Beijing residents are tending to save a higher proportion of their income.
- Retail sales have grown in line with the growth in disposable incomes and consumer expenditure. In 2006, total retail sales reached RMB 327.5 billion, a CAGR of 12.0%. since 2000, and in the first half of 2007, they increased 14.9% over the same period last year.
- Investment in fixed assets in Beijing almost tripled between 2000 and 2006. Part of the significant increase in recent years is a result of several large infrastructure projects in preparation for the 2008 Olympics, such as new roads, subway lines, and a new airport terminal.

Given the strong performance of Beijing's economy, growth is expected to continue at a rapid pace in coming years. However, a slight slowdown may be expected following the Olympics, with fixed assets investment growth likely to slow down significantly.

4.2 INFRASTRUCTURE DEVELOPMENT & URBAN PLANNING

Urban Master Planning

According to the city's latest Urban Master Plan (for 2004-2010), the government will promote the development of satellite cities and towns with the aim of fostering urban expansion and economic development, as well as helping reduce population densities in the centre of the city and thereby facilitating the centre's urban redevelopment process. Satellite cities and towns in Tongzhou, Changping, Yizhuang, Huangcun, Liangxiang and Shunyi will be given priority.

Metro System

- Several new metro lines are currently under construction and should be completed prior to the Beijing Olympics of 2008. For such a large city, Beijing's current public transportation system is inadequate with only three subway lines currently serving the city. However, the situation is expected to improve significantly in the run up to 2008, with several new lines currently planned or under construction.
- In addition, a new Express Rail Link to the airport is planned to be completed in time for the Olympics Games. This will run from Dongzhimen to the airport, with a stop in Sanyuan Qiao, close to the Lufthansa area.
- Other major rail projects include a new five-stop Beijing-Tianjin Express Railway, which commenced construction in July 2005 and is due to be fully operational by July 2008.

Road Transportation

- Beijing's expressway system is based on the five ring roads (2nd, 3rd, 4th, 5th and 6th Ring Roads) and 15 radial roads linking the central area to the satellite towns and to major cities in the surrounding provinces. Several important roads were completed in 2006, and some 150 km of new expressways are currently under construction, including the 2nd Beijing-Tianjin Expressway and the 3rd Airport Expressway (running from Liqiao in Shunyi to the Airport).

Airport

- Construction of Terminal 3 of the Beijing Airport is scheduled to be completed by the end of 2007, but may be delayed until the start of 2008. Total annual passenger throughput is expected to increase by 46% on 2005 figures to reach 60 million.

2008 Olympics

The Olympics have significant implications for Beijing's future urban development, with the distribution of the venues and associated infrastructure driving the further northward expansion of the core central urban city area. Beijing's Olympic venues comprise a central nucleus (the Olympic Green) surrounded by three non-contiguous sub-districts. The Olympic- related infrastructure projects have spurred property investment activity in the northern city fringe area, providing a solid foundation for their sustainable development.

4.3 REAL ESTATE MARKET

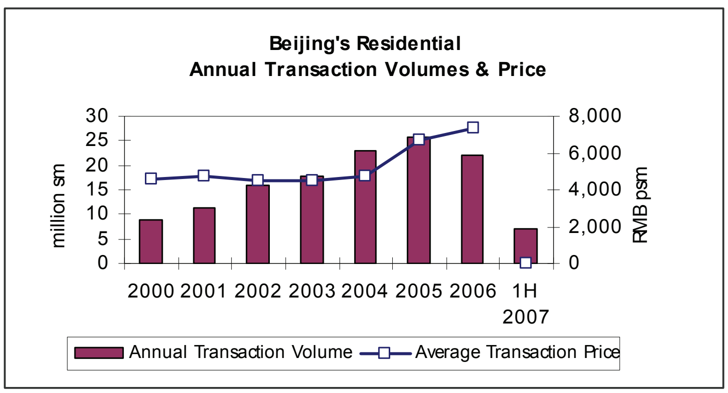
BEIJING PROPERTY MARKET	2000	2001	2002	2003	2004	2005	2006	Q2 2007	CAGR 01-06
Investment in real estate (RMB billion)	52.2	78.4	98.9	120.3	147.3	152.5	172.0	71.099	22.0%
Total gross floor area sold (million sm)	9.6	12.1	17.1	19.0	24.7	28.0	26.1	8.7	18.2%
Gross floor area of projects under construction (million sm)	44.6	59.7	75.1	90.7	99.3	107.5	104.8	83.9	15.3%
Gross floor area of new completions(million sm)	13.7	17.1	23.8	25.9	30.7	37.7	31.9	9.6	15.2%
Average price of residential	4,557	4,716	4,467	4,456	4,747	6,720	7,376	-	8.4%

BEIJING PROPERTY MARKET	2000	2001	2002	2003	2004	2005	2006	Q2 2007	CAGR 01-06
commodity properties (RMB psm)									
Average price of commercial properties (RMB psm)	-	-	-	14,865	14,330	14,728	-	-	
Average price of all properties, including residential, commercial, office and other properties (RMB psm)	4,919	5,062	4,764	4,737	5,053	6,274	8,280	-	9.1%

Source: Beijing Municipal Bureau of Statistics * Note that "GFA sold" includes pre-sold area currently under construction.

As with other major cities in China, Beijing has been experiencing very strong growth in the real-estate sector, and this is expected to continue in the future, in line with the city's rapid development. Investment in real estate almost tripled from 2001 to reach RMB 172.0 billion in 2006, a CAGR of 17.0% for the five-year period. Lower growth was witnessed between 2004 and 2005 (less than 4%) which was a direct result of government measures introduced to slow down the growth of the sector amid fears of a bubble and general over-heating of the economy. Growth in investment bounced back within a year, but at significantly lower levels than previously (12.8% vs. upwards of 20% for the few years before 2005), suggesting the measures have had some success.

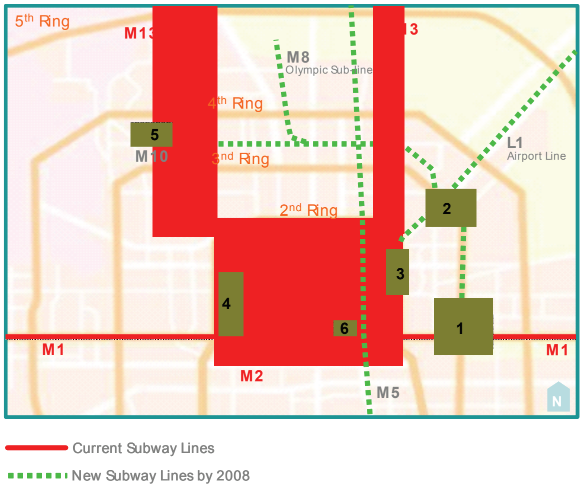
For the first time in the past five years, the GFA of new completions actually declined in 2006 compared to the preceding year. This is believed to be a delayed effect of the macro-control measures introduced in 2004-2005, which slowed down investment in those years, thereby translating in fewer completions down the road. The growth in Beijing's residential property prices over the past few years has been significant, albeit less extreme than in Shanghai. The average price of residential properties stood at RMB 7,376 psm at the end of 2006, representing an increase of over 50% since 2001.



Source: Beijing Municipal Bureau of Statistics

5.0 BEIJING GRADE A OFFICE SECTOR

As of Q2 2007, there was almost 2.2 million sm of Grade A office space in Beijing. Although the government has officially designated the area around the China World Trade Centre as Beijing's Central Business District (CBD), there are actually several other major office clusters in the city including the CBD, the Lufthansa (Yansha) area, East 2nd Ring Road, Financial Street, Zhongguancun and Wangfujing.



1. CBD
2. Lufthansa
3. E. 2nd Ring Road
4. Financial Street
5. Zhongguancun
6. Wangfujing

Source: CB Richard Ellis

Major Grade A Office District	District	Total GFA (estim. sm)	Proportion (%)
CBD	Chaoyang	635,095	29.5%
Lufthansa	Chaoyang	295,578	13.7%
E. 2nd Ring Road	Dongcheng	104,600	4.9%
Financial Street	Xicheng	517,274	24.0%
Zhongguancun	Haidian	298,686	13.9%
Wangfujing	Dongcheng	299,600	13.9%
Total	**-**	**2,150,833**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

5.1 KEY CHARACTERISTICS OF MAJOR GRADE A OFFICE AREAS

	CBD	LUFTHANSA	E. 2ND RING ROAD
Strengths	• Very convenient location, close to major high-end residential areas, convenient access to airport, etc. • Mature business environment – high MNC tenant concentration • Fiscal incentives for tenants	• Very convenient location, close to major high-end residential areas, convenient access to airport, etc. • Mature business environment with many business facilities	• Convenient and central location • High visibility along the 2nd Ring Road • Good subway access (with Line 2)
Weaknesses	• Lack of affordable F&B outlets for the majority of office workers • Traffic congestion and generally poor transport planning • Poor inter-connectivity	• Traffic congestion and general transport planning • Large distances between several projects and poor inter-connectivity	• Poor congestion on 2nd Ring Road at rush hour. • Lack of quality buildings • Predominantly owner-occupied by SOEs • Not a mature business environment s • Limited retail provision

	FINANCIAL STREET	ZHONG GUAN CUN	WANG FU JING
Strengths	• Strong financial services • Proximity to financial and insurance regulatory authorities; • Concentration of financial services firms • Fiscal incentives for tenants	• For IT/high-tech firms: very high concentration of related businesses • Good talent pool from surrounding universities • Fiscal and tax incentives for tenants	• Very central location • Close to major shopping street • Good surrounding amenities
Weaknesses	• Single industry focus • Not yet a mature business environment – limited provision of F&B and retail • Poor accessibility from the eastern part of town	• Single industry focus • Limited grade A stock • Limited provision of high-end hotels (no international 5-stars in the area)	• Very poor traffic; difficulty of turning on Chang'an Avenue • Limited stock

Source: CB Richard Ellis

5.2 FUTURE SUPPLY (2007 – 2009)

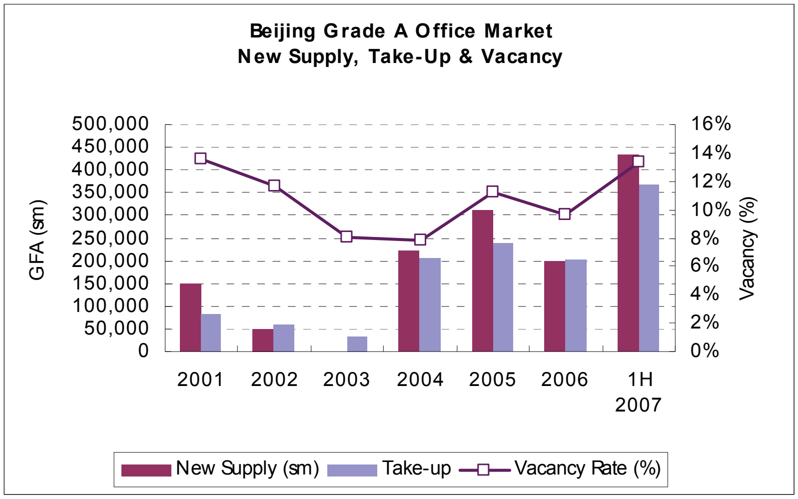
An additional 825,837 sm of grade A office space is expected to be completed from Q3 2007 to the end of 2009 increasing total stock by 38.4% to 2,976,670. The new supply entering the market in 2007 and will be the largest annual amount of grade A office supply to enter the market in the history of Beijing's market; 2007 is considered the peak of the pre-Olympics construction boom, with a much lower amount of new supply expected in 2008 and 2009. Although this represents a substantial amount of new supply, the market outlook is believed to be positive, as there is strong demand from tenants for quality expansion space. Vacancies for mature grade A properties are currently very low, and take-up has been extremely strong in recent years with new properties rapidly filling up.

Future Grade A Office Market in Beijing					
Major Office District	District	Total GFA as at Q2 2007 (estim. Sm)	Additional Supply Q3 2007 – 2009 (sm)	Total GFA as at Dec 09 (estim. sm)	(%)Proportion of GFA out of Total GFA as at Dec 09
CBD	Chaoyang	635,095	645,837	1,280,932	43.0%
Yansha	Chaoyang	295,578	91,000	386,578	13.0%
E. 2nd Ring Road	Dongcheng	104,600	50,000	154,600	5.2%
Financial Street	Xicheng	517,274	39,000	556,274	18.7%
Zhong Guan Cun	Haidian	298,686	0	298,686	10.0%
Wang Fu Jing	Dongcheng	299,600	0	299,600	10.1%
TOTAL		**2,150,833**	**825,837**	**2,976,670**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

5.3 DEMAND TRENDS

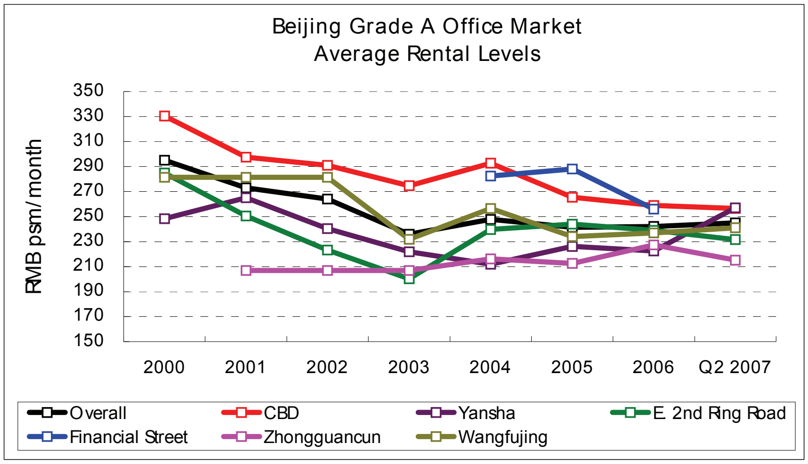
With China's economy consistently growing at over 10% p.a. in recent years, both domestic and foreign firms are developing very rapidly. For foreign businesses, this has been compounded by the opening-up of different sectors of the economy following China's accession to the WTO in 2001, particularly, the opening of the financial services sector at the end of 2006. Demand for grade A office space in the Greater CBD and Financial Street is being driven by the rapid expansion of financial services tenants, both local and international, as well as business service companies. Take-up of Grade A office space in Beijing has historically kept pace with new supply, with tenants taking advantage of the availability of quality new stock to significantly expand their office space to accommodate future headcount growth. Despite a significant amount of new supply in 2005 and 2006 demand remained very strong keeping the average vacancy at 9.6% in 2006. Take-up was particularly strong in the first half of 2007, reaching 366,885 sm, almost double the amount for all of 2006. However, with new completions, average vacancy rates rose to 13.4%.



Source: CB Richard Ellis (as at Q2 2007)

5.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

As of Q2 2007, the average rental levels of Beijing grade A offices were RMB 245 psm per month (gross, exclusive). Note that rents quoted are asking rents, quoted on gross surfaces, exclusive of management fees. The grade A office market has been historically influenced by the introduction of new supply, increasing levels of economic growth, SARS and the reduction in regulations. Average rental levels increased slightly in the first half of 2007, despite a large amount of new supply coming on line. This is partly the influence of the higher rentals for new premium grade A buildings raising the average as well as the very strong take-up witnessed over the past two years, resulting in relatively low average vacancy rates. The CBD, Lufthansa and Financial Street have the highest average rentals in Beijing. The CBDis the most developed area, and a limited amount of premium stock in Lufthansa and Financial Street, both these areas have seen similarly high rental levels. Local authorities have been recently offering financial and tax incentives to financial institutions relocating to Financial Street, (equivalent to a 30% rebate over a 3 year lease term).



Source: CB Richard Ellis (as at Q2 2007)

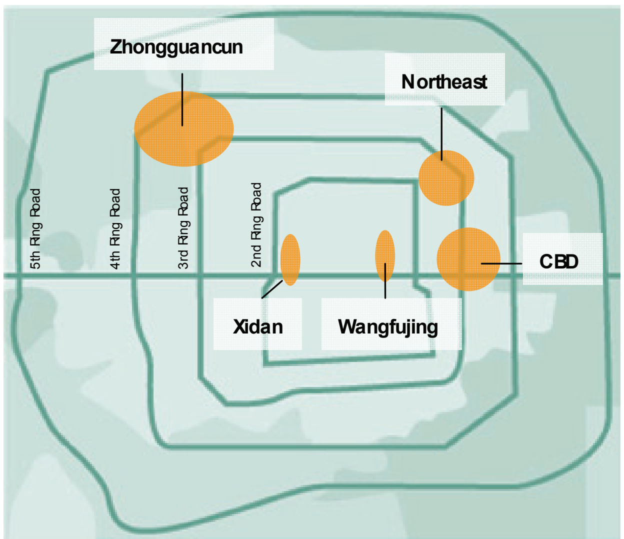
The market for investment sales of office buildings picked up significantly at the end of 2006, due to government reforms allowing domestic insurance firms to invest part of their cash reserves in real-estate assets. There are few opportunities for acquisitions of investment grade, income producing office properties in Beijing, especially in the major business districts, and current asking prices would translate into very low effective yields. Foreign investors are increasingly turning their attention to lower quality buildings where they see opportunities to re-engineer in order to increase revenue, or to good quality buildings in secondary locations. Gross indicative yields for development properties are expected to remain 10%-11% in the near future (without adjustment for vacancy), while yields for mature properties are likely to compress further at around 6% to 7%, given the rapid rise in prices and lack of stock available for sale. Most of the strata sold market concerns grade B properties. Strata sales prices in Beijing have been increasing rapidly and the average transaction strata-price of prime offices in Beijing was RMB 21,912 psm in Q2 2007.

5.5 OFFICE MARKET OUTLOOK

The large amount of new supply in 2007 is naturally expected to drive up vacancy rates during the year, although take-up volumes are expected to remain very strong based on recent figures and the new supply is expected to be well absorbed. The outlook for take-up volumes over the next two-three years continues to be very positive, based on strong expansion plans from both domestic and international tenants. Financial services firms are expanding particularly quickly, as are firms in the business services sectors. Limited new supply in 2008 will assist with the market absorption, however two large projects in 2009 may lead to a temporary rise in vacancy rates. Despite the amount of new supply, asking rental levels are expected to continue increasing slowly, by 4% to 5% p.a. over the medium term, mainly because most of the new grade A stock being built will be of a much higher standard than existing buildings, thereby commanding higher rentals, however landlords may be willing to offer greater rental and other incentives to secure quality tenants in a competitive market. Sale prices are expected to continue increasing rapidly, given strong interest from investors in the Beijing office market and the relative lack of available quality projects. Yields are therefore likely to see further compression over the next two years.

6.0 BEIJING PRIME RETAIL SECTOR

Beijing has five main retail concentrations, Wangufuing (oldest traditional shopping street), Xidan (popular with locals and domestic tourists), the CBD retail area (high end, flagship stores), the Northeast area (near the embassy areas) and Zhongguancun (near the University and high-tech business cluster). In addition, there are a few more prime retail projects scattered around smaller, secondary retail areas in Beijing, such as Financial Street, Wangjing and the Asian Games Village. The total GFA of prime retail in Beijing was about 2.6 million sm in Q2 2007.



Source: CB Richard Ellis

Beijing's retail market has grown rapidly in the past eighteen months, with several new projects coming on line and the shopping centre format is now well-accepted in Beijing.

Prime Retail District	Estim. GFA (sm)	Market Share
CBD	677,000	25.6%
Wangfujing	268,000	10.1%
Xidan	295,000	11.1%
Northeast	175,000	6.6%
Zhongguancun	296,000	11.2%
Others*	936,000	35.4%
Total	**2,647,000**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007) * Other areas include prime retail projects located in secondary retail locations such as Wangjing, Financial Street and Asian Games Village, which do not have enough retail density to qualify as a primary retail cluster.

6.1 KEY CHARACTERISTICS OF MAJOR PRIME RETAIL AREAS

	CBD	WANGFUJING	XIDAN	NORTHEAST	ZHONGGUANCUN
Strengths	• Wide range of choice of merchandise and brands • Inside or close to business districts • Famous for international brands – includes flagship stores for the likes of Louis Vuitton	• Wide range of choice of • Close to the business districts along Chang'an corridor • Numerous hotels • Most popular traditional shopping street and a major tourist destination • Pedestrian area	• Wide range of merchandise and brands • Close to Financial Street and government offices • Traditional retail area	• Close to CBD in the southwest and close to Wangjing residential area in the northeast • Large high-end residential catchment • Large concentration of international 5-star hotels (Sheraton, Hilton, Kempinski, etc.)	• Government support for development • Concentration of highly educated groups with high earning potential. • Large mid-upper residential catchment. • Varied trade mix with F&B options & entertainment
Weaknesses	• Shopping facilities are quite spread out – no convenient walking access • Heavy construction activities in the area • Insufficient car parking	• Duplicated positioning and merchandise in different stores • Shopping facilities concentrated along Wangfujing Street, with minimum depth of development • The image among locals is that it is too touristy	• Relative lack of international branded goods • Buildings are poorly maintained • Lack of F&B and entertainment • Facilities are concentrated along the main Xidan axis, • Insufficient car parking • Surrounding construction activities.	• Main retail projects are scattered throughout the area • Not a pedestrian friendly environment • Parking is an issue, especially around Lufthansa	• Heavy traffic • Quite far from the city centre – consumers are mainly local; not destination shopping. • More well-known among locals as the place to buy electronic equipment.

Source: CB Richard Ellis (estimates as at Q2 2007)

6.2 FUTURE SUPPLY (2007 – 2009)

The total GFA of prime retail space in Beijing is anticipated to roughly double, reaching 5.1 million sm by the end of 2009. Wangfujing and the Northeast area will both receive close to 22% of the new supply, while 14.6% of new supply will be located in the Greater CBD. A significant proportion of new supply will also be located in other, non-traditional retail areas, such as Qianmen and Shuangjing. Although this represents a significant amount of new supply, it should be noted that the current volume of prime retail in Beijing is low compared with levels of potential demand. In addition, it is likely that some of the future projects identified below will end-up being sold strata-title and not qualify as prime retail. Other projects are also likely to be delayed. 2008 will see the largest amount with 1.4 million sm of new supply. Pure retail developments are still rare in Beijing, with most retail projects being built as part of mixed-use developments. Shopping centres are rapidly becoming the dominant format in Beijing, with most future projects taking this form. There are still relatively few international developers active in retail development in Beijing – unless it is part of mixed-use developments.

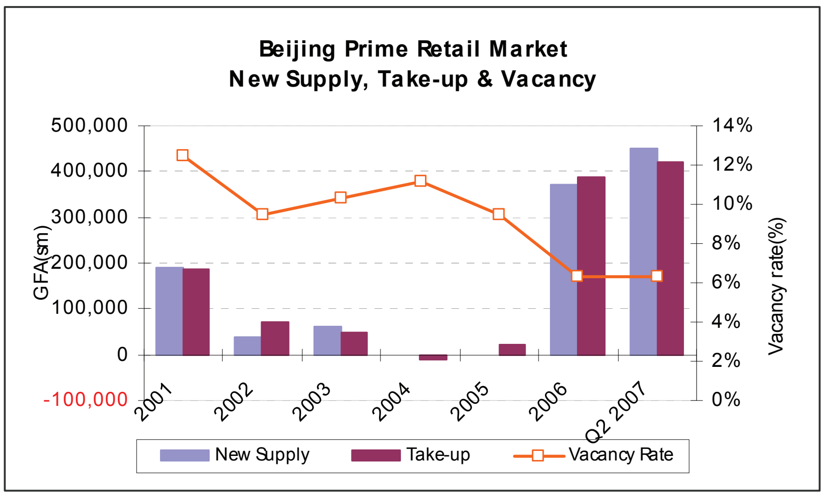
Future Prime Retail Market in Beijing 2007 - 2009					
Major Retail District	District	Total GFA at Q2 2007 (estim. sm)	Additional Supply Q3 2007 – 2009 (estim. sm)	Total GFA at Dec 09 (estim. sm)	Proportion (%)
CBD	Chaoyang	677,000	366,000	1,043,000	20.3%
Wangfujing	Dongcheng	268,000	544,000	812,000	15.8%
Xidan	Xicheng	295,000	175,000	470,000	9.1%
Northeast	Chaoyang	175,000	544,000	719,000	14.0%

Future Prime Retail Market in Beijing 2007 - 2009					
Major Retail District	**District**	**Total GFA at Q2 2007 (estim. sm)**	**Additional Supply Q3 2007 – 2009 (estim. sm)**	**Total GFA at Dec 09 (estim. sm)**	**Proportion (%)**
Zhongguancun	Haidian	296,000	150,000	446,000	8.7%
Others		936,000	722,000	1,658,000	32.2%
Total	**-**	**2,647,000**	**2,501,000**	**5,148,000**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

6.3 DEMAND TRENDS

As of Q2 2007, average vacancy rates in prime retail projects in Beijing were low at 6.3%. Vacancy rates have remained low in the past two years on the back of very strong demand from international retailers wishing to expand in the market, and despite several large scale projects having come on line over the past 18 months. Established projects are performing very strongly with some more recent projects in non-prime retail areas finding it difficult to establish themselves. Numerous international retailers are keen to establish a high-profile presence in Beijing in advance of the 2008 Beijing Olympic Games. Demand is therefore expected to remain very strong in the run-up to the Beijing Olympic Games next year, especially for projects in prime locations and under proven management, with both mid and high-end retailers. Some podium and/or strata sold properties may face difficulties attracting quality tenants and are expected to perform below average. Following the Beijing Olympic Games, a slowdown in demand is expected, although disposable income and consumer spending should continue to grow.

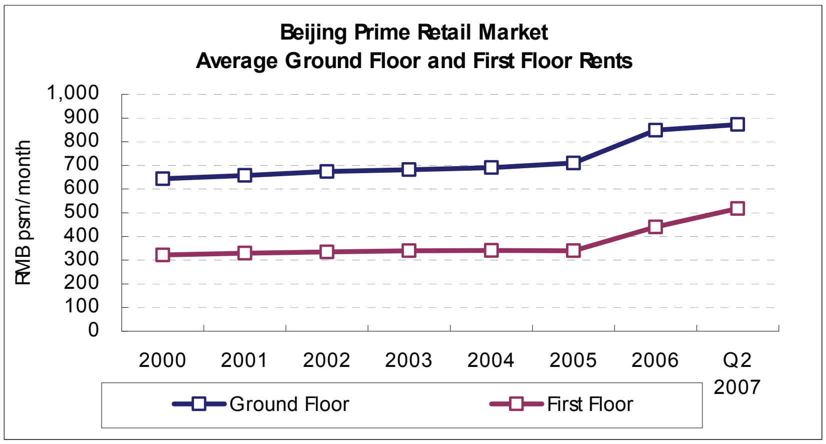


Source: CB Richard Ellis

Following the 2003-2004 slowdown (partly due to the SARS epidemic) and the 2004 peak in vacancies, prime retail take-up has been healthy in Beijing, especially with significant new supply coming on line in 2006 offering new opportunities for retailers. As a result of the large amount of new supply forecast in the next two years, vacancies are expected to rise slightly in the short term. However, persistent strong demand from retailers is anticipated to maintain high take up rates and absorb the new supply, keeping vacancies reasonable low.

6.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

As of Q2 2007, prime retail average rental levels in Beijing shopping centres were RMB 873 psm per month (net area basis, exclusive of management fees) for ground floor units and RMB 518 psm per month (net, exclusive) for first floor units. Average rental levels in prime shopping centres have been rising rapidly since 2006, with those at the end of Q2 2007 already 30% higher than those at the end of 2005. Most of this increase has been driven by new high-end projects under pre-leasing and recently launched projects.



Source: CB Richard Ellis; Note: rents are quoted on net surfaces, exclusive of management fees in prime shopping centres

High rents in Oriental Plaza are the reason why Wangfujing has the highest average rental level in Beijing, at RMB 960 to RMB 1,600 psm per month (net, exclusive). The average rental levels of other areas such as CBD, Xidan and Northeast range from RMB 750 to RMB 1,200 psm per month (net, exclusive) with the more peripheral Zhongguancun recording around RMB 600 psm month (net, exclusive.

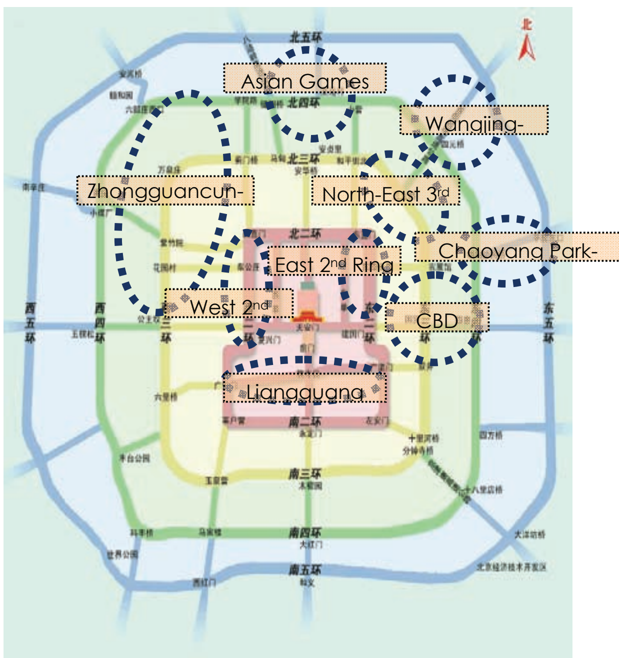
There has been limited investment activity in the prime retail sector, mainly due to the lack of quality projects for sale and because of the difficulty of closing deals in the current changing regulatory environment. As a result, most retail transactions are conducted at the development stage. Sale transactions in 2006-07 ranged from RMB 14,400 to RMB 27,000 psm. Strata title sales of retail podiums have been more dynamic ranging between RMB 30,000 and RMB 50,000 psm at Q2 2007. There has been significant compression of investment yields in the past year, with asking prices increasing rapidly for both development stage and completed properties. Gross yields for prime retail properties were estimated around 7% as at Q2 2007.

6.5 PRIME RETAIL MARKET OUTLOOK

The overall outlook for prime retail in Beijing is positive. Rapid growth in disposable income and consumer spending is expected to continue over the coming years, resulting in strong demand for prime retail. Retail sales are expected to be impacted positively by the continuing growth of the tourism industry, with increasing numbers of both domestic and international visitors. As a result, both mid and high end international retailers have strong expansion plans in Beijing. This is further compounded by the desire to secure high-profile locations in the city in advance of the 2008 Olympics in order to showcase their brands. Given the large amount of new supply to 2008, average rentals in Beijing for prime retail locations are expected to continue growing at over 10% per annum. Vacancy rates are expected to increase slightly as more new supply is completed, however with continued strong demand driven by international retailers, average vacancy rates should not fluctuate greatly. International investors continue to be interested in the Beijing retail market, but it is increasingly difficult to source quality projects and close deals. With a constantly changing regulatory environment, this situation is expected to continue over the next couple of years.

7.0 BEIJING HIGH-END RESIDENTIAL APARTMENT

Residential prices in Beijing have risen very rapidly since 2006. In the first half of 2007 alone, prices for new projects increased by an average of 30%. The total stock of high-end residential apartments in Beijing as of Q2 2007 was estimated to be 8.9 million sm, or about 57,900 units.



Source: CB Richard Ellis

There are currently nine established high-end residential districts in clusters across Beijing: CBD, Chaoyang Park-Qingnian Road, North-East 3rd Ring Road, East 2nd Ring Road, Zhongguancun-Gongzhufen, Asian Games Village, Liangguang Road, Wangjing-Jiuxianqiao and West 2nd Ring Road. Although the total stock of residential space is spread out across the whole city, the majority is concentrated in East Beijing, within the Chaoyang and Dongcheng Districts. Other areas are much smaller and have fewer high-end projects.

Major High-End Residential District	District	Total GFA (estim. Sm)	Proportion (%)	Unsold Rate	Average Sale Price (RMB psm)
CBD	Chaoyang District	2,783,970	31.2%	12.2%	19,703
Chaoyang Park- Qingnian Rd	Chaoyang District	1,136,000	12.7%	39.6%	21,033
North-East 3rd Ring Road	Chaoyang District	1,339,816	15.0%	34.4%	17,713
East 2nd Ring Road	Chaoyang District/ Dongcheng District	1,013,912	11.4%	21.5%	20,964

Major High-End Residential District	District	Total GFA (estim. Sm)	Proportion (%)	Unsold Rate	Average Sale Price (RMB psm)
Zhongguancun-Gongzhufen	Haidian District	577,221	6.5%	34.6%	21,398
Asian Games Village	Chaoyang District	417,453	4.7%	31.0%	18,599
Liangguang Road	Chongwen District/ Xuanwu District	568,597	6.4%	37.5%	17,148
Wangjing-Jiuxianqiao	Chaoyang District	587,710	6.6%	19.9%	17,345
West 2nd Ring Road	Xicheng District/ Haidian District	498,602	5.6%	13.0%	20,351
Total		**8,923,280**	**100.0%**	**24.6%**	

Source: CB Richard Ellis (estimates as at Q2 2007)

7.1 KEY CHARACTERISTICS OF MAJOR HIGH-END RESIDENTIAL AREAS

	CBD	CHAOYANG PARK-QINGNIAN ROAD	NORTH-EAST 3RD RING ROAD
Strengths	• Within the central business area • Ample facilities e.g. shopping, foreign banks, F&B and entertainment, etc. • Several newer properties are concentrated in this area with relatively high building specifications	• Convenient location in close proximity to Lufthansa and CBD business areas • Chaoyang Park offers good views and "green lung" for nearby residential properties • Several newer properties are concentrated in this area with relatively high building specifications	• Emerging business and commercial area – covers Lufthansa business area • Close to main embassy areas • Convenient access to Beijing Airport • Mature supporting retail
Weaknesses	• Traffic congestion and general transport planning • Lack of green space • Not pedestrian friendly	• No Subway access • Limited number of F&B and retail options in the vicinity	• Traffic congestion and poor general transport planning • Not pedestrian friendly, 3rd Ring Road acts as a barrier
	EAST 2ND RING ROAD	**ZHONGGUANCUN-GONGZHUFEN**	**ASIAN GAMES VILLAGE**
Strengths	• Proximity to Metro Line 2 • Close to main embassy areas • Central location • Established retail, F&B and entertainment facilities with convenient access to Sanlitun	• Dynamic area – major IT and university district. • Good provision of retail and other supporting amenities.	• Convenient peripheral location in close proximity to Zhongguancun and Wangjing business areas • Established retail area with supporting amenities • Convenient access to airport
Weaknesses	• Traffic congestion during peak hours • Mainly older existing stock; relatively limited new supply	• Far from East Beijing and Greater CBD • More local quality, not as high as East Beijing. • Amenities mainly targeted towards local population;	• Distance from city centre, especially Greater CBD • Much more local product, typically not as high standard as in main East Beijing areas
	LIANGGUANG ROAD	**WANGJING-JIUXIANQIAO**	**WEST 2ND RING ROAD**
Strengths	• Close to city centre • Convenient to business areas in the East and West • Mature supporting facilities	• Convenient access to Airport • With several arterial roads in the surrounding	• Close proximity to Financial St, administrative areas • Established retail area with supporting amenities

Weaknesses	• Traffic congestion during peak hours • Much more local product, typically not as high standard as in main East Beijing area	• Distance from city centre • Mainly older existing stock, with limited new supply • Plot ratio is high and lower relative product quality • Limited F&B and retail • Lack of green space	• Traffic congestion during peak hours • Mainly older existing stock; relatively limited new supply • Distance from Greater CBD and East Beijing

Source: CB Richard Ellis (estimates as at Q2 2007)

7.2 FUTURE SUPPLY (2007 – 2009)

Future High-end Residential Apartment Market in Beijing 2007 - 2009					
Major High-end Residential Apartment District	**District**	**Total GFA at Q2 2007 (estim. sm)**	**Additional Supply Q3 2007 – 2009 (sm)**	**Total GFA at Dec 09 (estim. sm)**	**Proportion (%)**
CBD	Chaoyang District	2,783,970	894,986	3,788,956	30.3%
Chaoyang Park-Qingnian Road	Chaoyang District	1,136,000	1,069,561	2,205,561	18.2%
North-East 3rd Ring Road	Chaoyang District	1,339,816	228,375	1,568,191	12.9%
East 2nd Ring Road	Chaoyang District/ Dongcheng District	1,013,912	168,000	1,181,912	9.8%
Zhongguancun-Gongzhufen	Haidian District	577,221	191,489	768,710	6.3%
Asian Games Village	Chaoyang District	417,453	166,745	584,199	4.8%
Liangguang Road	Chongwen District/ Xuanwu District	568,597	238,454	807,051	6.7%
Wangjing-Jiuxianqiao	Chaoyang District	587,710	0	587,710	4.8%
West 2nd Ring Road	Xicheng District/ Haidian District	498,602	248,000	746,602	6.2%
Total		**8,923,280**	**3,205,610**	**12,238,891**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

The total future supply of high-end residential properties anticipated to be launched in the market between Q3 2007 and the end of 2009 is estimated to be 3.2 million sm to bring total stock to 12.2 million sm reflecting an increase of 36.0%, which represents a significant decrease over the previous two and a half year period (from 2005 to mid-2007), during which an estimated 4.6 million sm of new supply was launched. This suggests a significant slowdown in the growth in high-end residential property, mainly as a result of the increasing difficulty of sourcing sites in good central locations, as well as because of the new government restrictions on apartment sizes, which encourage smaller, more affordable units.In line with historical trends, most of the future supply will continue to be located in East Beijing, namely in the Greater CBD, Chaoyang Park-Qingnian Road and North-East 3rd Ring Road. Key factors influencing the desirability of these areas include their proximity to the city's main business and embassy areas, as well as the well-developed supporting facilities. Looking beyond 2009, the future development potential of other downtown areas should be limited due to restricted land supply and plot ratio restrictions.

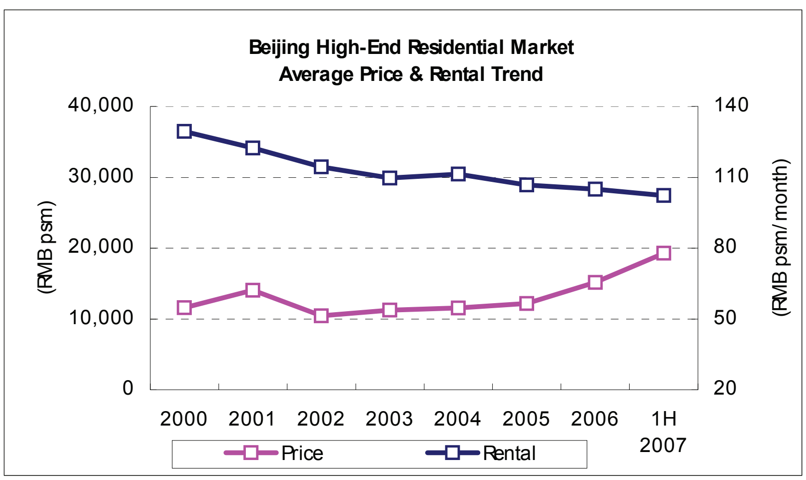
7.3 DEMAND TRENDS

Demand fundamentals for high-end residential in Beijing are strong, with a growing middle class benefiting from increasing incomes and a generally positive economic environment. Demand for high-end developments in convenient locations is expected to remain significant. Large unit sizes appear to be becoming increasingly desirable, given the new government restrictions may reduce future supply. With the growth in high-end residential supply slowing down and demand expected to remain strong, sales rates are expected to remain high for future projects coming on line in the next two years. Any slight slow-down following the Olympics in 2008, this should only be temporary given the underlying strength of the market. Typical investors include local Beijing residents buying a second home, and domestic Chinese buyers from outside Beijing. These are typically high-income individuals who invest in Beijing as there are more suitable real estate investment opportunities than their home province and it is also seen as a status symbol. Anecdotal evidence also suggests that the recent bull market on the Chinese stock exchange has contributed to the strong demand for high-end residential units. Foreign buyers, especially from Hong Kong, Taiwan and Singapore tend to target the more high-profile projects. Yields are not high, but these buyers tend to speculate on future capital appreciation, as well as RMB appreciation.

Most of the leasing demand for apartments in Beijing comes from expatriates. Domestic Chinese are unlikely to rent a high-end apartment (unless paid for by the company) and have a clear preference for buying or for renting more affordable units while waiting to purchase.

7.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

As of Q2 2007, the average asking rental level for high-end apartments in Beijing was estimated to be RMB 102.90 psm per month (gross area, exclusive of management fees). Average asking rentals have been declining since 2000, mainly as a result of the increasing quantity and quality of supply available for rent. High-end apartments are also competing with villas which tend to be preferred by expatriate families and affluent locals, which have also seen large supply increases in recent years. Although average rental levels as a whole are declining in Beijing, rental levels in several highly successful projects are actually increasing, due to their popularity among expatriates. With growth in new supply slowing down but investment demand remaining



buoyant, rental levels are expected to remain stable or decline slightly to 2009.

Source: CB Richard Ellis (estimates as at Q2 2007)

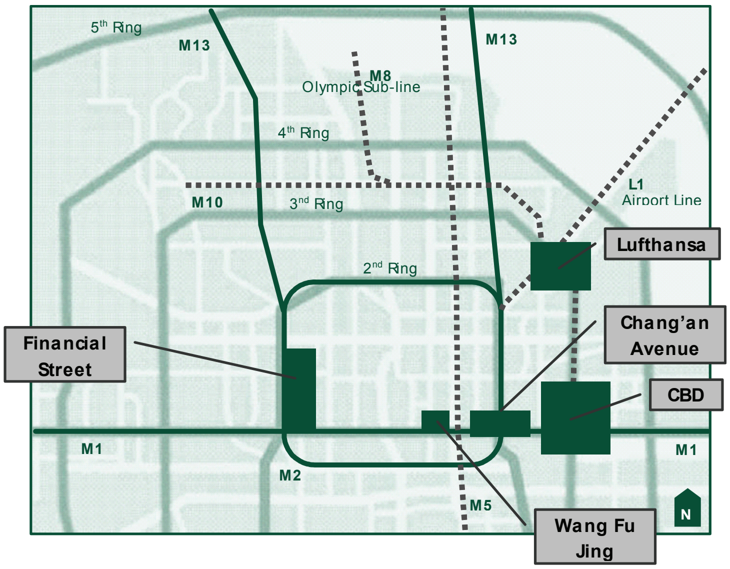
Average sale prices have been increasing rapidly since 2005, with particularly sharp growth seen since the beginning of 2007, when the average sale price of new projects increased by about 30% by the end of June 2007. Although the average transacted sale price of high-end residential projects in Beijing was RMB 19,268 psm in the first half of 2007, most projects were priced above RMB 20,000 psm at the end of Q2 2007. The sale price growth has been largely driven by the decreasing supply of new high-end projects, and speculation that large units are going to become increasingly rare given regulation changes. Interestingly, sale prices have continued to increase rapidly despite the new government restrictions on foreigners' ability to purchase residential units (foreigners are officially limited to purchasing a single unit for self-use in their city of residence). Gross indicative yields have tightened significantly in the past two years, reaching an average of 5% in mid 2007. With sales prices rising rapidly and rental levels holding steady, yields are expected to face further compression in the coming years, reflecting an increasingly mature residential market.

7.5 HIGH-END RESIDENTIAL APARTMENT MARKET OUTLOOK

With quality sites in central locations becoming scarcer and with increasing government constraints on the development of large high-end residential units, average sale prices are expected to continue appreciating by about 10% to 15% p.a. between mid 2007 and 2009, supported by continued strong demand. In addition, the overall quality of new projects is improving which may also justify higher prices. Land prices have been rising as well, further contributing to the overall increase in sale prices. The bulk of future supply is expected to be positioned in a price range of RMB 25,000 psm to RMB 35,000 psm, with a more limited number of luxury projects expected to be positioned above RMB 40,000 psm. Peripheral locations are also expected to become more attractive over the next few years as a result of rising prices in central areas, and because of the availability of developable land sites. At the same time, the secondary housing market is expected to develop very quickly.

8.0 BEIJING 5 STAR HOTEL SECTOR – INTERNATIONAL BRANDS

The 2008 Olympics has acted as a catalyst for the development of the hotel sector in Beijing, with much interest from most international hotel operators. A significant number of properties are currently under development, across the full spectrum of the sector, from budget to high-end. There are now about 29 5-star hotels in central Beijing, accounting for 13,299 rooms. Of these, 24 are located in East Beijing (Chaoyang and Dongcheng Districts) with a total of 11,405 rooms. The other major 5-star hotels are located in Financial Street, in Xicheng District and West 3rd Ring Road, in Haidian District. The Financial Street hotel cluster (in the western part of the city) is quite recent, with all three 5-star hotels having opened in the past two years. The Zhongguancun area (in Beijing's North-West) currently does not have any luxury 5-star hotels, although a number are currently under planning.



Source: CB Richard Ellis

8.1 KEY CHARACTERISTICS OF MAJOR 5 STAR HOTEL AREAS

	CBD	Wangfujing	Lufthansa
Strengths	• Hotels typically integrated within large-scale mixed-use projects (office and retail which stimulate demand) • Famous brand operators • Convenient location and accessibility. • Plenty of F&B and entertainment options.	• Very central location, convenient for both business visitors and tourists – close to major landmarks such as Forbidden City. • Strong demand from government agencies . • Major shopping street, plenty of F&B, entertainment options.	• Location in one of the major business districts, and close to CBD as well as embassy districts. • Very convenient access to the airport • Famous operators (Kempinski, Sheraton, Hilton, etc.) • F&B and entertainment
Weaknesses	• Significant amount of new supply forecast to 2009. • Relatively far from main tourist landmarks • Congestion • Not pedestrian-friendly	• Highest concentration of hotels in Beijing – competition is very strong • Congestion and car accessibility for some projects	• Significant amount of new supply over next two years. • Congestion and not pedestrian friendly

Source: CB Richard Ellis

8.2 FUTURE SUPPLY (2007 – 2009)

With the 2008 Olympics, a significant amount of new hotel supply is currently under development in Beijing, from budget to luxury hotels. An estimated 19 new five-star hotels are planned in Beijing up to 2009, accounting for upwards of 6,266 rooms (note that room estimates are not available for some of the projects currently under construction). Of these, 14 hotels (~ 4,814 rooms) will be completed before the end of 2008, representing an increase of 36% compared to current stock levels. International hotel operators are keen to expand in the rapidly growing Chinese market, and most of the confirmed future projects will be managed by international brands. Operators typically operate in a JV format with the developer/building owner and contribute some financing towards construction of the project. Most of the new stock to be completed between 2007 and 2009 will be concentrated in the CBD and Lufthansa areas. With eight new 5 star hotels going up in the CBD, that area's share of the total luxury hotel stock will increase significantly, to over 26% by 2009 which is in line with growth in CBD office space during the same period.

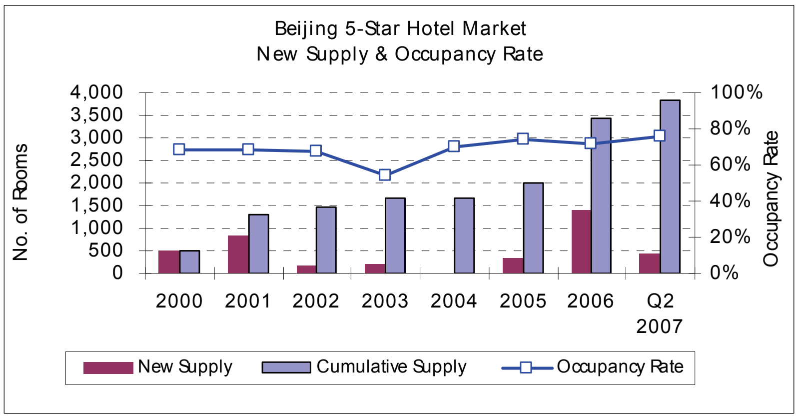
Future 5-Star Hotel Supply in Beijing 2007 - 2009				
Major Hotel District	**Total Rooms Q2-07**	**Additional Supply Q3 2007-2009 (Rooms)**	**Total rooms at Dec 2009 (est. rooms)***	**Proportion (%)**
CBD	2,066*	3,031	5,097	26.1%
Lufthansa	2,849	1,424	4,273	21.8%
Financial Street	1,069	-	1,069	5.5%
Wangfujing	4,173	840	5,013	25.6%
Chang'an Avenue	1,602	-	1,602	8.2%
Other (Zhongguancun, etc.)	1,540	971	2,511	12.8%
Total	**13,299**	**6,266**	**19,565**	**100.0%**

Source: CB Richard Ellis (as at Q2 2007)Includes new Sofitel Wanda (opened in August 2007)

Note: Room number estimates are not yet available for projects coming forward after 2009.

8.3 DEMAND TRENDS

A lot of the demand for luxury hotels is business-related, and thus demand is typically stable almost year-round, with only a short low season, usually from Christmas until Chinese New Year. Therefore international standard 5-star hotels in Beijing have historically had high occupancy rates and good ADRs.

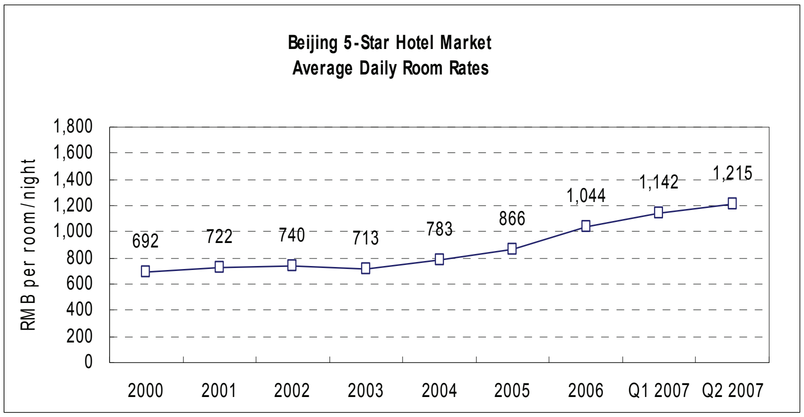


Source: CB Richard Ellis (as at Q2 2007)

Average occupancy levels for 5-star hotels in Beijing have historically been quite high above 70%, except for a dip in 2003 which can be directly attributed to the SARS outbreak. Demand has been well supported by China's rapid economic growth and FDI, as well as rising numbers of domestic and international tourists. The number of foreign visitors to Beijing has increased by 40% since 2001, reaching 3.9 million in 2006 and the number of domestic visitors has also increased significantly, reaching 132 million in 2006 – a CAGR of 3.7% p.a. since 2001. An increasing number of affluent domestic tourists are staying at 5-star hotels, which used to be quite rare. Demand is expected to remain very strong in Beijing in the run-up to the Olympic Games in 2008, with average occupancies remaining very high during this period (estimated close to 90% for the year), before reverting to more "normal" levels in the mid 70% in 2009.

8.4 ROOM RATES, SALE PRICES & INVESTMENT YIELDS

As with occupancies, average daily room rates (ADR) for 5-star hotels in Beijing have been growing steadily since 2000, with only a slight dip in 2003 attributed to the SARS outbreak. Growth in room rates has accelerated since 2006, with an increasing number of high-profile international operators launching luxury hotels in the city. According to CBRE data, ADRs have been steadily increasing since 2004 and this trend is expected to continue with the new supply entering the market, and will also be amplified by the 2008 Olympic Games which are expected to result in a



major peak in ADR during the second half of 2008.

Source: CB Richard Ellis (estimates) and Beijing Statistics Bureau

There have been very few transactions of hotel properties in the Beijing market, especially for 5-star hotels, and the sale prices varied considerably on a per room basis as most were either at the development or bare shell stage and required further capital expenditure. As a result of the limited information on both total revenues and costs for 5-star hotels, yields are difficult to estimate for that property type. Gross yields for serviced apartment properties in Beijing are generally estimated to be 10% to 12%. Given that luxury hotels typically have much higher operational costs, gross yields for 5-star hotels would be estimated to be a few percentage points lower, around 7%-9%.

8.5 5 STAR HOTEL MARKET OUTLOOK

5-star hotels in Beijing have historically performed very well, with high occupancies and increasing ADRs. In addition, both domestic and international tourism are growing rapidly, as are the number of domestic and international business visitors - sustained by the rapid economic growth of the country and high levels of FDI. Therefore, the long-term outlook for 5-star hotels is considered positive, especially in the short term to 2008. After 2008, occupancies and room rates are expected to revert to more historic levels – with occupancies in the mid- to high seventies and average room rates around RMB 1,100 to RMB 1,200 per night. Continued strong tourism, conference and business traveler demand is expected to offset any post-Olympics dip.The significant amount of new supply being added to the market over the next two years should be well absorbed with average occupancies unlikely to rise in the medium-term, although ADRs could continue to see some growth, as many of the new hotels will be positioned at the very high-end of the luxury market.

9.0 SHANGHAI

9.1 ECONOMIC INDICATORS

SHANGHAI	2000	2001	2002	2003	2004	2005	2006	Q2 2007	CAGR 01-06
Registered Population (million)	13.2	13.3	13.3	13.4	13.5	13.6	13.7	N.A.	0.6%
Population Growth	-	0.76%	0%	0.75%	0.75%	0.74%	0.74%	-	-
Nominal GDP (RMB billion)	477.1	521.0	574.1	669.4	807.3	916.4	1,036.6	556.2	13.8%
Nominal GDP – Average Annual Growth	10.8%	9.2%	10.2%	16.6%	N/A**	13.5%	13.1%	N.A.	-
GDP per capita*	36,217	39,470	43,158	50,301	60,224	67,565	75,990	N.A.	13.1%
Total Investment in Fixed Assets (RMB billion)	187.0	199.5	218.7	245.2	308.5	354.3	392.5	192.8	13.2%
Foreign Direct Investment Contracted (US$ billion)	6.4	7.4	10.6	11.1	11.7	13.8	14.6	6.8	14.7%
Retail Sales of Consumer Goods (RMB billion)	187	202	220	240	266	297	336	189	10.3%
Annual Disposable Income per capita (RMB)	11,718	12,883	13,250	14,867	16,683	18,645	20,668	N.A.	9.9%
Annual Consumer Expenditure per capita(RMB)	8,868	9,336	10,464	11,040	12,631	13,773	14,762	N.A.	8.9%
Retail Price Indices (Preceding Year = 100)	96.4	98.6	98.7	99.0	100.9	99.7	100.2	101.8	-
Unemployment (%)	3.5	4.3	4.8	4.9	4.5	4.4	4.4	N.A.	-
Engel Index (%)	44.5	43.4	39.4	37.2	36.4	35.9	35.6	N.A.	-

Source: Census and Statistics Bureau and CB Richard Ellis

* GDP per capita is calculated using registered population;

** Revised GDP figures were released by the government in December 2005 with revisions back to 2004; prior figures are therefore incomparable

- In 2004, the Shanghai Bureau of Statistics modified its GDP accounting methodology in accordance with national regulations. As such, GDP data is not comparable between 2003 and 2004 leading to a trend analysis in two periods as follows. Between 2001 and 2003, Shanghai's GDP grew at a CAGR of 13.4% with a low of 9.2% in 2001 and a high of 16.6% in 2003. In 2005 and 2006, GDP increased by 13.1% per annum and reached about one trillion RMB. Growth in the first half of 2007 has followed a similar trend.

- Shanghai's economy is driven by the secondary and tertiary sectors. Currently, six industries form the pillars of Shanghai's economy, contributing the most to the city's GDP: real estate, IT, financial services, trade, automotive, and packaging.

- Contracted foreign direct investment slowed down in 2006, as MNC's began to shift their attention to second tier cities in China due to increasing opportunities in those markets as well as rapidly rising occupancy costs in Shanghai and other first tier cities such as Beijing.

- Fuelled by strong economic growth in recent years, income levels of Shanghai's population have risen steadily at a CAGR of 9.9% between 2000 and 2006.

9.2 INFRASTRUCTURE DEVELOPMENTS & URBAN PLANNING

In a two-pronged approach since 2003 to resolve congestion in the urban areas and stimulate economic growth, the Shanghai Municipal Government has focused substantially on infrastructure development to increase accessibility to decentralised areas and to further support the city's transformation into a regional logistics hub. In 2006, total committed investment in infrastructure amounted to RMB 112.6 billion or some 28.7% of Shanghai's fixed asset investment. Examples of significant infrastructure investments include:

- Eight new subway lines are planned to be completed and several extensions by 2012.
- Expansion of the Pudong International Airport, with a second terminal due in early 2008 which should double the airport's annual handling capacity to 40 million persons.
- The US$12 billion Yangshan Deepwater Port is set to reinforce Shanghai's leading position as the largest shipping hub in northeast Asia; with the 3rd phase to be completed by 2010.
- The 2010 construction of the Hongqiao Transportation Hub will comprise various elements including high-speed rail, Metro lines, long-distance bus, local bus exchange and a passenger railway station.
- The construction of seven additional tunnels crossing the Huangpu River will further enhance transportation between the Pudong and Puxi.

The Shanghai Municipal Government mapped out the 2nd blueprint of the city's urban plan, which started in 1999 and extends to 2020, also announcing clear objectives to reduce the population in downtown areas through decentralisation. Key points in the government's plan to limit the downtown population include:

- Downtown Shanghai to decrease in population from 9.7 million to 8.5 million by 2010.
- Tight control of land release for development, particularly for high-rise residential, with more focus on the enlargement of green space and public areas. As of September 2002, plot ratios within the Inner Ring Road fell from 7.0 to 4.0 for commercial and from 4.0 to 2.5 for residential development.

In addition, several major developments are underway in the city which, when completed, are expected to further enhance the vibrancy of the Huangpu River waterfront area. These developments include:

- **2010 World Expo Site:** Comprises a total area of 5.3 sq km and a riverfront area of about 8.3 km to be transformed into a major residential and cultural area after the World Expo.
- **Pudong Shipyard Redevelopment**: Located adjacent to Lujiazui CBD (area of about 1.1 sq km), the area along the Huangpu River is to be transformed into a major commercial and residential hub comprising a total GFA of approximately 860,000 sm
- **North Bund Redevelopment**: It is expected that approximately 20 projects will be completed by 2009, in time for the 2010 World Expo, including luxury hotels, retail facilities, and office buildings.

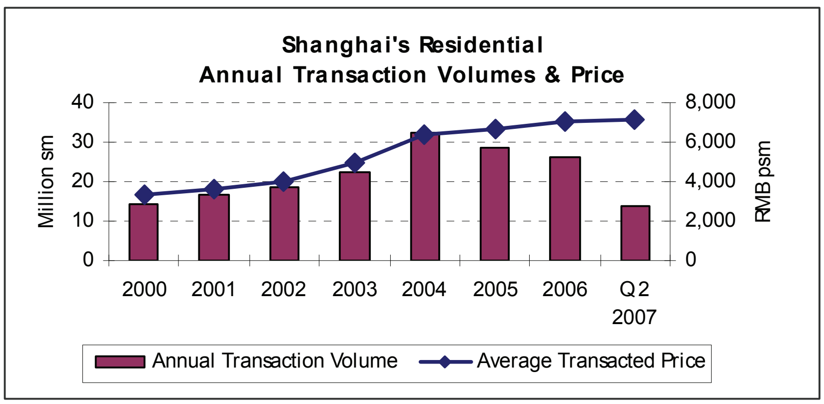
9.3 REAL ESTATE MARKET

SHANGHAI PROPERTY MARKET	2000	2001	2002	2003	2004	2005	2006	Q2 2007	CAGR 00-06
Investment in real estate (RMB billion)	56.6	63.1	74.9	90.1	117.5	124.7	127.6	62.0	14.5%
Total gross floor area sold (million sm)	15.6	18.0	19.7	23.8	34.9	31.6	30.3	15.1	11.7%
GFA of projects under construction (million sm)	55.2	59.9	68.6	82.7	94.8	104.6	109.4	92.2	12.1%
Gross floor area of new completions	16.4	17.9	19.8	24.9	34.4	31.0	32.7	8.6	11.8%

SHANGHAI PROPERTY MARKET	2000	2001	2002	2003	2004	2005	2006	Q2 2007	CAGR 00-06
(million sm)									
Average price of residential commodity properties (RMB psm)	3,326	3,659	4,009	4,986	6,384	6,697	7,039	7,135	13.3%
Average price of commercial properties (RMB psm)	7,030	7,561	6,197	7,652	8,510	8,981	8,856	N.A.	3.9%
Average price of all properties, including residential, commercial, office and other properties (RMB psm)	3,565	3,866	4,134	5,118	6,489	6,842	7,196	7,240	12.4%

Source: Shanghai Municipal Bureau of Statistics & Shanghai Statistical Yearbook, 2006

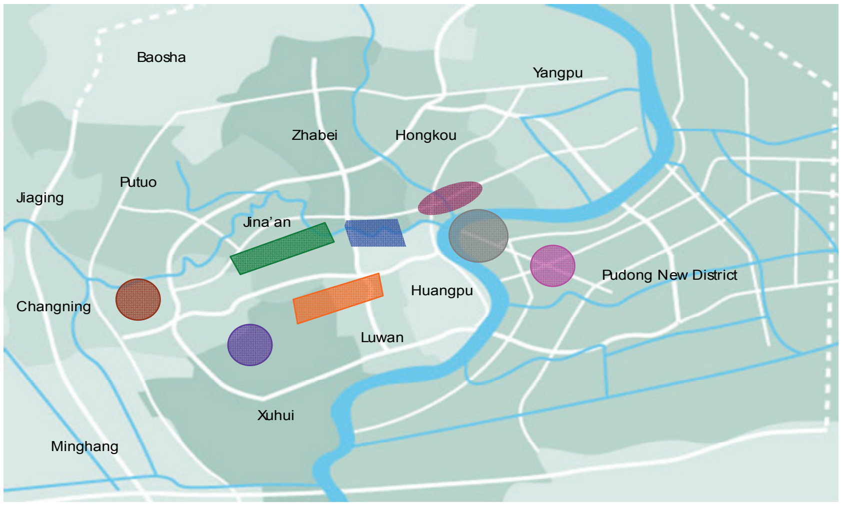
Between 2000 and 2004, investment in real estate in Shanghai grew rapidly at a CAGR of 20% reaching RMB 117.5 in 2004. Increasing activity during this period was largely driven by China's entry into the WTO in 2001 and was impacted only marginally by the SARS outbreak in 2003. In 2005, investment in real estate slowed, as a result of the implementation of macro measures aimed at cooling China's property market, particularly the residential sector. For the two-year period ending in 2006, investment in real estate grew at a modest CAGR of about 4.2%.



Source: Shanghai Municipal Bureau of Statistics & Shanghai Statistical Yearbook, 2007

10.0 SHANGHAI GRADE A OFFICE SECTOR

As of Q2 2007, the total GFA for prime office space (grade A and B) was estimated to be 6.5 million sm, of which grade A office accounts for about 29% of the total supply or about 1.9 million sm. The majority of grade A properties are currently concentrated in the key commercial hubs of Nanjing West Road in Jing'An District, Huaihai Middle Road in Luwan and Xuhui Districts, Lujiazui in Pudong District, Xujiahui in Xuhui District, and People's Square in Huangpu District. All except Lujiazui are located at Puxi. In the future, the existing Grade B office hubs of **Hongqiao** (Changning district) and **Zhuyuan** (Pudong district) are expected to see a limited amount of grade A office space. In addition, the North Bund area within Hongkou district is expected to see a limited amount of grade A supply driven by government plans to develop the area as a secondary commercial hub, inclusive of office, retail, hotel, and some residential space. This area is currently largely undeveloped.



Source: CB Richard Ellis

Nanjing West Road | Lujiazui | People's Square | Hongqiao
Huaihai Middle Road | Xujiahui | North Bund | Zhuyuan

Major Office Hub	District	Total GFA as of Q2 2007 (estim. sm)*	Proportion (%)
Huaihai Middle Road (East)	Luwan	290,253	15.2%
Nanjing West Road	Jing'an	303,398	15.9%
Huangpu/People's Square	Huangpu	331,053	17.3%
Lujiazui	Pudong	629,700	32.9%
Xujiahui / Huaihai Middle Road (West)	Xuhui	358,642	18.7%
-	**Total**	**1,913,046**	**100.0%**

Source: CB Richard Ellis

10.1 KEY CHARACTERISTICS OF MAJOR GRADE A OFFICE AREAS

	LUWAN DISTRICT (HUAIHAI MIDDLE ROAD)	JING'AN DISTRICT (NANJING WEST ROAD)	PUDONG (LUJIAZUI)	HUANGPU (PEOPLE'S SQUARE)
Strengths	• Historical significance as one of the first commercial areas in the downtown area • Mature business environment • Wide array of commercial facilities	• Convenient downtown location in close proximity to mid-upper end residential areas • Wide array of retail and strong reputation among luxury brands • Highest concentration of Grade A office	• Strong demand from banking/financial sector • Presence of landmark buildings • Substantial development of supporting facilities, i.e. hotels, retail in next few years	• Convenient downtown location in close proximity to major government buildings • Good access – Metro Lines 1 & 2 interesction Wide array of commercial facilities
Weaknesses	• Lack of hotel facilities in the area • The area is currently split into two distinctive office clusters with no link between them.	• Long distance between metro stations affected accessibility of some properties within proximity	• Distance between office buildings prevent strong synergy • Insufficient number of metro stations in area. • Insufficient F&B choices	• Insufficient F&B choices • Congested traffic - vehicles and pedestrians • Insufficient number of metro stations within the area.

	XUHUI (HUAIHAI MIDDLE ROAD / XUJIAHUI)	CHANGNING DISTRICT (HONGQIAO)	PUDONG DISTRICT (ZHUYUAN)	HONGKOU (NORTH BUND)
Strengths	• Relatively mature commercial environment in most parts of the area with a wide array of supporting facilities	• Established commercial area with a wide array of supporting facilities/amenities • Near Hongqiao Airport	• Close proximity to the major established office hub of Lujiazui • Popular among financial firms, particularly back-office	• Strong government support to develop the area as a secondary commercial hub
Weaknesses	• Major office properties scattered with lack of a critical mass • More known for its retail facilities with a lack of reputation as a major office hub	• Currently comprises older Grade B stock • Relatively isolated from other major commercial areas • Relatively far (~20 minutes walk to Metro	• Currently no grade A buildings in the area • Relatively isolated from other major commercial areas except Lujiazui • Large area, buildings widely dispersed	• Currently undeveloped area with limited accessibility

Source: CB Richard Ellis

10.2 FUTURE SUPPLY (Q3 2007 – 2009)

Between Q3 2007 to 2009, about 1.6 million sm of grade A office space will be added to the existing 1.9 million sm in Shanghai, reflecting an increase of about 83% and a total future stock figure of 3.5 million sm. The majority (58.0%) of the future supply will be located in Lujiazui with 21.2% in Nanjing West Road.

Future Grade A Office Market in Shanghai

Major Office Area	District	Total GFA as at Q2 2007 (estim. sm)	Additional Supply Q3 2007 – 2009 (sm)	Total GFA as at Dec 2009	(%)Proportion of GFA out of Total GFA as at Dec 09
Huaihai Middle Road	Luwan / Xuhui	290,253	0	290,253	8.3%
Nanjing West Road	Jing'an	303,398	334,886	638,284	18.3%
People's Square	Huangpu	331,053	93,097	424,150	12.1%
Lujiazui	Pudong	629,700	916,100	1,545,800	44.2%
Xujiahui	Xuhui	358,642	0	358,642	10.3%
Others (Hongqiao, North Bund, Zhuyuan)	Changning, Hongkou, Pudong	0	236,656	236,656	6.8%
Total		**1,913,046**	**1,580,739**	**3,493,785**	**100.0%**

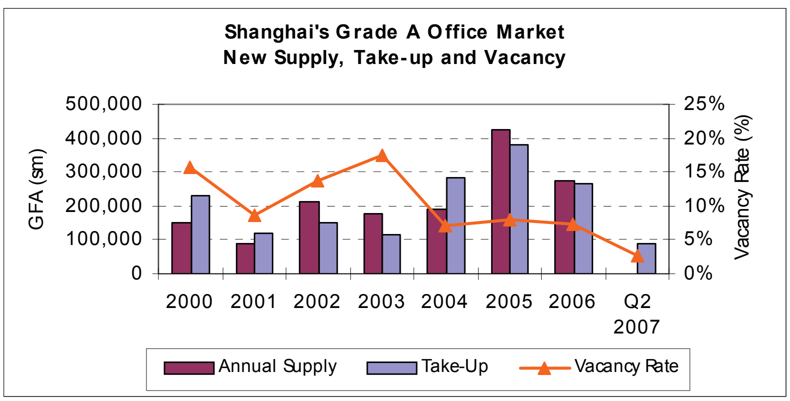
Source: CB Richard Ellis

The focus of development in Lujiazui since the mid 1990s has arisen from the commercial development plan of the Lujiazui Group, the government arm charged with land disposal in the area. This latest round of development to finish in 2010 represents the final stage of that plan. Significant new development and modernisation along Nanjing West Road is expected to complement the current commercial (office or retail,) area in the central part of Jing'an district in coming years, particularly beyond 2009. In the Hongqiao area, which is currently a major grade B office hub characterised by relatively older buildings, a revitalisation of the area is being led by government plans to develop a major transportation hub.

10.3 DEMAND TRENDS

Growing demand for grade A office space has been largely driven by China's WTO accession in 2001. As a result of China becoming a more integral part of the world economy, many foreign companies have viewed Shanghai as a convenient entry point to the China market. Shanghai recorded a total of 43,257 foreign registered companies as of Q1 2007, compared with just 15,930 in 2000 (CAGR of 14.8%). The number of certified MNC headquarters in the city has grew by 24% between 2005 and 2006 to 154. Historically, demand for Grade A office space has been largely driven by companies operating in the financial, professional services, consumer products and technology industries. With rising occupier costs in Grade A properties, however, some have begun to rethink their need for such prime properties. As a result, a number of companies have begun decoupling their non-critical operations to more fringe or suburban locations. This trend has been most prevalent in the financial industry, where back office functions are being relocated, and technology industries where R&D functions are being relocated. At the same time, many large-scale local companies have also been taking up space in Shanghai's grade A office properties to improve their image and better compete with foreign companies entering the market.

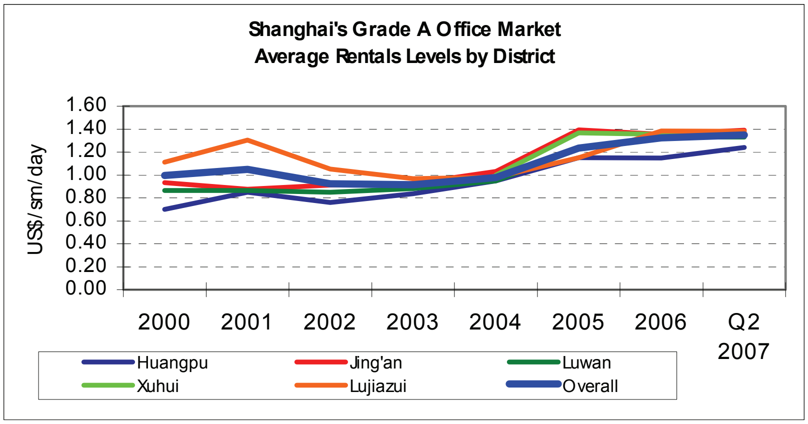
Take up of office space has typically followed the introduction of new supply. The market has recently become very tight recording an average vacancy around 2.6% as of Q2 2007, constrained by the reduced amount of new supply coming onto the market and the extremely limited space available in existing office buildings. The tightest submarket is Lujiazui with a vacancy of 0.2% at Q2 2007. Over the last two years, there has been a strong pre-leasing trend for buildings under development with many quality grade A office properties 60% to 80% committed at the time of their completion, showing strong pent-up demand.



Source: CB Richard Ellis

10.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

Historically, rental levels in Shanghai's office market were quoted in US Dollars per square metre per day in terms of gross floor area (GFA). However, with the appreciation of the RMB many landlords have begun quoting rentals in RMB to reduce their exchange rate risk and this is becoming the market practice.



Source: CB Richard Ellis (asking rentals on a gross basis exclusive of management fees)

Since the SARS period in 2003, the generally declining vacancy levels have led to rental levels increasing at a relatively rapid CAGR of 11.9% between 2003 and Q2 2007. As of Q2 2007, average asking rental levels in Shanghai's grade A office market stood at US$1.35 psm per day. It is noted that rental growth was seen slowing in the first half of 2007 with an increase of only 2.3% relative to the end of 2006. The slower growth rate is largely driven by the expectation of significant future supply in coming years with many landlords offering favourable rents over the last few months to retain their tenant base. As of Q2 2007, grade A office properties along Nanjing West Road and in Lujiazui were commanding the highest average asking rentals, driven by the extremely tight market and the relatively high proportion of Premium grade A properties. By contrast, the lowest average asking rentals in Q2 2007 were witnessed in the Huangpu/People's Square area, largely influenced by the relative proportion of older grade A properties.

Although interest in purchasing grade A office buildings has been high, only a limited number of properties have actually transacted. Foreign institutional investors have been the key participants in the market accounting for most recent transactions in the last 12 months where the sale prices ranged from US$3,200 to US$8,100 psm. With limited transaction evidence, it is difficult to draw a market-wide trend, however it appears that the decline in gross yields is indicative of significant interest among investors and limited grade A properties being offered for sale in the market. With the maturation of the grade A office market, many investors are also taking a longer term view with the expectation of significant capital appreciation.

10.5 OFFICE MARKET OUTLOOK

A significant amount of new grade A office supply is expected to be launched in the Shanghai market through to 2009. Existing strong pent-up demand should continue to fuel strong take-up from MNC's as well as major domestic firms, leading to only a moderate increase in average vacancy levels. Accordingly, average vacancy rates are expected to increase to a forecasted 12% to 15% by the end of 2009. In line with increasing levels of new supply and vacancy rates, rental growth is expected to be somewhat constrained, particularly in the existing grade A properties where landlords are likely to try to keep existing tenants from moving to newer buildings. However, limited rental growth in the existing grade A properties is expected to be partially balanced by higher rental levels amongst newer and higher quality buildings. On average, asking rental levels are forecasted to increase at 3% to 5% p.a. through 2009. Overall, the view for Shanghai's grade A office market remains positive given the expectation of continued strong demand.

11.0 SHANGHAI PRIME RETAIL SECTOR

In Shanghai, there are eight major prime retail areas - Nanjing West Road, Nanjing East Road, the Bund, Huaihai Middle Road, Xujiahui, Hongqiao, Lujiazui, and Zhangyang Road. Together, Lujiazui and Zhangyang Road can also be considered as part of the Pudong submarket while the six other areas are on the Puxi side, or west side of the Huangpu River. As at Q2 2007, the total GFA of prime retail space in Shanghai measured approximately 2.0 million sm.

Prime Retail District	Estim. GFA (sm)	Market Share
Nanjing W. Rd	328,743	16.4%
Nanjing E. Rd	276,710	13.8%
The Bund	37,579	1.9%
Huaihai Middle Rd.	415,414	20.7%
Xu Jia Hui	294,000	14.6%
Hong Qiao	144,000	7.2%
Lujiazui	298,000	14.8%
Zhangyang Rd.	215,236	10.7%
Total	**2,009,682**	**100.0%**

Source: CB Richard Ellis (Q2 2007)

Source: CB Richard Ellis

Nanjing East Road
Nanjing West Road
Huaihai Middle Road
The Bund
Hongqiao
Xujiahui
Zhangyang Road
Lujiazui

Source: CB Richard Ellis

CBRE CB RICHARD ELLIS 世邦魏理仕

11.1 KEY CHARACTERISTICS OF MAJOR PRIME RETAIL AREAS

	NANJING W. ROAD	NANJING E. ROAD	THE BUND	HUAIHAI MIDDLE RD
Strengths	• Wide range of choice international brands and merchandise Many nearby high-end residential communities • Within major office area • Several 4- and 5-star hotels in the vicinity	• Wide range of choice of merchandise and brands • Popular with local tourists and residents • Traditional commercial street	• Unique location with an established history • Strong branding/ identification by both foreigners and local Shanghainese. • High-end retail facilities are consolidating the area's image as "5th Avenue" and capturing high-end retail demand	• Wide range of choice merchandise and brands • Ample food & beverage and entertainment amenities • Close to major business area • Fashionable commercial street
Weaknesses	• Limited shops cater to the average income-earning local residents • Limited consumer traffic in several shopping malls due to focus on luxury goods	• Lack of international branded goods • Some buildings are old • Lack of food and beverage and entertainment facilities • Insufficient car parking space	• Smaller GFA is not suitable for larger tenants • Renovation cost is substantial and many limitations due to historic floor layout . • Area lacks a substantial critical mass and is isolated from other major shopping areas	• Insufficient car parking space • Outdoor street shopping is subject to effects of inclement weather
	XUJIAHUI	**HONGQIAO**	**LUJIAZUI**	**ZHANGYANG RD**
Strengths	• Wide range of choice of merchandise and brands • Relatively large mid-upper end residential catchment in immediate area	• Wide range of choice of merchandise and brands • Popular with local residents and nearby expatriates • Proximity to secondary business district	• Main CBD with a concentration of grade A office buildings • Main shopping destination for people living in Pudong district • Main tourism destination	• Relatively wide range of choice of brands • Popular with local residents and nearby expatriates • Largest retail cluster in Pudong district
	XUJIAHUI	**HONGQIAO**	**LUJIAZUI**	**ZHANGYANG RD**
Weaknesses	• Highly competitive among department stores due to high concentration within a short distance • Lack of focused tenant mix which ranges widely from mid-end to high-end	• Lack of international branded goods • Little future supply of large-scale retail facilities • Inconvenient transportation • Not a major retail destination for residents/workers outside immediate area	• Lack of a critical mass of retail properties • Limited range of international branded goods • Lack of demand and residents traffic Distance from most major residential areas limits the catchment to primarily local residents	• Lack of sufficient amount of international branded goods • Limited catchment • Insufficient car parking space

Source: CB Richard Ellis

11.2 FUTURE SUPPLY (Q3 2007 – 2009)

The total amount of additional future supply in the eight major prime retail precincts between Q3 2007 and 2009 is estimated to total 597,607 sm, an increase of about 29.7% relative to current stock as of Q2 2007. As such, the total future stock as at 2009 is estimated at 2.6 million sm. The largest proportions of new supply are expected to be concentrated along Nanjing East Road (29.3%), Lujiazui (25.9%), and along Nanjing West Road and The Bund (both at 14.6%). The great majority of new retail supply is expected to be in shopping centre format which is the preferred evolving consumer preferences. It is noted that major department stores are likely to be anchor tenants in some of these properties, particularly those targeting the mid- to mid-upper end of the market. Retail as part of large scale mixed-use developments are also forecast to take a large proportion of future supply, and projects include a number of landmark developments. The focus of new prime retail development is expected be in the Puxi where a number of prominent foreign investors and developers have shown interest.

Future Prime Retail Market Shanghai Q3 2007 - 2009

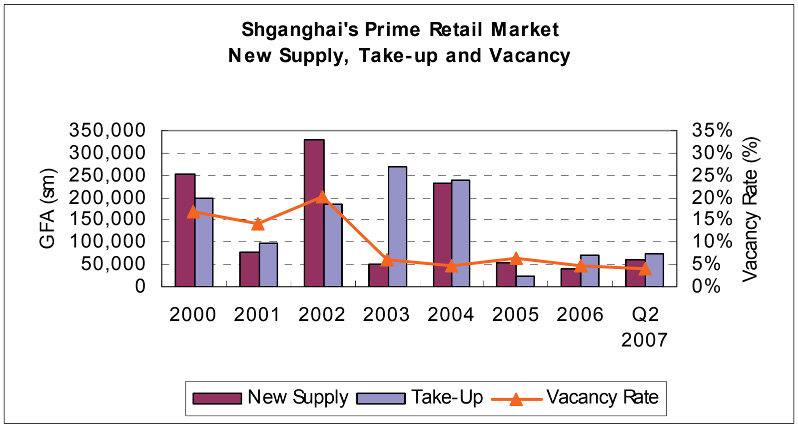
Major Retail District	District	Total GFA at Q2 2007 (estim. sm)*	Additional Supply Q3 2007 – 2009 (estim. sm)*	Total GFA at 2009 (estim. sm)*	Proportion (%)
Nanjing W. Rd	Jing'an	328,743	87,000	415,743	15.95%
Nanjing E. Rd	Huangpu	276,710	175,127	451,837	17.33%
The Bund	Huangpu	37,579	87,480	125,059	4.80%
Huaihai Middle Rd.	Luwan	415,414	60,000	475,414	18.23%
Xu Jia Hui	Xuhui	294,000	0	294,000	11.28%
Hong Qiao	Changning	144,000	0	144,000	5.52%
Lujiazui	Pudong	298,000	155,000	453,000	17.37%
Zhangyang Rd.	Pudong	215,236	33,000	248,236	9.52%
Total		**2,009,682**	**597,607**	**2,607,289**	**100.00%**

Source: CB Richard Ellis (as at Q2 2007)

11.3 DEMAND TRENDS

Demand for retail space is likely to continue to grow as Shanghai's economy develops and diversifies further. The full opening of China's retail market in accordance with its WTO commitments at the end of 2004 was a major milestone for the retail sector in China, and many international retailers took this opportunity to capitalise on the liberalisation of the large consumer market. This was particularly evident in Shanghai, which is traditionally favoured as a market entry point to China. The influence of increasingly wealthy locals and the expatriate population is expected to further support a more vibrant retail scene with increasing demand for imported goods and services.

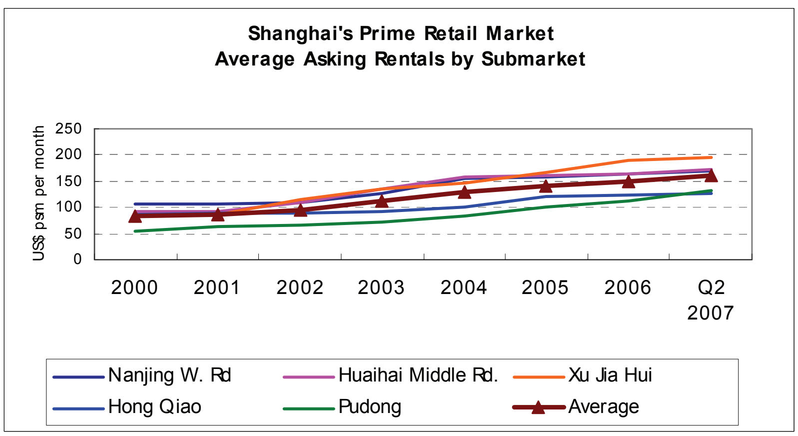
Given the importance of launching a retail property with a positive market image, most retail developers have employed aggressive pre-leasing tactics six months or more before opening. Occupancy levels of about 70% or more can be achieved for the more popular properties at the time of opening, with stabilised occupancy generally reached within one year of launch for such popular properties. Vacancy rates of Shanghai's prime retail market have been declining since 2002, with strong take up recorded in 2003 despite the SARS impact. New supply has been well received and absorbed since 2004 with vacancy rates hovering just below 5%, before reaching 4.0% in Q2 2007. With limited availability of vacant prime retail space and limited new supply during this period, evidence of pent-up demand was shown in take-up levels 71.5% higher than new supply in 2006.



Source: CB Richard Ellis

11.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

Rental levels discussed in this section refer to ground floor average transacted rentals based on a net floor area, exclusive of management fees, and focus on those areas positioned at the mid-upper to upper end of the market. Individual rental levels vary considerably depending on factors such as location, size, position and visibility. Between 2001 and 2006, prime retail rentals in Shanghai grew at a CAGR of about 11.4% reaching US$149.60 psm per month as of the end of 2006. In the first half of 2007, average rental levels further increased to US$159.90 psm per month, up 6.9% from 2006. This trend suggests a renewed acceleration in rental growth driven by



increasingly limited prime retail space and strong competition among retailers.

Source: CB Richard Ellis (estimates as at Q2 2007)

Nanjing West Road and Huaihai Middle Road submarkets have witnessed above market rental growth largely the result of their desirable locations by retailers and limited availability of prime retail space, reinforcing their popularity among the city's consumers. Foreign retailers in particular have been seen increasing their presence in these two submarkets with many choosing to set up their China flagship stores there. In the Xujiahui area, above average rentals of RMB 196.0 psm per month as of Q2 2007 have been largely attributed to the extremely high concentration of retail property with excellent direct metro access attracting high footfall to properties.

Unlike in less mature retail markets across China, prime retail properties in Shanghai are typically held en-bloc by developers in order to control the retailer mix and quality of the tenants, and as such there are very few strata-title sales. En-bloc transactions in Shanghai's prime retail market area also limited, therefore there is very little basis for yield levels. Transactions in the last twelve months have seen sale prices range from RMB 55,000 to RMB 60,000 psm with an estimated yield of around 6% to 8%.

11.5 PRIME RETAIL MARKET OUTLOOK

Going forward, demand in the retail sector is expected to continue to grow as Shanghai's economy further develops and diversifies. The entry of additional international retailers into the market in addition to the expansion of those already present is expected to further fuel competitive pressures in the search for prime retail space in the city. Although new supply is expected to slightly outweigh take-up levels through 2009, vacancy levels are only expected to increase marginally from their current levels of about 4% as of Q2 2007 to a forecasted 5.8% as of the end of 2009. Much of the focus is expected to be among fashion and major foreign F&B chains, particularly restaurants and coffee shops, which are expanding aggressively, and are expected to covet space in the best locations along Nanjing West Road, Nanjing East Road, and Huaihai Middle Road. Given the relatively large amount of new supply expected between Q3 2007 and 2009, rental growth is likely to be constrained as developers place more emphasis on occupancy than rent to ensure a positive market image at launch date. Accordingly during this period, a moderate average rental growth of about 5% per annum is expected for the overall prime retail market.

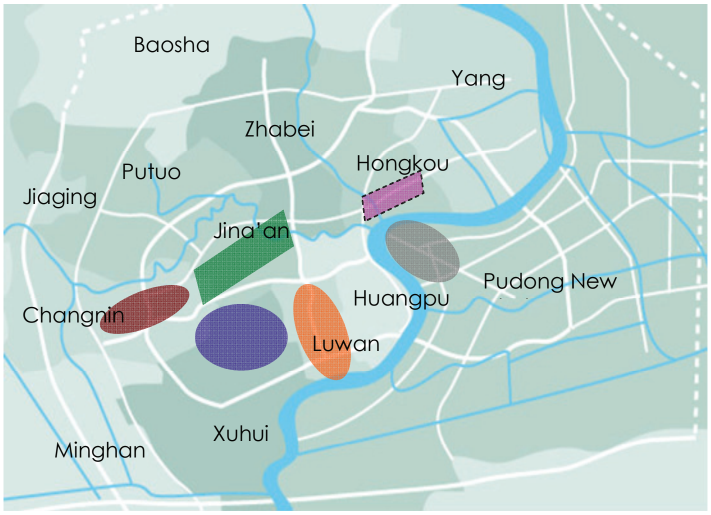
12.0 SHANGHAI HIGH END RESIDENTIAL APARTMENT

There are currently six established residential districts in central Shanghai: Changning, Xuhui, Jingan, Luwan, Huangpu and Pudong Lujiazui. The majority (77.3%) of such residential developments are located on the Puxi side of the Huangpu River, with the remaining 22.7% in Pudong. Much of the development of high-end housing in recent years has been in areas in close proximity to major commercial hubs, i.e. Lujiazui, Nanjing West Road, Huai Hai Middle Road, with high prices in these areas supported by their strong mix of modern shopping facilities, office buildings and a variety of dining and entertainment options. In addition, growing levels of high-end residential development along the Huangpu riverfront have been witnessed in recent years in such areas as Pudong and more recently in the North Bund. In such areas, high prices are supported by scenic riverfront views and the growing scarcity of such land going forward.

Major High-End Residential District	Total GFA (estim. Sm)	Proportion (%)	Unsold Rate	Average Sale Price (RMB/psm)**
Huangpu	1,083,733	12.3%	9.1%	22,929
Changning	2,097,693	23.7%	10.0%	22,258
Jingan	1,307,543	14.8%	6.2%	29,903
Luwan	1,143,525	12.9%	0.2%	37,827
Pudong	2,009,101	22.7%	31.2%	26,054
Xuhui	1,199,462	13.6%	10.5%	23,408
Total	**8,841,057**	**100.0%**		**26,719**

Source: CB Richard Ellis (estimates as at Q2 2007)*Estimates only

** Average Cumulative Sales Price from January to June 2007



Jing'an Luwan Pudong
Changning Xuhui North Bund (Emerging)

Source: CB Richard Ellis

12.1 KEY CHARACTERISTICS OF MAJOR HIGH-END RESIDENTIAL AREAS

	HUANGPU	CHANGNING	JINGAN
Strengths	• Close to well-known tourism destinations – the Bund and Chenghuang Temple • Close to East Nanjing Road and major business district of People's Square • Developments are new	• Close to business area of Changning District – Hongqiao area • Adjacent to Hongqiao International Airport • Traditional villa area • Relatively good accessibility - Yanan West Highway	• Close to top commercial precinct of Shanghai – West Nanjing Road precinct • Good accessibility
Weaknesses	• Largely comprised of older, local housing yet to be redeveloped • Limited accessibility - narrow roadways and limited metro access to most of the district	• Distance from major city-centre commercial areas • Limited accessibility via metro • No public transport network inside the residential area	• Lack of natural scenery • Overbuilt with high density population

	LUWAN	PUDONG	XUHUI	NORTH BUND
Strengths	• Close to major commercial precinct of Shanghai's Huaihai Road • Proximity to Xintiandi, well-known mid to high end retail and entertainment precinct	• Close to upcoming commercial precinct of Shanghai Lujiazui • Adjacent to Pudong International Airport • Large open space s	• Close to Xujiahui commercial precinct	• Close to Huangpu River, has panoramic views of Lujiazui and the Bund • Expected to develop into a major secondary commercial and tourist area
Weaknesses	• High prices limit target market	• Lack of adequate facilities, such as F&B outlets and entertainment venues	• Heavy traffic even during off-peak hours	• Existing supporting facilities are currently limited and are not in alignment with high end residential development

12.2 FUTURE SUPPLY (2007 – 2009)

Future High-end Residential Apartment Market in Beijing 2007 - 2009					
Major High-end Residential Apartment District	**District**	**Total GFA at Q2 2007 (estim. sm)**	**Additional Supply Q3 2007 – 2009 (estim. sm)**	**Total GFA at Dec 09 (estim. sm)**	**Proportion (%)**
CBD	Chaoyang District	2,783,970	1,004,986	3,788,956	31.0%
Chaoyang Park-Qingnian Road	Chaoyang District	1,136,000	1,069,561	2,205,561	18.0%
North-East 3rd Ring Road	Chaoyang District	1,339,816	228,375	1,568,191	12.8%
East 2nd Ring Road	Chaoyang District/ Dongcheng District	1,013,912	168,000	1,181,912	9.7%
Zhongguancun-Gongzhufen	Haidian District	577,221	191,489	768,710	6.3%
Asian Games Village	Chaoyang District	417,453	166,745	584,199	4.8%
Liangguang Road	Chongwen District/ Xuanwu District	568,597	238,454	807,051	6.6%
Wangjing-Jiuxianqiao	Chaoyang District	587,710	0	587,710	4.8%
West 2nd Ring Road	Xicheng District/ Haidian District	498,602	248,000	746,602	6.1%
Total		**8,923,280**	**3,315,610**	**12,238,891**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

The total future supply of luxury properties anticipated to be launched to the market between Q3 2007 and 2009 is estimated at 1,136,838 sm, representing an overall 12.9% increase from the existing stock as of Q2 2007. A portion of new supply entering the market is already involved in pre-sales with some units already sold. Growth of new high end supply is expected to continue beyond 2009 although growth rates are expected to begin to slow as the market matures, land supply for future development in central city areas diminishes, and the government curtails future development of high end residential property in line with the latest housing measures announced in May 2006. This trend is reflected in the weaker growth in supply in the Puxi districts where developable land is limited compared to Pudong district over the next two years.

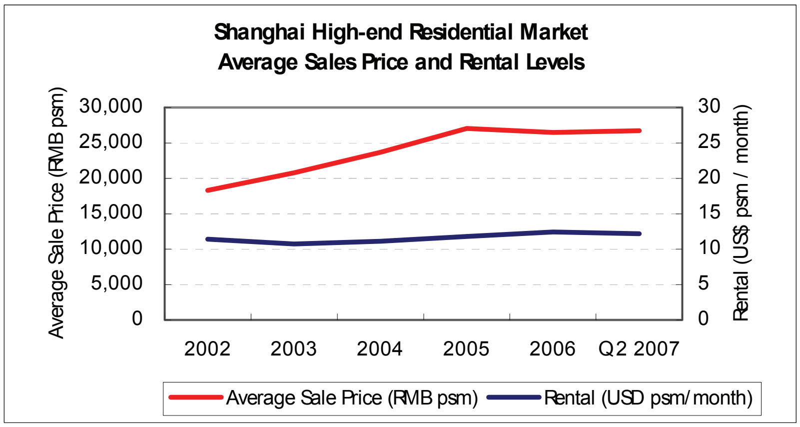
12.3 DEMAND TRENDS

Sales demand for residential properties is being driven by many of the emerging class of wealthy and high income locals for both self occupation and investment alike. Investment in real estate was seen in increasing proportions following the bear market in China's equity markets which served to funnel investment capital to the real estate market. This trend has recently slowed, however, in the aftermath of government housing regulations aimed at curtailing speculative investment since 2005 together with a re-emergence in interest in stock market speculation and investments. An increasing number of overseas Asian buyers from Hong Kong, Singapore, and Taiwan have played a role in high end residential demand in Shanghai. Such investors are increasingly viewing Shanghai as a key regional city with potential to be on par with Hong Kong and Singapore, with considerable room for price appreciation given the lower residential prices relative to those markets.

Leasing demand for Shanghai's high end residential market has been largely driven by the relatively large number of expatriates living and working in the city. While a wide array of serviced apartments are available in Shanghai, those expatriates planning to remain in the city for more than 1-2 years typically consider renting a high end residential. Leasing demand for high end city centre apartment units is typically driven by those without families, the latter preferring villas in more suburban locations throughout the city.

12.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

As of Q2 2007, average transacted sales prices were RMB 26,720 psm for high end residential apartments, ranging between RMB 22,258 psm in Changning district to RMB 37,827 psm in Luwan district. Over the last two years average prices have flattened out as a result of macro measures introduced by the central government. While the overall market has been relatively flat since 2005, transacted prices in districts such as Jingan and Luwan have grown and remained consistent respectively due to the introduction of high priced projects and higher transaction volumes as a result of location and success of surrounding developments and master planning.



Source: CB Richard Ellis (estimates as at Q2 2007)

Average rental levels in Shanghai's high end residential market have remained relatively stable in recent years increasing from a level of US$11.42 psm per month in 2002 to US$12.18 psm per month as of Q2 2007. Upward rental growth has been somewhat constrained by typical expatriate budgets which have remained stable, as well as the quantum of high end residential units available for lease and competition from serviced apartments. Given current average sale prices of RMB 26,720 psm and average rental levels of US$12.18 psm per month, implied gross yield levels were about 4.2% as of Q2 2007.

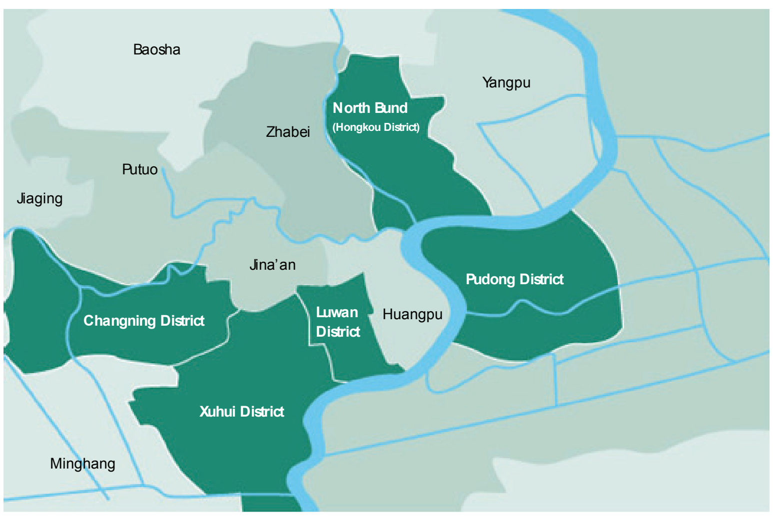
12.5 HIGH-END RESIDENTIAL APARTMENT MARKET OUTLOOK

Demand for the upper end of the residential property market is expected to continue to be generated from the growing upper and wealthy classes in Shanghai. In addition, wealthy foreign buyers are expected to contribute to the rising demand for high end residential properties in the city as the image of the city becomes increasingly closer to more developed cities such as Hong Kong and Singapore. In light of the expected continued strong demand, the majority of high end projects are forecasted to be largely absorbed within 6-12 months of their launch dates. Accordingly, unsold rates are expected to remain relatively low at about 10%-15% over the next several years and with the expectation for limited high end supply over the long term, sales prices are expected to resume an upward trend in the coming years. Demand for high end leased properties is expected to continue to be driven by the influx of expatriates as the economic outlook remains strong for Shanghai and is continued to be supported by favourable policies to attract foreign investment. Stable expatriate housing budgets are expected to continue to constrain rental price growth going forward. On average, rental growth of between 0% to 3% per annum is expected through 2009 with further yield compression to 4.2%.

13.0 SHANGHAI 5 STAR HOTEL SECTOR

The 5-star hotel market in Shanghai has rapidly developed over the past 20 years to support the city's emergence as a major regional commercial centre and the financial capital of China. In contrast with Beijing, Shanghai does not have a large number of tourist attractions to support a large leisure demand segment; as a result, Shanghai's high-end hotel market has been mainly by both foreign and domestic business travellers.

As at Q2 2007, there were twenty one 5-star internationally branded hotels in Shanghai, providing a total of 9,328 hotel rooms. Shanghai's 5 star hotels are largely concentrated in the downtown districts of Puxi (15 hotels), with five (5) in the Pudong area and one (1) in a suburban area to the west of the downtown area. The main hotel areas include Huangpu District (Peoples' Square and The Bund), Jing'an District, Luwan District, Changning District, Xuhui District, North Bund (Hongkou District), Pudong and Songjiang District.



Source: CB Richard Ellis

Shanghai 5 Star Hotel Market		
Major Hotel District	**Total Rooms Q2 2007**	**% Proportion (2009)**
Pudong District	2,347	18.1%
Huangpu District	2,239	17.9%
Jing'an District	1,790	24.7%
Luwan District	500	8.6%
Changning District	1,004	10.8%
Xuhui District	490	7.1%
Songjiang District	327	5.6%
Hongkou	631	7.2%
Total	**9,328**	**100.0%**

Source: CB Richard Ellis

13.1 KEY CHARACTERISTICS OF MAJOR 5-STAR HOTEL AREAS

	PUDONG DISTRICT	HUANGPU DISTRICT	JING'AN DISTRICT	LUWAN DISTRICT
Strengths	• High proportion of grade A offices • Closest location to several state-level industrial/hi-tech parks • Riverfront location provides scenic views • Oriental Pearl Tower, a major tourist attraction • Closest to Pudong Int'l Airport	• Location of numerous commercial facilities and government offices • Location of People's Square and the Bund, well known commercial and tourist areas respectively • Some hotels have views of the Pudong skyline	• Relatively high proportion of grade A office buildings • Highly accessible city-centre location	• Relatively high proportion of grade A office buildings • Location of Xintiandi, a major tourist attraction, comprising F&B and boutique, tourist-oriented retail
Weaknesses	• Lack of supporting retail /F&B facilities • Separated from majority of commercial areas of the city in Puxi	• Traffic congestion impacts accessibility • High proportion of relatively old commercial properties	• Existing hotel stock is aging, all being built around 1990	• Current hotel stock limited to one property which is relatively old
	CHANGNING DISTRICT	**XUHUI DISTRICT**	**SONGJIANG DISTRICT**	**HONGKOU DISTRICT**
Strengths	• Location of numerous commercial facilities • Close proximity to Hongqiao Airport • Closest location to several industrial/hi-tech parks in city west	• Growing commercial area • Comprises Hengshan Road, a popular F&B / bar street	• Popular tourist/leisure area • Location of Sheshan Golf Club	• Strong government planning to develop as a commercial and tourist area • Location along Huangpu River provides scenic views
Weaknesses	• Isolated to the west of the city centre • Most office properties are relatively old and fall short of grade A standards	• Lack of a critical mass of high-quality office buildings	• Relative distance from the city centre • Lack of significant supporting facilities in the vicinity	• Currently undeveloped with limited accessibility

Source: CB Richard Ellis

13.2 FUTURE SUPPLY (Q3 2007 – 2009)

The total amount of additional future high-end hotel supply between Q3 2007 and 2009 is estimated at 4,581 rooms, an increase of 49.1% relative to current stock to an estimated 13,909 rooms in 2009. The largest proportion of new supply is expected to be concentrated in the Jing'an district (35.8%), Luwan district (15.3%), and Xuhui district (10.9%), respectively. Future high-end hotel development in these core districts is being largely driven by increasing demand from business travellers, although the World Expo event which will be held in 2010 is anticipated to also create significant temporary demand. Future development in the non-core districts of Changning (10.8%), Songjiang (9.8%), and Hongkou (8.1%) is also expected as the high-end hotel market expands outwards from the traditional core districts. Although only one high end hotel is forecast in Pudong by 2009 (Park Hyatt), significant new supply is expected to come online in 2010. The great majority of future high-end hotel properties will be developed by overseas developers, particularly from Hong Kong, which is expected to improve overall construction quality.

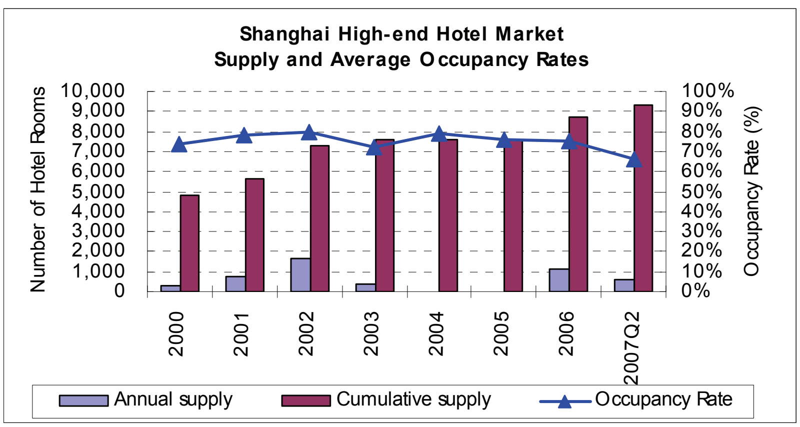
Future High-end Hotel Market in Shanghai 2007 - 2009

Major Hotel District	Total Rooms Q2 2007	Additional Supply Q3 2007 – 2009 (Rooms) *	Total Rooms at Dec 2009 (estim)*	% Proportion (2009)
Pudong District	2,347	175	2,522	18.1%
Huangpu District	2,239	250	2,489	17.9%
Jing'an District	1,790	1,638	3,428	24.7%
Luwan District	500	700	1,200	8.6%
Changning District	1,004	496	1,500	10.8%
Xuhui District	490	500	990	7.1%
Songjiang District	327	450	777	5.6%
Hongkou	631	372	1,003	7.2%
Total	**9,328**	**4,581**	**13,909**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

13.3 DEMAND TRENDS

With the emergence of Shanghai as a major commercial city, the number of foreign and domestic visitors to the city has been increasing in recent years. The total number of visitors grew with a CAGR of 3.0% between 2000 and 2006, despite a decline during the SARS outbreak in 2003. While the total number of visitors has grown at a relatively moderate CAGR of 3.0%, the foreign visitor segment has grown at a much quicker pace. Between 2000 and 2006, the number of foreign visitors recorded a CAGR of 22.3%, and this high growth has contributed greatly to the increasing demand for high-end hotels in the city, as foreign travellers have a tendency to prefer international high-end hotels, over locally operated ones.



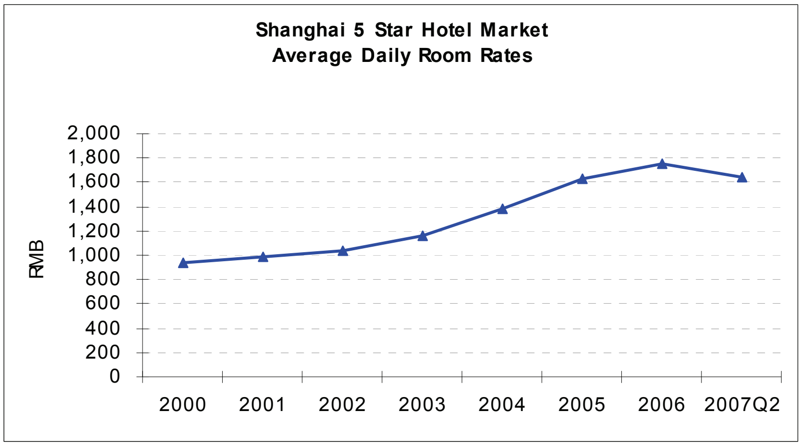
Source: CB Richard Ellis (estimates as at Q2 2007)

Business related guests represent the majority of total guests in Shanghai's high-end hotel sector. Given this demand profile, it can be assumed that Shanghai's high-end hotels are less susceptible to seasonal variance seen in many tourist cities. Unlike hotels in the downtown area, demand in the Songjiang district is primarily driven by both the tourist and conference sectors.

13.4 ROOM RATES, SALE PRICES & INVESTMENT YIELDS

Average daily room rates (ADR) for Shanghai's 5 star hotel market have increased significantly from 2001 to 2006 and have recorded a CAGR of 8.9% reaching a high of RMB 1,752 in 2006. From 2006 to Q2 2007, the average ADR decreased by about 6.6% to RMB 1,637, with the decline being the result of increased competitive pressures in the high-end market as well as lower ADR's for several new hotels skewing the average (which were either a lower standard or located in suburban locations).

With regards to the sales market there is very limited evidence of sales transactions of hotels, even by institutional investors, and only one en-bloc sales is known to have been transacted back in 2003. As a result there is limited information on investment yields, but it is estimated that yields would be in the range of 7% to 9%.



Source: CB Richard Ellis

13.5 5 STAR HOTEL MARKET OUTLOOK

Going forward, the outlook for the 5 star hotel market in Shanghai remains positive despite the relatively large number of additional hotels forecast for the city. Strong demand is expected to continue to be largely driven by the business segment in line with expected economic growth in the city. This trend is likely to continue fuelling further demand for high-end hotels in the city.

Tourist demand is also expected to increase as Shanghai hosts an increasing number of world-class events including the Tennis Masters Cup, the HSBC Champions Tournament (golf), and the Formula One race. Moreover, tourist-related demand in China overall is expected to grow over the next several years as a result of spill-over tourism from the Beijing Olympics Games in 2008 and in the lead up to the World Expo in 2010 in Shanghai.

Despite increasing demand, the significant amount of new high-end hotel supply is anticipated to constrain upward growth in both occupancy rates and ADR's in the short to medium term, particularly up to the end of 2009. Occupancy levels are forecasted to remain relatively stable at between 65% and 70%. ADR's are forecasted to increase by 3% to 5% per annum with new supply levels being balanced by an increasing number of very high-quality hotels including the Peninsula, Conrad, and Jumeirah which are expected to influence the averages as they will be priced significantly above man of the existing hotels in the high end market.

14.0 GUANGZHOU

14.1 ECONOMIC INDICATORS

Guangzhou	2000	2001	2002	2003	2004	2005	2006	CAGR 01-06
Registered Population (million)	6.9	7.1	7.2	7.2	7.3	7.5	7.6	1.4%
Population Growth	--	1.7%	1.6%	0.8%	1.7%	1.6%	1.4%	--
Nominal GDP (RMB billion)	237.6	268.6	300.1	375.9	445.1	515.4	607.4	16.9%

Guangzhou	2000	2001	2002	2003	2004	2005	2006	CAGR 01-06
Nominal GDP – Average Annual Growth	15.5%	13.0%	11.8%	25.2%	18.4%	15.8%	17.8%	--
GDP per capita*	33,908	37,690	41,651	51,829	60,333	68,675	79,843	15.3%
Total Investment in Fixed Assets (RMB billion)	92.4	97.8	100.9	117.5	134.9	151.9	169.6	1037%
Foreign Direct Investment Contracted (US$ billion)	1.5	2.0	3.0	3.5	3.2	3.4	4.4	19.2%
Retail Sales of Consumer Goods (RMB billion)	112.1	124.8	137.1	149.4	167.8	189.9	218.3	11.7%
Annual Disposable Income per capita (RMB)	13,967	14,694	13,380	15,003	16,884	18,287	19,851	6.0%
Annual Consumer Expenditure per capita (RMB)	11,349	11,467	10,672	11,571	13,121	14,468	15,445	5.3%
Retail Price Indices (Preceding Year = 100)	99.4	97.4	97.4	99.1	102.1	101.6	101.2	--
Unemployment Rate (%)	3.2	3.8	3.6	2.7	2.4	2.1	2.1	--
Engel Index	42.6	40.0	41.0	38.9	38.3	37.3	37.0	--

Source: Census and Statistics Bureau (2002-2007) * based on registered population

Guangzhou is the capital city of Guangdong Province located in southern China and is a thriving metropolis with a registered population of 7.6 million at the end of 2006.

- From 2000 to 2006, Guangzhou's GDP increased rapidly at a CAGR of 17.7%. In 2006, Guangzhou's GDP was RMB 607.4 billion, reflecting a y-o-y growth of 17.8% over 2005. GDP per capita was RMB 80,194 in 2006, 402% higher than the China averageand the manufacturing industry which remains one of the key drivers of economic growth contributed approximately 40% of GDP.
- Fixed asset investment in Guangzhou grown steadily over the period 2000 to 2006 with a CAGR of 10.8%, and has become one of the major factors behind the city's strong economic growth. In 2006, the total fixed asset investment in Guangzhou reached a record high of RMB 169.6 billion, representing a y-o-y growth of over 2005 of 11.7%.
- As Guangzhou is located in the Pearl River Delta close to Hong Kong and Macau, the city has had strong influx of foreign investment, which is reflected by the utilised foreign direct investment figures which amounted to US$ 29.2 billion in 2006, representing a y-o-y growth of 10.3% over 2005.
- In line with the strong economic growth, disposable income increased between 2000 and 2006 with a CAGR of 6.3%. In 2006, the average disposable income of residents in Guangzhou was RMB 19,851 per annum, representing a y-o-y increase of 8.6% over 2005.

14.2 INFRASTRUCTURE DEVELOPMENTS & URBAN PLANNING

The Guangzhou Municipal Government aims to develop the city into a cosmopolitan international city, and formulated the city's urban plan in 2000, which indicates that the eastern and southern parts of the city will be the focus for development. The main principle is for "development in the south, optimization in the north, expansion in the east and linkage in the west".

To support the rapid urbanisation and the demands of increasing population, the Municipal Government has focused on infrastructure developments, including:

- The improvement of the regional road system in central Guangzhou, with a series of radial and ring roads linking surrounding cities.
- The construction of a second ring road to improve connectivity
- The Guangzhou-Zhuhai Light Rail project and Guangzhou-Zhuhai Railway, scheduled for completion in 2009
- Construction of nine metro links before 2010 with the aim to reduce travel time between downtown and peripheral towns with a population over 500,000 (except the Nansha area) to half an hour, and the inter-city transportation network to neighbouring cities.

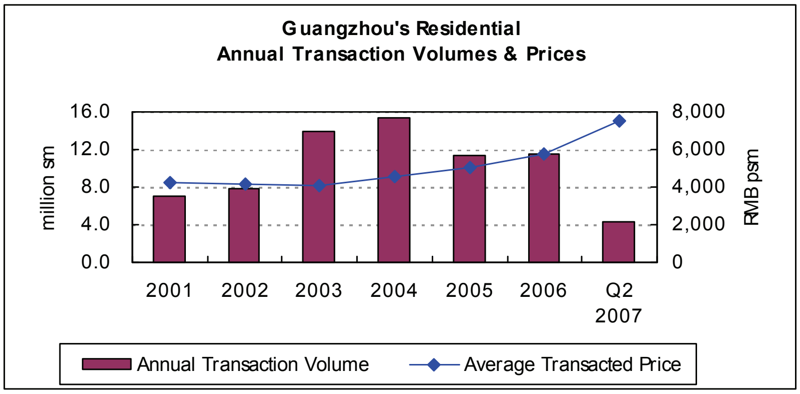
14.3 REAL ESTATE MARKET

GUANGZHOU PROPERTY MARKET	2000	2001	2002	2003	2004	2005	2006	Q2 2007	CAGR 01-06
Investment in real estate (RMB billion)	35.6	38.7	42.6	41.9	47.7	50.8	55.7	26.7	7.8%
Total gross floor area sold (million sm)	5.6	5.5	7.3	15.0	16.4	12.7	13.2	5.3	15.4%
Gross floor area of projects under construction (million sm)	38.1	43.1	45.1	43.5	48.2	48.5	48.5	41.2	4.1%
Gross floor area of new completions (million sm)	8.6	8.5	10.8	11.4	10.0	10.6	9.9	3.0	2.3%
Average price of residential commodity properties (RMB psm)	n/a	n/a	n/a	4,087	4,549	5,041	6,149	7,896	14.6%
Average price of commercial properties (RMB psm)	n/a	n/a	n/a	8,695	9,569	9,808	10,201	10,923	5.5%
Average price of all properties, including residential, commercial, office and other properties (RMB psm)	4,296	4,292	4,200	4,332	4,811	5,366	6,545	7,550	7.3%

Source: Bureau of Statistics Guangzhou

Investment into real estate in Guangzhou increased at a CAGR of 7.8% from 2000 to 2006 supported by strong economic growth and a rapidly rising trend in home ownership. In 2006, investment in real estate amounted to RMB 55.7 billion, accounting for over 30% of the total fixed assets investment. The growth in demand of real estate in Guangzhou is evidenced by the CAGR of transacted area of commodity properties, which amounted to an average of 15.4% per annum in the period of 2000 to 2006.

Despite series of macro control measures announced by the central government aiming to cool the very active investment market (especially the residential sector), residential sales prices in Guangzhou maintained an upward trend with an average growth of 8.5% per annum in the period of 2003 to 2006. The increase is mainly the result of imbalance of supply and demand, and the trend for upgrading residential accommodation. In line with the vibrant economy and real estate market in Guangzhou, foreign developers continued to enter the market.



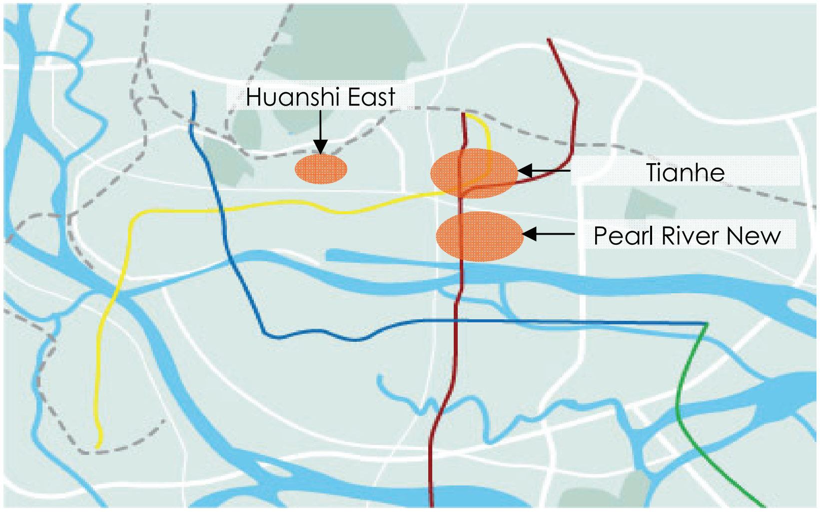
Source: Bureau of Statistics Guangzhou; Note: As a result of change in calculation method, figures for 2000 are not comparable to those of 2001 onwards

15.0 GUANGZHOU GRADE A OFFICE SECTOR

At the end of Q2 2007, the total stock of grade A office in Guangzhou was 1.38 million sm. Most of the grade A office stock in Guangzhou is concentrated in Tianhe Business District, the Pearl River New City and Huanshi East Road. The largest cluster of grade A office is in the Tianhe Business District, accounting for 44% of the existing grade A stock, followed by the Pearl River New City (25%) and Huanshi East Road (8%). In addition to these three major prime business districts, there are a number of grade A offices located in more peripheral and secondary areas, such as Dongfeng Road, Zhongshan 5th Road, Zhongshan 2nd Road, Pazhou, which are included in the analysis under "other" areas.

Major Grade A Office District	District	Total GFA (estim. sm)*	Proportion (%)
Huanshi East Road	Yuexiu	106,013	7.7%
Tianhe Business District	Tianhe	608,873	44.2%
Pearl River New City	Tianhe	344,510	25.0%
Other	Yuexiu/Liwan/Haizhu	316,954	23.0%
Total	**-**	**1,376,350**	**100.0%***

Source: CB Richard Ellis (estimates as at Q2 2007); * Rounding



Source: CB Richard Ellis

15.1 KEY CHARACTERISTICS OF MAJOR GRADE A OFFICE AREAS

	HUANSHI EAST ROAD	TIANHE BUSINESS DISTRICT	PEARL RIVER NEW CITY
Strengths	• Located in city central with convenient access. • Mature business environment • Supported by high concentration of 5-Star hotels	• High accessibility through different public transportation networks • Convenient access to the train station to Hong Kong • Mature business environment • High concentration of MNCs	• Development is based on comprehensive urban planning with strong support by municipal government • High concentration of iconic landmarks of mixed-use developments (construction)
Weaknesses	• Lack of sufficient development land for expansion • Located in traditional area and combined with local residential districts	• Serious traffic congestion during peak hours	• Most of the grade A office projects are still under construction • Lack of sufficient business supporting facilities

Source: CB Richard Ellis (estimates as at Q2 2007)

15.2 FUTURE SUPPLY (Q3 2007 – 2009)

Forecast new supply for Guangzhou's grade A office market from Q3 2007 to 2009 is anticipated to be approximately 1.84 million sm, more than doubling existing stock to reach a the total future stock figure of 3.2 million sm by year end 2009. The high concentration of new supply in Tianhe District is largely influenced by the government's focus on further strengthening Tianhe as the official CBD and the leading office and retail hub in Guangzhou. The government is also expanding the existing CBD southward to the Pearl River New City (within the Tianhe District), which is planned to eventually have a higher concentration of grade A office buildings than the existing CBD, with 996,950 sm of grade A space coming on-stream between 2007 and 2009, accounting for 41.7% of the total new supply in that period. In terms of timing, the new supply of grade A office in Guangzhou is forecast to concentrate in 2007 and 2009. Based on the recent historical take-up trends in Guangzhou, the growth of new supply is expected to exceed the increasing levels of demand for grade A office space thus both occupancy and rentals are expected to experience downward pressure as the new buildings are completed. The majority of the new buildings are expected to be leased.

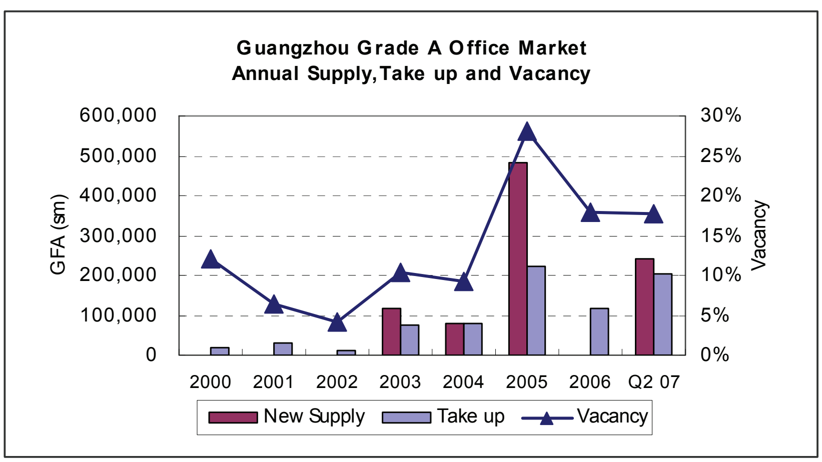
Future Grade A Office Market in Guangzhou					
Major Office District	**District**	**Total GFA as at Q2 2007 (estim.sm)**	**Additional Supply Q3 07 – 2009 (estim. sm)**	**Total GFA as at Dec 09**	**(%)Proportion of GFA out of Total GFA at Dec 09**
Huanshi East Road	Yuexiu	106,013	0	106,013	3.3%
Tianhe Business District	Tianhe	608,873	722,352	1,331,225	41.4%
Pearl River New City	Tianhe	344,510	996,950	1,341,460	41.7%
Other	Yuexiu/Liwan/ Haizhu	316,954	118,888	435,842	13.6%
Total	**-**	**1,376,350**	**1,838,190**	**3,214,540**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

15.3 DEMAND TRENDS

With Guangzhou's economy growing steadily at an average of 12% per annum since 2000, both the size and the number of domestic and foreign firms have been increasing rapidly. Most of the large scale domestic companies have tended to show preference to develop their own office buildings for self use while MNCs have tended to prefer to lease office space for a certain period. With the full opening of various sectors of the domestic markets in line with the China's accession to the WTO in 2001, MNCS continue to be one of the major sources of demand for Grade A office space in Guangzhou. For example, the opening of the financial services sector at the end of 2006 as part of the WTO engagements has stimulated the expansion of foreign banks, insurance firms and financial services.

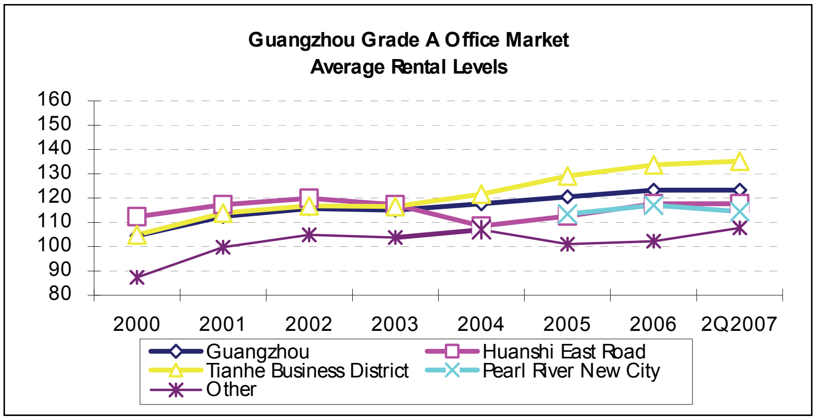
The historical take-up patterns have been variable due largely to the inconsistency of annual additions to supply during the period from 2001 to 2006. Take up volumes have been largely influenced by the amount of new supply brought onto the market. The overall grade A office vacancy rate stood at 19.1% in Q2 2007, with the Tianhe Business District recording a low of 12% due to its popularity with MNCs. Continuing growth of economic development in Guangzhou is likely to see a number of large domestic and international enterprises attracted to set up or further expand their business in the City. It is forecast that the future demand will mainly be generated among the large manufacturing, financial and insurance, hi-tech R&D/service/sales, trading and specialty services industries.



Source: CB Richard Ellis

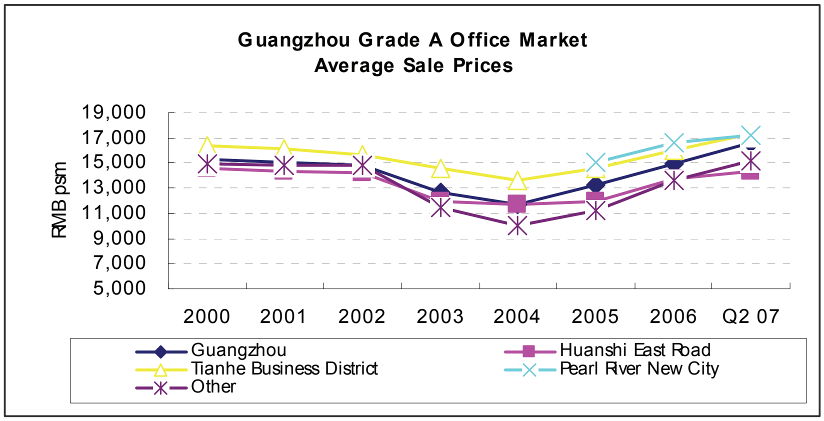
15.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

Between 2001 and 2006, average effective transacted rental levels for the overall Guangzhou grade A office market increased at a CAGR of 2.8% to reach RMB 123 psm per month at the end of 2006. Despite the bulk of new supply came online in 2005, however, grade A office rental levels remained firm as most of the large-scale new grade A buildings were positioned and developed in accordance with international standard and were able to fetch command a premium rental level. During the first half of 2007, the average effective gross transacted rental level remained steady at RMB123 psm per month, as the market responded to the addition of over 200,000 sm.



Source: CB Richard Ellis; Note: Rentals are transacted rentals on a gross area basis, exclusive of management fees

The majority of transacted sales of grade A office space in Guangzhou are y strata title sales not en-bloc transactions. Average sale prices for grade A office space followed a downward trend between 2001-2004 mainly due to fairly stagnant demand and the lack of new, high quality office supply. However since 2004, average strata sale prices in Guangzhou have been increasing rapidly against a backdrop of increasing new supply and a more active investment market dominated by the influx of foreign investment. The majority of grade A office buildings available for strata sale are mainly located in Tianhe Business District and the Pearl River New City. As at Q2 2007, the average asking sale price in the grade A office market rose by around 2% as compared to the end of 2006 to reach RMB 15,000 psm. Similar to the differences seen in the leasing market, sale prices for grade A office space in Tianhe Business District are comparatively higher than other office districts with an average asking sale price ranging between RMB 17,000 and RMB 18,000 psm in Q2 2007. Based on current achievable rentals and sale prices, the indicative gross investment yield for the Guangzhou grade A office market is estimated in the range of 7% to 10%.



Source: CB Richard Ellis

15.5 OFFICE MARKET OUTLOOK

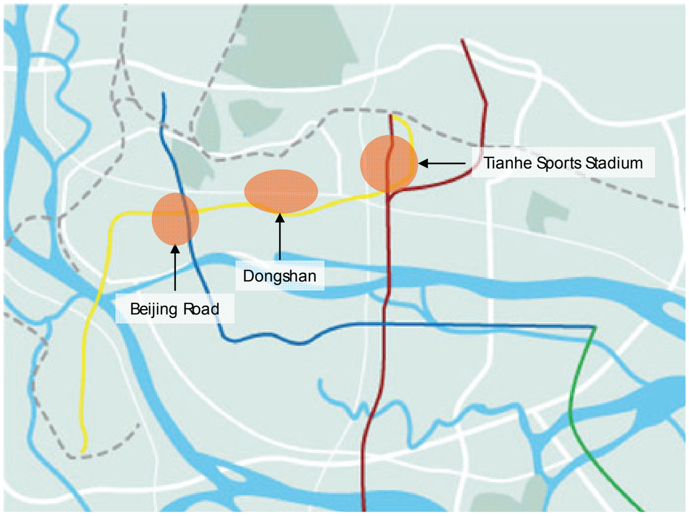
In view of the substantial new supply of grade A office space of some 1.8 million sm coming onto the market between Q3 2007 and 2009, more than doubling existing stock, average rental levels will most likely experience downward pressure with a corresponding increase in vacancy levels. However, average sale prices of grade A office space are expected to remain stable or increase moderately in light of the increase in the quality of new grade A buildings which should almost reach international standards. While most of the new grade A office buildings are expected to sell on a strata basis once completed, some of the buildings which have been purposely developed for partial self-use, such as Pearl River Tower and Leatop Building are confirmed to be retained by developer for investment purposes. Based on estimated average rental and sale price projections, the average grade A office yield from Q3 2007 and 2009 is projected to register between 7% and 8%, declining slightly from current levels.

Despite the significant amount of new supply coming on line in the period from Q3 2007 to 2009, the outlook for demand for the Guangzhou grade A office market remains largely positive, based on continued strong macro-economic performance. Demand for grade A office space is expected to continue to be supported by the establishment or expansion of MNCs, foreign invested companies or large scale local companies in the tertiary industry, particularly the finance, insurance, logistics, real estate, import and export sectors, which will remain the key development focus supported by the municipal government. The new supply of office space is therefore expected to be well absorbed over the medium term.

16.0 GUANGZHOU PRIME RETAIL SECTOR

The total stock of the prime retail space in Guangzhou was approximately 1.4 million sm as at Q2 2007. The largest cluster of high-end retail space is located in the Tianhe retail district, accounting for 42.7% of the existing stock. The prime retail precincts in Guangzhou include Tianhe , Dongshan and Beijing Road.

In addition to these three major prime retail districts, there are several other secondary retail locations in more peripheral and secondary areas, such as Xiajiu Road in and Jiangnan West Road where a few large scale retail developments are scattered around. These are included in the analysis under "other" areas.



Source: CB Richard Ellis

Prime Retail District	Estim. GFA (sm)	Market Share
Tianhe Retail District	584,000	42.7%
Dongshan Retail District	225,000	16.4%
Beijing Road Retail District	251,000	18.3%
Other	308,000	22.5%
Total	**1,368,000**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

16.1 KEY CHARACTERISTICS OF MAJOR PRIME RETAIL AREAS

	TIANHE RETAIL DISTRICT	DONGSHAN RETAIL DISTRICT	BEIJING ROAD RETAIL DISTRICT
Strengths	• Close to CBD • High accessibility through diversified public transportation networks • Comprises two largest shopping centres in city • Wide range of merchandises and brands	• Wide range of entertainment facilities available • Close to business area in Huanshi East Road	• Tourist attraction as a renowned historical areas • High accessibility through diversified public transportation networks • Wide range of merchandise and branding
Weaknesses	• Serious traffic congestion during peak hours	• Lack of sufficient car parking space	• Lack of sufficient car parking • Many properties are older, poor layout and suffer from poor building specifications

Source: CB Richard Ellis (estimates as at Q2 2007)

16.2 FUTURE SUPPLY (2007 – 2009)

Between 2007 and 2009, an additional 452,000 sm of prime retail space is scheduled to enter the Guangzhou prime retail market, representing a growth of 42.9% to bring total stock in 2009 to 1.8 million sm. However, new supply is relatively limited in the major prime retail areas, particularly in Dongshan and Beijing Road Retail District due to the lack of development sites, which may contribute to more future retail developments being developed in the peripheral areas with large residential catchments, rather than the more central areas. Tianhe Retail District will continue to dominate the retail market by proportion.

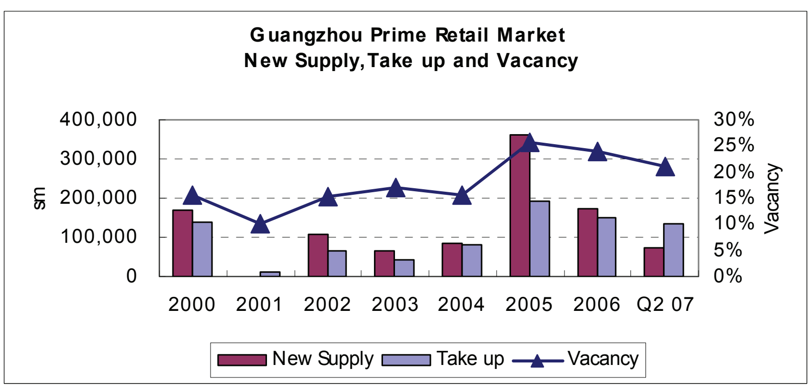
Future Prime Retail Market in Guangzhou 2007 – 2009

Major Retail District	District	Total GFA at Q2 2007 (estim. sm)*	Additional Supply Q3 2007 – 2009 (sm)*	Total GFA at Dec 09 (estim. sm)*	Proportion (%)
Tianhe	Tianhe	584,000	249,000	833,000	45.8%
Dongshan	Yuexiu	225,000	35,000	260,000	14.3%
Beijing Road	Yuexiu	251,000	0	266,000	13.8%
Other	Liwan/Haizhu	308,000	168,000	476,000	26.2%
Total		**1,368,000**	**452,000**	**1,820,000**	**100.0%**

Source: CB Richard Ellis (estimates as at 2Q 2007)

16.3 DEMAND TRENDS

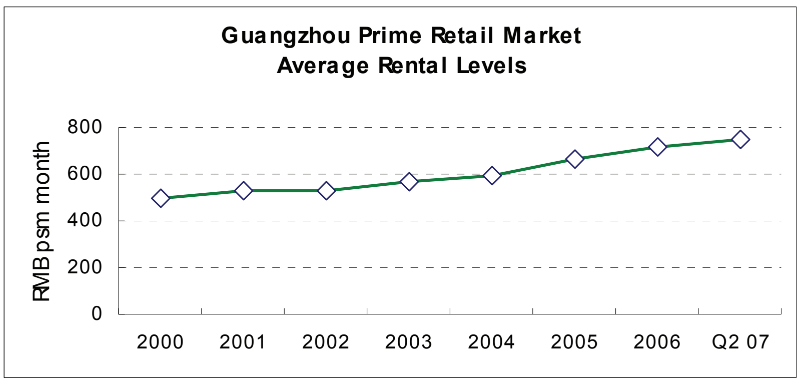
From a macro-economic perspective, recent statistics indicate positive trends for Guangzhou's retail market with regards to demand, as set out the section 13.0. As a regional city centrally located within the affluent Pearl River Delta Area, retail demand in Guangzhou comes not only from local residents, but also from neighboring cities such as Foshan, Zhongshan, Dongguan and Jiangmen, given the significantly improved transport links in the region and rising private car ownership. In terms of retail format, as witnessed in most Chinese cities, the retail format in Guangzhou originated with street-front shops and state-owned department stores mostly selling local goods, however shopping centres and lifestyle oriented retail concepts have become popular in light of the increasing affluence and income levels of the residents of Guangzhou and surrounding cities. Take-up volumes of prime retail space have typically kept in line with the addition of new supply except in 2005 when a large amount of new supply was completed. Given the reduction in the amount of new supply released to the market in 2006 and consistent strong demand, the average vacancy rate in the prime retail market dropped tot 24.1% by the end of the year.



Source: CB Richard Ellis

16.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

Rentals are generally charged psm on a monthly basis in most Guangzhou shopping centres, however, turnover rentals are also used for some cosmetics or fashion retailers in department stores where the rentals are based on a percentage of sales turnover, typically ranging from 20% to 30% of sales. Prime average retail rental levels in Guangzhou rose at a CAGR of 6.2% between 2001 and 2006. In the second quarter of 2007, the prime average retail rental levels reached RMB 755 psm per month (effective rentals on ground floor, gross area and exclusive of management fees), representing a growth of 4.8% for the fist six months of the year. Rental levels tend to vary considerably based on the location and the position of the individual shop units within the shopping centres. In general, those shopping centres located close to business areas with good accessibility and direct connections to Metro stations are able to command a premium.



Source: CB Richard Ellis, (estimates as at 2Q 2007)
Note: Rentals are transacted of ground floor of shopping centres, gross exclusive

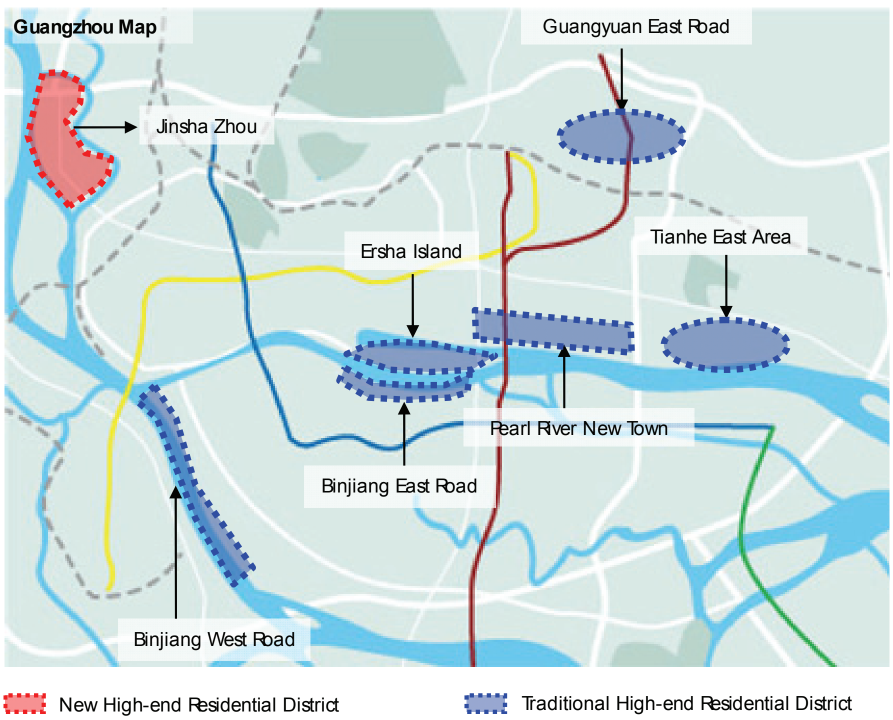
As seen in other major cities in China, there is fairly limited available information regarding sale prices of prime retail space in Guangzhou. Prime retail properties tend to be held under single ownership either by the developer or the operator, and no *en bloc* retail transactions are known to have taken place in Guangzhou in recent years. As in Q2 2007, strata-title sales of prime retail space were restricted to the second hand market with limited transactions closed in the last 12 months. Based on the achievable rentals and estimated sales prices (with 10% discount of the asking price), gross investment yields were generally considered in the range of 5% to 6% as in Q2 2007.

16.5 PRIME RETAIL MARKET OUTLOOK

Based on the government forecast, GDP per capita in Guangzhou is expected to reach US$10,000 and per capita disposable income to reach RMB 25,000 by 2010. The influence exerted by strong economic growth and the increasing number of well-heeled locals and expatriates is expected to lead to a more vibrant retail scene with increasing demand for imported goods and service. The future supply of prime retail space is not expected to be substantial with only three properties slated for completion by the end of 2009 and only one of these properties will be located in a prime retail district. As this property is very large in scale and is being developed by Swire Properties it is expected to contribute to an increasingly competitive retail market going forward. In addition, the new supply of prime retail space is expected to be of a higher quality than existing stock to appeal to the growing sophistication of Guangzhou's consumers. Prime average retail rental level growth is expected to remain moderate at 5% to 6% per annum as the anticipated growth in demand is expected to be offset by the relatively substantial new supply. However, average rental levels in Tianhe retail district are expected to outperform the other retail precincts with the continued strengthening of the retail environment. Given the increasing retail rentals against relatively slow sales price, it is expected that yields will be adjusted upwards accordingly from about 5%-6% in 1H 2007 to 6-8% in 2008-2010 in light of that the growth of retail sales and consumerism in Guangzhou are expected to remain strong and rental is expected to grow at a pace outstripping that of sales price.

17.0 GUANGZHOU HIGH END RESIDENTIAL APARTMENT SECTOR

Guangzhou's high-end residences are concentrated within six existing areas including: Guangyuan East Road, Tianhe East Area and Pearl River New City in Tianhe district, Binjiang East Road and Binjiang West Road in Haizhu district, and Ersha Island in Yuexiu district. There is also an emerging area with high-end residential projects under-construction called Jinshazhou in Baiyun district. By Q2 2007, the total stock of high-level residential properties in the six existing high-end residential concentrations stood at approximately 5,218,250 sm. Given the average unit size of some 160 sm, the total stock of accommodation is estimated to be 32,614 units.



Source: CB Richard Ellis

Major High-End Residential District	District	Total GFA (est. sm)	Proportion (%)	Unsold Rate	Average Sale Price (RMB psm)
Pearl River New City	Tianhe District	2,150,285	41.2%	24.6%	23,226
Tianhe East Area	Tianhe District	1,237,094	23.7%	16.4%	20,600
Binjiang East Road	Haizhu District	756,482	14.5%	20.2%	20,000
Guangyuan East road	Tianhe District	700,000	13.4%	17.9%	25,000
Binjiang West Road	Haizhu District	295,226	5.7%	26.6%	20,000
Ersha Island	Yuexiu District	79,163	1.5%	0.0%	28,500*
Total		**5,218,250**	**100.0%**		

Source: CB Richard Ellis (as at Q2 2007) * Second hand transaction price

17.1 KEY CHARACTERISTICS OF MAJOR HIGH-END RESIDENTIAL AREAS

	PEARL RIVER NEW CITY	BINJIANG WEST ROAD	ERSHA ISLAND
Strengths	• The core of the emerging new CBD in Tianhe District • Proximity to Tianhe Business Area • Developments are new	• Good view to the Pearl River and plenty of trees • Sufficient supporting facilities available • Well-perceived among local residents	• Good view of pleasant environment. • Sophisticated amenities such as the American International School, Singhai Music Hall and Ersha Sport Stadium.
Weaknesses	• Insufficient public transportation within area • Lack of sufficient supporting facilities	• Wide ranges in building quality and planning	• Insufficient public transportation within area • Lack of new future supply
	TIANHE EAST AREA	**GUANGYUAN E. RD**	**BINJIANG EAST ROAD**
Strengths	• Good view to the Pearl River and green belt • Proximity to Pear River New City and Pazhou International Exhibition Centre	• Good view to the mountain and green belt • Proximity to CBD • Well perceived among local residents	• Good view to the Pearl River and green belt • Sufficient supporting facilities • Well perceived amongst local residents
Weaknesses	• Insufficient public transportation within area • Plenty of old factories still in the area to be moved to Nansha in future years	• Insufficient public transportation within area • Lack of sufficient supporting facilities	• Lack of new future supply

Source: CB Richard Ellis

17.2 FUTURE SUPPLY (2007 – 2009)

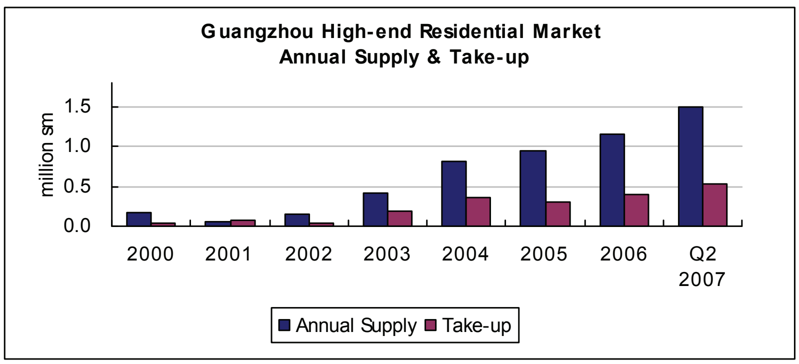
The future supply of high-end residential space in Guangzhou is estimated at 2.48 million sm or 15,490 units between Q3 2007 and 2009 increasing total stock by 47.5%. The bulk of new supply is expected to be concentrated in Pearl River New City (53.1%) in the Tianhe District and the Jinshazhou area (30.8%) in Baiyun District. The development potential in downtown areas such as Binjiang East Road, Tianhe East Area, Guangyuan East Road and Ersha Island is expected to be limited due to the diminishing land supply. The increasing scarcity of quality land sites in downtown areas is driving high-end residential development to more peripheral locations. This trend is also in line with the increasing preferences seen by high-end buyers seeking the suburban life. As an example, although the existing supply of high-end residential space in Jinshazhou is almost nil, it is expected to become a significant high end residential area representing 9.9% of total future stock in 2009 with the introduction of 762,847 sm.

Future High-end Residential Apartment Market in Guangzhou 2007 – 2009					
Major High-end Residential Apartment District	**District**	**Total GFA at Q2 2007 (est. sm)***	**Additional Supply Q3 2007 – 2009 (est. sm)***	**Total GFA at Dec 09 (est. sm)***	**Proportion (%)**
Pearl River New City	Tianhe District	2,150,285	1,315,422	3,465,707	45.0%
Tianhe East Area	Tianhe District	1,237,094	0	1,237,094	16.1%
Guangyuan East Road	Tianhe District	700,000	0	700,000	9.1%
Binjiang East Road	Haizhu District	756,482	0	756,482	9.8%
Binjiang West Road	Haizhu District	295,226	400,178	695,404	9.0%
Ersha Island	Yuexiu District	79,163	0	79,163	1.0%
Jinshazhou	Baiyun District	0	762,847	762,847	9.9%
Total		**5,218,250**	**2,478,447**	**7,696,697**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

17.3 DEMAND TRENDS

Many of the emerging class of wealthy locals as indicated by the steady growth of disposable income have turned to residential investments. The sale market for upper end residential properties has grown in recent years, boosted by strong owner-occupier demand, as well as short and long-term investment seen particularly in the period from 2003 to 2006, with sale prices experiencing an annual average growth rate of 21.3%. The slight decline in take-up of high-end residential properties in 2005 was largely due to the impact of the government macro measures introduced to reduce speculative activities and moderate the introduction of new supply. The measures turned out to have minimal impact on the high-end market in Guangzhou which is led mainly by owner-occupiers. Factors likely to influence future supply and demand of high end residential projects will include investors, particularly non-local buyers expecting better quality product, the rising living standard of Guangzhou residents that has generated demand for "life-style oriented environment" (leading to the emergence of large-scale high-end projects in suburban areas); and proportionately more smaller unit sizes within projects targeting young urban professionals as well as middle and upper middle income earners.

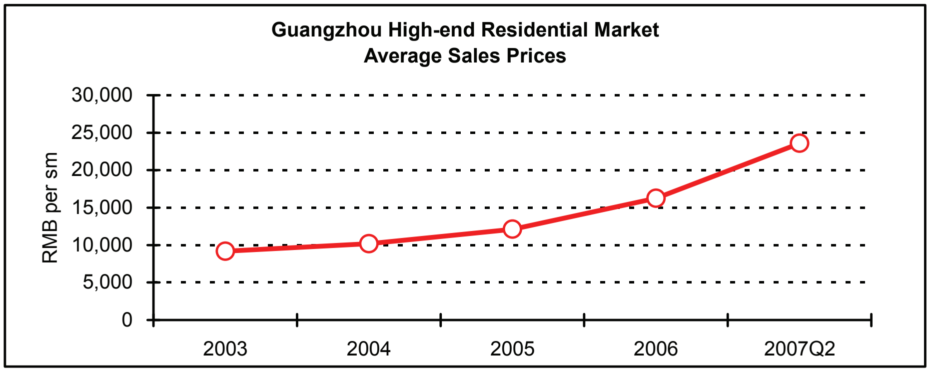


Source: CB Richard Ellis

Demand for rental properties in the high-end residential market has followed a steady upward trend since 2003, as driven largely by the increasing number of foreign expatriates in Guangzhou, which amounted to approximately 8,843 by the end of 2006. Demand is likely to continue improving as the municipal government introduced incentive measures to boost foreign investment in April 2005 which in turn is expected to result in more foreign expatriates relocating to Guangzhou.

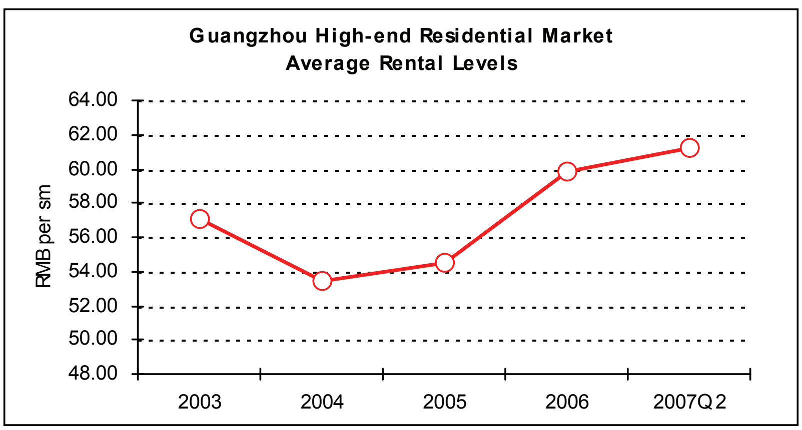
17.4 SALE PRICES, RENTAL LEVELS & INVESTMENT YIELDS

The average sales price for high-end residential apartments was approximately RMB 22,271 psm in Q2 2007, representing a premium of some 152% over the average for the overall residential market. Strong growth in the average sales price of high end residential apartments was recorded between 2003 and 2006 with a CAGR of 20.9%. The surge in sales price is largely attributed to the rising price of the materials of construction and the upgraded quality of the residence in this period. As a result of government control on land supply, land auction prices in Guangzhou have increased considerably in recent years and in Q2 2007 they reached a record high of RMB 7,082 psm, in turn pushing up sales prices. High sale prices have been seen in Pearl River New City which has been largely attributed to increasing investor participation in the market and expectations for higher price appreciation in Pearl River New City as it is part of the longer term government plan to be the core of new CBD in Guangzhou. Similar patterns in market trends have been witnessed close to the CBD, such as in Tianhe East Area and Guangyuan East Road district.



Source: CB Richard Ellis

In 2006, the effective average rental levels for high-end apartments stood at RMB 59.85 psm per month. High-end residential rentals vary from the different districts in Guangzhou, depending on the degree of development, the supply and demand fundamentals and the maintenance quality of the leased properties.



Source: CB Richard Ellis

The indicative gross yield for high-end residential space in Guangzhou has seen compression since 2003 when it ranged between 7% and 8%. By the end of 2006, the estimated yield stood at around 6.4%, representing a drop of 0.5% compared to 2005. The yield compression has been influenced by rental growth being outstripped by the stronger surge in sales prices. As sales prices are expected to continue to grow, and most likely at a faster rate than rental levels, further yield compression is expected with anticipated yields around 5.2% to 6.2% over the next three years.

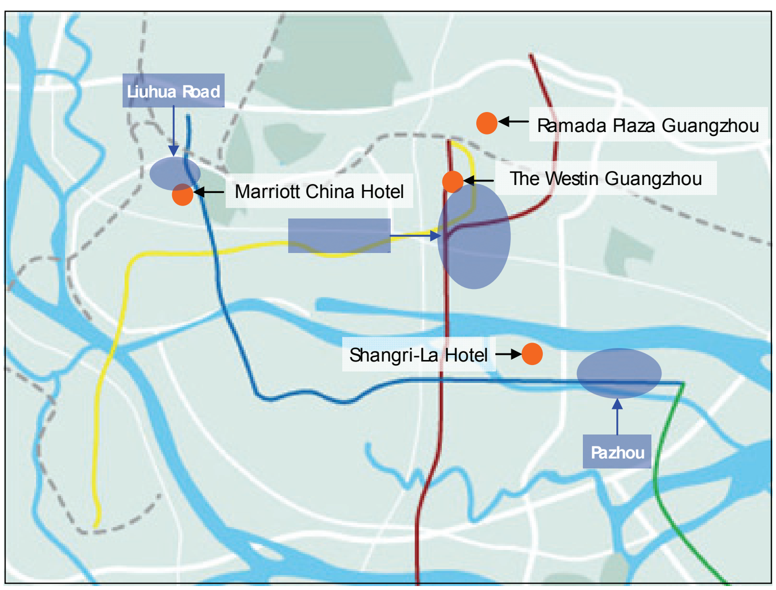
17.5 HIGH-END RESIDENTIAL APARTMENT MARKET OUTLOOK

With further growth and diversification of the city's economy, coupled with growing demand for high-end residential property coming from a diverse range of owner-occupiers, investors and tenants, the outlook for the high-end residential market in Guangzhou is expected to remain positive. The long-term fundamentals of the high-end residential market are expected to remain firm, backed by continued strong demand from the domestic market, both from local owner-occupiers seeking to upgrade their residential accommodation and investors looking to take advantage of the favourable investment return in Guangzhou. In addition, the increasing flow of foreign investment is another factor likely to continue to influence the performance of the high-end residential market. It is expected that average sales price of high end residential developments within central Guangzhou will continue to see stable growth of approximately 20% to 22% per annum in the mid to long term, given strong demand is expected to outstrip new supply. Many developers have indicated a preference to wait and let the market stabilise after the imposition of the macro policies rather than to resort to panic discounting, due to strong demand fundamentals. The impact of the macro control policies appear to have been successful in reining in asset inflation as average sale prices stabilised following their introduction, after a short term correction and recovery just after the announcement of the policies.

Demand from expatriates for high-end residential space is expected to pick up in line with increasing presence of companies expanding or entering the market with rapidly increasing foreign investment. Although demand is expected to remain consistently strong, rental levels for the high-end residential space are expected to increase slightly by 1.5 to 2.0% per annum between Q3 2007 and 2009 with growth being outstripped by a considerable amount of new supply.

18.0 GUANGZHOU 5 STAR HOTEL SECTOR – INTERNATIONAL BRANDS

As at Q2 2007, Guangzhou's 5-Star Hotel stock comprised a total of nine properties with 5,977 rooms, four of which were managed by international operators with 2,489 rooms, comprising around 44% of the overall 5 star hotels in Guangzhou and five by local operators with 3,488 rooms. The market analysis within this section is focused on the 5-star hotels, which are managed by international operators. 5-Star hotels in Guangzhou emerged following China's economic reforms and opening in the mid-1980's and target mainly on foreign business travellers and upscale tourists. Historically, almost all the 5-Star hotels in Guangzhou were managed by local or foreign joint-venture companies.



CB Richard Ellis

5-Star hotels in Guangzhou emerged following China's opening and economic reforms in the mid-1980's and hotels targeted mainly foreign business travellers and upscale tourists. Historically, almost all the 5-Star hotels in Guangzhou were managed by local or foreign joint-venture companies. As consumers became more sophisticated and the hotel market in China increasingly competitive with more international operators in the country, especially after China's accession to the WTO, more luxury hotels were developed. The existing 5-Star hotels are mainly concentrated in downtown areas, namely Tianhe CBD, Liuhua Road and Pazhou. Tianhe CBD as the dominant commercial hub in Guangzhou accounts for the largest share and Linhua Road and Pazhou areas are known for their trade fairs, exhibitions and conventions.

18.1 KEY CHARACTERISTICS OF MAJOR 5 STAR HOTEL AREAS

	TIANHE BUSINESS AREA	PAZHOU	LIUHUA ROAD
Strengths	• Earmarked as new CBD and commercial hub in Guangzhou • Established business environment • High accessibility	• Within close proximity to Guangzhou International Convention Centre • Scenic views to the Pearl River	• Close proximity to the convention and exhibition centres • High accessibility
Weaknesses	• Rising competition due to larger concentration of 5-star hotels • Traffic congestion during peak hours	• Lack of sufficient business supporting facilities	• Traffic congestion during exhibitions

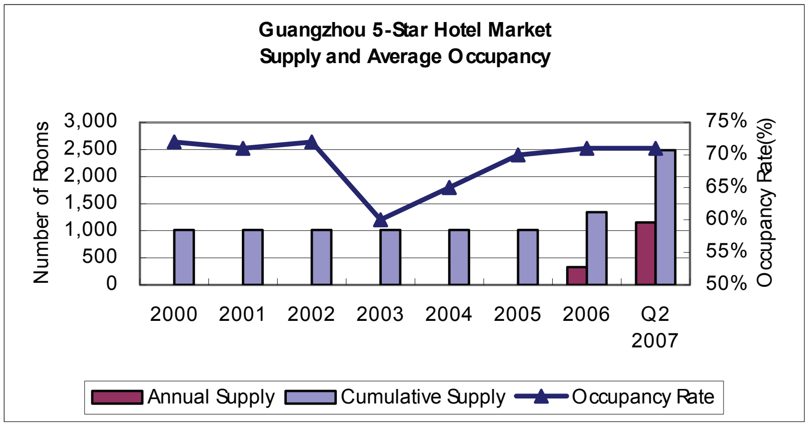
Source: CB Richard Ellis (estimates as at Q2 2007)

18.2 FUTURE SUPPLY (Q3 2007 – 2009)

A substantial new supply of 5-star hotels is forecasted in Guangzhou with a total of eight properties with an estimated 3,602 rooms in the pipeline for completion by 2009. This is expected to more than double the amount of existing stock to 5,364 in 2009 with all the projects planned for the Tianhe District. Historically, most of the 5-star hotel facilities were developed by investors from Hong Kong in line with China's reform and open-door policy during the early 1980's. The investors were typically granted an operational period ranging from 15-20 years and incentive policies such as reductions or exemptions of certain taxes. The current trend however, is towards a greater proportion of hotels developed by joint ventures or exclusively by local developers. Tianhe CBD and other emerging CBD's such as Pearl River New Town are all located in Tianhe District, which will become the most mature and important business area in Guangzhou which account for 69% of total current supply of hotel rooms. This percentage is expected to lift to over 80% by the end of 2009. Five star hotel rooms managed by international companies are expected to increase to 3,601 rooms, representing 67% of the current supply.

18.3 DEMAND TRENDS

Business related guests represent the majority of total guests in Guangzhou's high-end hotel sector. Based on the interviews with the operators of some of the Guangzhou's high-end hotels, business travelers generally account for an average of 70% of total guests. According to government statistics, the number of foreign visitors to Guangzhou increased at a CAGR of 4.1% between 2001 and 2006, to 5.6 million at the end of 2006. Domestic tourism grew strongly between 2001 and 2006 at a CAGR of 25% to 24 million in 2006. The conference and exhibition market in Guangzhou has been developing strongly in line with robust the economy and the rising importance of the city as the regional city of the Pearl River Delta. With the opening of the Pazhou International Exhibition Centre in 2002, international standard exhibition space increased to 700,000 sm and according to Guangzhou Statistics Bureau, the number of attendees to the exhibitions was 13.7 million in 2006, reflecting a y-o-y growth of 100.4% over 2005. The demand for high-end hotels generated from the exhibition segment is reflected in the significant seasonal variances in occupancies.

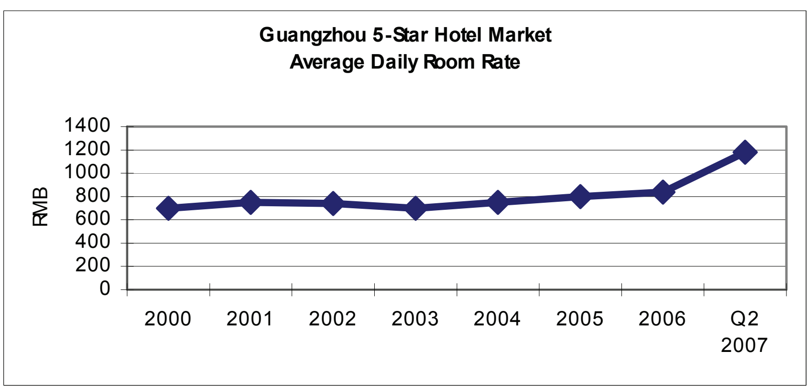


Source: CB Richard Ellis

Apart from a dip in 2003, average occupancy rates for 5-star hotels in Guangzhou remained fairly steady around 68% in 2004 and 2005, rising to 75% in 2006 and stabilising to 71% in the first half of 2007. Strong demand is seen from corporate and conventions travellers, who comprise an increasing presence in Guangzhou and have supported the sustained occupancy rates despite the addition of new hotel rooms.

18.4 ROOM RATES, SALE PRICES & INVESTMENT YIELDS

From 2000 to Q2 2007 average daily room rates (ADR) of 5-star hotels in Guangzhou generally followed a growth trend with a slight decline in 2003 due to the SARS outbreak. As at Q2 2007, ADRs stood at RMB 1,180, having recorded a CAGR of 3% from 2000 to Q2 2007. Internationally run hotels are able to generally able to command a price premium over locally operated hotels of the same category.



Source: CB Richard Ellis

Due to the limited evidence, it is difficult to determine yields for en bloc transactions. However, the estimated yields for high-end hotel properties are thought to be 6.5% to 7.5% based on limited information to date.

18.5 5 STAR HOTEL MARKET OUTLOOK

Against the backdrop of strong economic performance, the demand for 5-star hotels in Guangzhou is expected to be positive, as more business travelers from the manufacturing and finance sectors visit the city, and there is a considerable increase in attendees to exhibitions and conferences. The 5-star hotel market in Guangzhou is still relatively immature when compared to other primary cities, and this is reflected in occupancy levels which are anticipated to remain below 75% from 2007 to 2009, due to the new supply of 5-star hotels coming on-stream, mostly in the Tianhe District. As such, ADR are not expected to appreciate significantly to 2009.

19.0 SHENZHEN

19.1 ECONOMIC INDICATORS

SHENZHEN	2000	2001	2002	2003	2004	2005	2006	CAGR 00-06
Registered Population (million)	1.2	1.3	1.4	1.5	1.7	1.8	2.0	8.9%
Nominal GDP (RMB billion)	218.7	248.2	297.0	358.6	428.2	495.1	581.4	17.7%
Nominal GDP – Average Annual Growth (2000 - 2006)	21.3%	13.5%	19.6%	20.8%	19.4%	15.6%	17.4%	--
GDP per capita *	32,800	34,822	40,369	47,029	54,236	60,801	69,450	13.3%
Total Investment in Fixed Assets (RMB billion)	62.0	68.6	78.8	94.9	109.3	118.1	127.4	12.8%
Foreign Direct Investment Contracted (US$ billion)	1.7	2.7	3.5	4.8	4.1	5.3	5.3	20.9%
Retail Sales of Consumer Goods (RMB billion)	73.5	83.2	94.2	109.5	125.1	143.8	167.1	14.7%
Annual Disposable Income per capita (RMB)**	20,906	22,760	24,941	25,936	27,596	21,494	22,567	1.3%
Annual Consumer Expenditure per capita(RMB) **	16,307	17,025	18,926	19,960	19,596	15,911	16,628	0.3%
Consumer Price Index *** (Preceding Year = 100)	102.8	97.8	101.2	100.7	101.3	101.6	102.2	--
Unemployment	2.5%	2.5%	2.5%	2.6%	2.5%	2.4%	2.3%	--
Engel Index	29.4%	27.1%	27.4%	27.9%	31.6%	33.4%	33.3%	--

Source: Census and Statistics Bureau; * based on resident population from Shenzhen Municipal Bureau of Statistics;
** New Statistics Method adopted since 2005; *** Use CPI instead as no RPI in Shenzhen Municipal Statistics

Shenzhen is located in the Pearl River Delta adjacent to Hong Kong. As China's first Special Economic Zone, it has played a pioneering role in the country's reform and development.

- From 2000 to 2006, GDP has grown from RMB 218.7 billion to RMB 581.4 billion respectively with an average annual growth rate of 17.7%. GDP per capita has reached RMB 69,450 in 2006, which has almost doubled from RMB 34,822 in 2001.
- The further loosening of trade restrictions following the WTO agreement has added to the long history of foreign investment in this SEZ with FDI growing rapidly between 2000 and 2006, with a CAGR of 20.9% reaching RMB 5.3 billion in 2006. The municipal government's promotion of the logistics industry has led to strong growth in FDI, attracting more foreign logistics players to Shenzhen. In addition, its proximity to Hong Kong and the full implementation of CEPA have led to more direct investment into Shenzhen.

- From 2001 to 2006, the annual disposable income of Shenzhen's residents followed an upward trend. Although there was a decline in 2005 as the calculation method changed that year, disposable income increased to RMB 22,567 in 2006 with a 5.0% increase y-o-y.
- Shenzhen Retail Sales of Consumer Goods has jumped in rank from 6th in 2004 to 4th in 2006 amongst major cities in China. From 2000 to 2006, retail sales increased at a CAGR of 14.7% reaching RMB 167.1 billion in 2006.
- The Consumer Price Index in Shenzhen recorded an annual increase of 2.2% in 2006 following steady increases since 2002. The growth in the CPI from 2002 to 2005 was mainly due to the price hikes for food, daily necessities, services, raw materials and energy products.

Given the positive growth outlook for China as a whole and the strength of Shenzhen's economic growth in recent years, the Shenzhen economy is expected to continue developing rapidly in the coming years.

19.2 INFRASTRUCTURE DEVELOPMENTS & URBAN PLANNING

According to the city's latest Urban Master Plan (2006-2010), the government will promote the development of Special Economic Zone with the aim of fostering further economic development.

Luohu: To prevent the over-development of the area whilst speeding up the development of the downtown area and encourage the gradual rejuvenation of the whole Luohu District.

Futian: The plan is for Futian to be the centre of Shenzhen City which will consist of administrative, cultural, shopping, and business functions.

Eastern Node: To develop the eastern part with Shatoujiao and Yantian districts forming a sub-centre district providing shipping, trading, storage and tourism facilities and services.

Western Node: To serve as the education and research base for the city. It will include an important area for the hi-tech industry and an industrial area near the port.

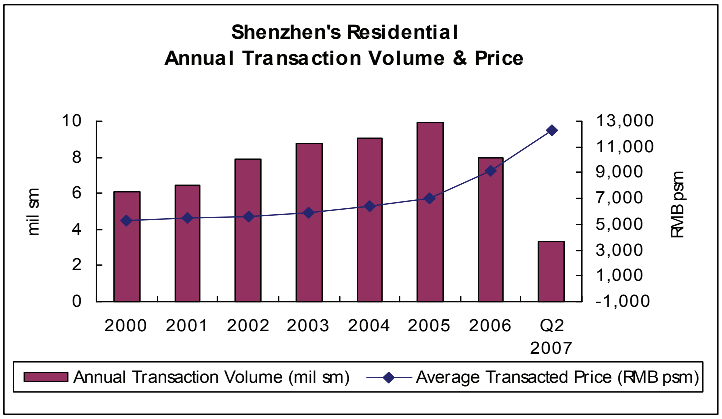
- During 2006, there were about 200 key infrastructure projects around the whole city of Shenzhen. The 11th five-year plan had declared the Shenzhen government will spend about RMB 160 billion on public infrastructure development.
- With additional demand for logistics warehousing capacity expected, the Shenzhen Airport is being improved and expanded such that by 2015, the estimated passenger capacity will reach 24 million; meanwhile, cargo traffic should reach 1.5 million tones p.a. which is expected to become the core business of the airport. New terminal No.3 with a GFA of 230,000 sm is under construction now, and is expected to be completed by 2011.
- Shenzhen is an important railway hub due to its proximity to Hong Kong and there are three existing railway lines in operation with two new Passenger Dedicated Lines (PDL) planned to be completed by 2010 linking to Guangzhou, Hong Kong and Hangzhou.
- A total of 16 metro lines have been planned with an estimated length of over 585.3 km, to be fully completed by 2030. Currently, there are two metro lines in operation, Line 1 and Line 4 which are becoming the main form of rapid transit in north-south direction and east-west direction respectively. The extension of Line 4 will be completed by 2009/2010.
- The government has embarked on an extensive road construction programme to create better links around Shenzhen. The "One East-West Line & Eight North-South Line" is designed to create an expressway network in the city. By 2030, the total length of highway and expressway in Shenzhen will reach 276 km and 439 km respectively.

19.3 REAL ESTATE MARKET

SHENZHEN PROPERTY MARKET	2000	2001	2002	2003	2004	2005	2006	CAGR 00-06
Investment in real estate (RMB billion)	26.1	31.6	38.8	41.3	43.4	42.4	46.2	10.0%
Total gross floor area sold (million sm)	6.1	6.4	7.9	8.8	9.1	9.9	8.0	4.6%
Gross floor area of projects under construction (sm in million)	21.3	23.9	27.8	28.4	31.2	30.6	31.2	6.6%
Gross floor area of new completions (sm in millions)	6.3	7.3	8.9	10.2	10.1	9.5	8.5	5.1%
Average price of residential commodity properties (RMB psm)	5,275	5,517	5,641	5,879	6,419	6,996	9,190	9.7%
Average price of commercial properties (RMB psm)	10,306	11,916	12,175	11,624	12,764	15,083	18,257	10.0%
Average price of all properties, including residential, commercial, office and other properties (RMB psm)	5,718	5,779	6,074	6,215	6,771	7,582	10,039	9.8%

Source: Shenzhen Municipal Bureau of Statistics

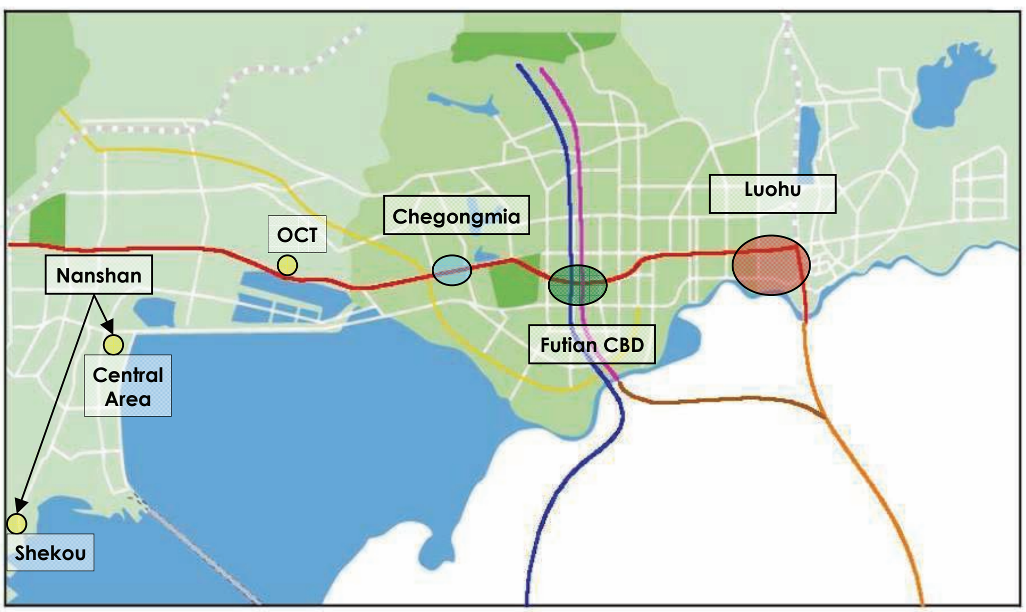
Due to the governmental policies, the real estate market in Shenzhen is considered relatively more transparent and mature compared to other cities in China, and thus there is strong investment interests from both domestic and international investors. At the same time strong macroeconomic fundamentals and continued developer activity have also contributed to the maturity of the market. As with many other major cities in China, Shenzhen has experienced significant growth in its real estate market over the past few years. Investment in real estate increased at a CAGR of 10.0% between 2000 and 2006, to RMB 46.2 billion in 2006. The slow downs seen in 2006 are thought to be a result of the macro control measures implemented by government over the past two years and of the tighter lending controls applied by banks for real-estate projects. The average price of all properties (residential, commercial, office and other properties) increased at a CAGR of 9.8% between 2000 and 2006, reaching RMB 10,039 psm in 2006. Shenzhen's residential property price in 2006 grew significantly with an average price RMB 9,190 psm, representing an increase of 31.4% over 2005.



Source: Shenzhen Municipal Bureau of Statistics

20.0 SHENZHEN GRADE A OFFICE SECTOR

The Shenzhen office market has developed in recent years with the implementation of the local government's masterplan since 1980 to establish the first commercial area, Luohu, as its central business district due to its proximity to Hong Kong SAR and the railway station. A second central business district in Shenzhen was planned in 1999 to be located in Futian area and it has been supported by urban planning including the development of supporting infrastructure such as the interchange point of metro system, new roadways, comprehensive city functions, and its proximity to Hong Kong SAR through two checkpoints.



Source: CB Richard Ellis

Major Grade A Office District	District	Total GFA (estim. sm)*	Proportion (%)
Luohu CBD	Luohu	402,000	25.5%
Futian CBD	Futian	836,760	53.1%
Chengongmiao	Futian	75,800	4.8%
Nanshan	Nanshan	262,673	16.7%

Total	**-**	**1,577,233**	**100.0%**

Source: CB Richard Ellis (as at Q2 2007)

20.1 KEY CHARACTERISTICS OF MAJOR GRADE A OFFICE AREAS

	LUOHU	FUTIAN	CHENGONGMIAO	NANSHAN
Strengths	• Earliest financial centre of Shenzhen, with mature business and commercial environment • Closest link to Hong Kong • Well-developed supporting facilities	• Well-designed master planning and strong government commitment • Convention and exhibition centre • Office buildings are new, concentrated and of high quality	• Well established electronic technology cluster park with related supporting facilities. • Good transportation accessibility	• HKShenzhen Western Corridor will help development attracting HK residents and companies • Newly-developing area with better urban planning and new development
Weaknesses	• Inner city restrained by planning, environmental and transportation • Some aging buildings with outdated facilities • Limited land supply for development	• Weak business atmosphere at present. Surrounding supporting facilities are still under construction • Area generally not as maturely supported as Luohu CBD	• Surrounded by lower class of office buildings • Limited car parks • Traffic congestions	• Surrounded by low class residential housing, shabby industrial factories, and office buildings. • Immature commercial atmosphere

Source: CB Richard Ellis

20.2 FUTURE SUPPLY (2007 – 2009)

The additional grade A office building supply between Q3 2007 to 2009, is anticipated to be 645,971 sm, bringing the total stock of grade A office space in Shenzhen to 2,223,204 sm by the end of 2009 (an increase of 41.0%). All of new GFA supply entering the market by 2009 is slated for the Futian CBD Area largely a result of the Futian CBD being positioned as a new financial and government administrative centre in the future and limited land supply in Luohu. Surrounding facilities includes shopping centres, 5 star international branded hotels, and a convention and exhibition centre. Based on recent historical take up trends, the additional supply is expected to be absorbed relatively well by the market as increasing levels of demand for grade A office space are expected. With no new supply slated for 2008, the 42.6% of additional supply expected to be completed in 2009 should hopefully perform well..

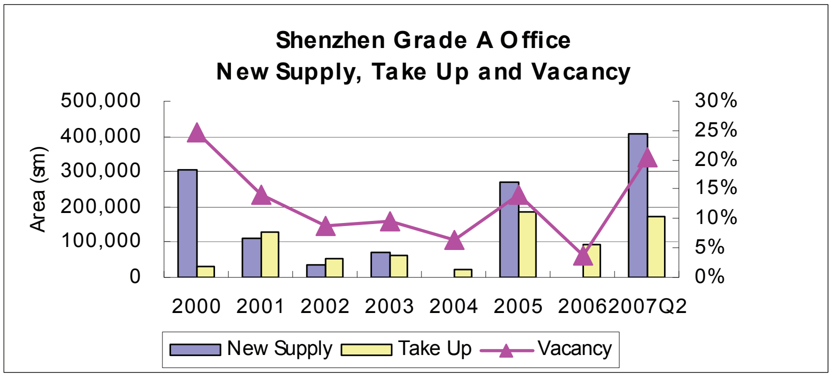
Future Grade A Office Market in Shenzhen

Major Office District	District	Total GFA as at Q2 2007 (estim. sm)	Additional Supply Q3 2007 – 2009 (estim. sm)	Total GFA as at Dec 09 (estim. sm)	(%)Proportion of GFA out of Total GFA as at Dec 09
Luohu CBD	Luohu	402,000	0	402,000	18.1%
Futian CBD	Futian	836,760	645,971	1,482,731	66.7%
Chengongmiao	Futian	75,800	0	75,800	3.4%
Nanshan	Nanshan	262,673	0	262,673	11.8%
Total		**1,577,233**	**645,971**	**2,223,204**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

20.3 DEMAND TRENDS

Recent strong economic growth has been driven by four major factors which have also contributed to increasing levels of demand for office space: (1) government policies leading to financial and logistics development as well as easy company registration processes; (2) active economic development in Shenzhen area and better integration with Hong Kong; (3) relatively strong demand from the logistics and tertiary industry; and (4) demand for higher standards required from grade A office buildings, especially from international companies, retailers, and some strong performing local companies.

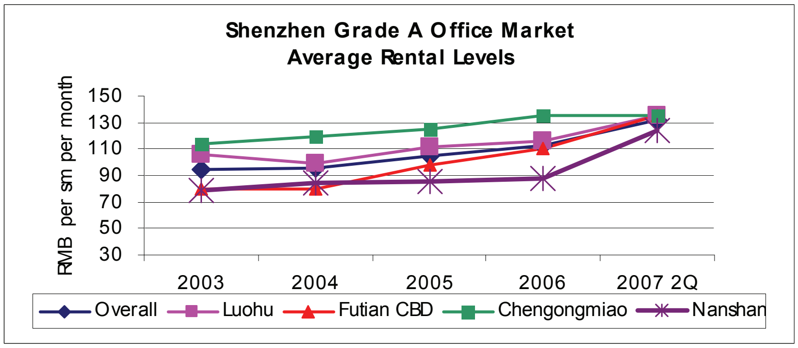


Source: CB Richard Ellis

Average vacancy rates in the grade A office market have been largely influenced by the introduction of new supply with peaks seen in 2000, 2005 and the first half of 2007. Low vacancy rates were witnessed in 2004 and 2006 when there was no new supply. Demand continued to strengthen and in the first half of 2007, vacancy rates dropped to 20.5% despite the introduction of over 400,000 sm of space during this period as take up volumes recorded the highest amount since 2000. Louho district saw the lowest vacancy rate at 3% in Q2 2007 due to its well established office market, limited developable land and lack of new supply. Futian CBD had the highest vacancy rate for the grade A office building sector at 22% in Q2 2007 as a result of three new buildings being released, however it is expected to developing as a major commercial business district, the new supply should be absorbed fairly quickly. Many tenants (particularly MNCs) are increasingly seeking to move to the Futian CBD due to its better urban planning, new development schemes, location and well-designed transportation network system.

20.4 RENTAL LEVELS, SALES PRICES & INVESTMENT YIELDS

Due to continuing strong demand for grade A office space from companies entering and expanding within the Shenzhen market, average asking gross rentals (excluding management fees) have been steadily increasing in recent years. Average rental levels started to increase in 2004 as of the city's economic boom began to really take off (especially in the retail sector). Of the four major grade A office districts, the Futian CBD area recorded the highest average rental at RMB 135 psm per month in Q2 2007, while Chengongmiao remained stable due to its relatively small grade A office market - only one grade A office building currently in the area (China Merchant Bank Building). As a result of the relatively low vacancy rate in Luohu area, average rental levels remained steady but did not increase significantly due to the poorer condition and quality of many of the grade A office buildings (particularly the building exteriors). In addition the government planning for the Luohu area has not been as comprehensive as that seen in the push to shift commercial activity to the Futian CBD area.



Source: CB Richard Ellis

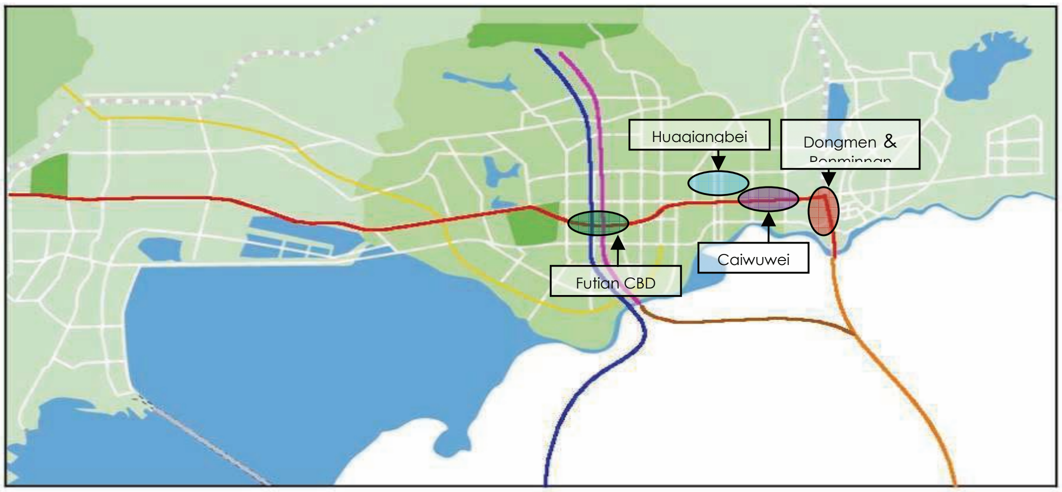
Office sales were active between 2005 and 2007 in the Futian area due to company expansions, RMB currency appreciation, faster price growth than residential units, and better performance of rental levels. The average sales prices of grade A office buildings in Futian have risen to a historically high level, increasing to a range from RMB 30,000 to RMB 34,000 psm in Q2 2007 from a range of RMB 16,000 to RMB 23,000 psm in 2005, reflecting an increase of between 47.8% and 87.5%. Sales transaction evidence is relatively rare as most developers typically retain their office buildings for financial investment purposes or would be expected to sell en bloc rather than by strata title. Due to the limited availability of office space for acquisition, it is difficult to determine indicative yields. Based on a calculation of historic rent and sales transactions, estimated gross income yields appear to have compressed slightly to 5% to 6% in Q2 2007.

20.5 OFFICE MARKET OUTLOOK

With significant regional development expected to continue and on-going integration with the Hong Kong SAR, Shenzhen should continue to be a very strong performer in southern China, and may attract more companies to establish their regional offices in the city. Manufacturers located in suburban Shenzhen also appear to be considering expanding their headquarters or sales representative offices in downtown Shenzhen to improve client convenience and boost their corporate image. Strong take up volumes in Shenzhen's grade A office market are expected to continue and absorb the new grade A office stock. Although the Futian CBD is expected to have all the new supply to 2009, vacancy rates are expected to fall after peaking in late 2007, given the strong underlying demand and lack of new supply in 2008. Vacancy rates are expected to fluctuate as the market absorbs the release of new supply over the next three years and average around 20% to 24% in 2009. Futian CBD currently has the highest figure of the four major office districts; however this may change with the significant amount of new supply entering the market which will likely have a short term dampening effect on rental levels in this area. As there is no new supply of grade A office space forecast for the other three office districts to 2009, it is expected that average rental levels in these areas may increase given steadily increasing demand. An average of 8% growth per annum for overall average rental levels is estimated for the period from Q3 2007 to the end of 2009.

21.0 SHENZHEN PRIME RETAIL SECTOR

In Shenzhen, there are four major prime retail areas – Reminnan, Caiwuwai, Huagiangbei, and Futian. Among the major retail areas, Caiwuwai and Futian are all positioned at the mid-upper/upper end of the market, the rest of the areas are positioned as mid end of the market. As at Q2 2007, the total stock of prime retail in Shenzhen was 1,005,000 sm.



Source: CB Richard Ellis

Prime Retail District	Estim. GFA (sm)	Market Share
Renminnan Area	292,600	29.1%
Caiwuwai Area	286,000	28.5%
Huaqiangbei Area	114,000	11.3%
Futian CBD Area	312,400	31.1%
Total	**1,005,000**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007) * Other areas refer to those retail spaces that are not located in any specific cluster, rather podium levels of buildings, or scattered street shops

21.1 KEY CHARACTERISTICS OF PRIME RETAIL DISTRICTS

	RENMINNAN	CAIWUWAI	HUAGIANGBEI	FUTIAN
Strengths	• The earliest financial centre of Shenzhen, with mature business and commercial environment • The area with the closest link to Hong Kong • Well-developed supporting facilities	• Mature commercial conditions, taking a large market share of mid-high end retail • Three projects directly connected to metro • Projects are generally large in scale, • Located in business area with strong high purchasing power catchments areas	• Good market potential with several newly opened projects plus the improvement of commercial functions • Well known for being a trade centre of electronic products in the Southern China	• Surrounded by highly intensive Grade A office buildings and five star hotels • Moderate distance to luxury residential areas which will enjoy good source of strong purchasing power from surrounded residents • Located in central transportation hub

	RENMINNAN	CAIWUWAI	HUAGIANGBEI	FUTIAN
Weaknesses	• Inner city restrained by planning, environmental and transportation constraints • Buildings are aging with outdated facilities • Limited land supply for more development	• Lacking leisure elements in the trade mix, e.g. SPA, pubs, clubs, as compared to newly open retail schemes in other retail areas	• Crowded place, heavy traffic and shortage of car parking will worsen the area development • Lack of master plan for retail development • Projects are generally small in scale and lack competitiveness	• With limited history of retail development, the area may suffer from immature commercial environment at the initial period of regional development • Lacking surrounded supporting facilities

Source: CB Richard Ellis (estimates as at Q2 2007)

21.2 FUTURE SUPPLY (2007 – 2009)

Between Q3 2007 and the end of 2009, an additional 250,000 sm will be added to the Shenzhen prime retail market, increasing total stock by 25% in 2009 compared to Q2 2007. The additional future supply is mainly from Futian area with 89.6% of the total, followed by Caiwuwai area with 10.4% of the total, indicating a commercial area shift from the eastside to the westside strongly promoting the Futian area to become the most major retail area in the future. A peak will be seen in 2007 and 2008 with 126,000 sm of newly-released retail floor space, mainly located in the Futian and Caiwuwai areas including some large-scale stand alone shopping centre projects plus some retail podiums. In 2009, the annual supply of retail area will return to a mild growth pattern.

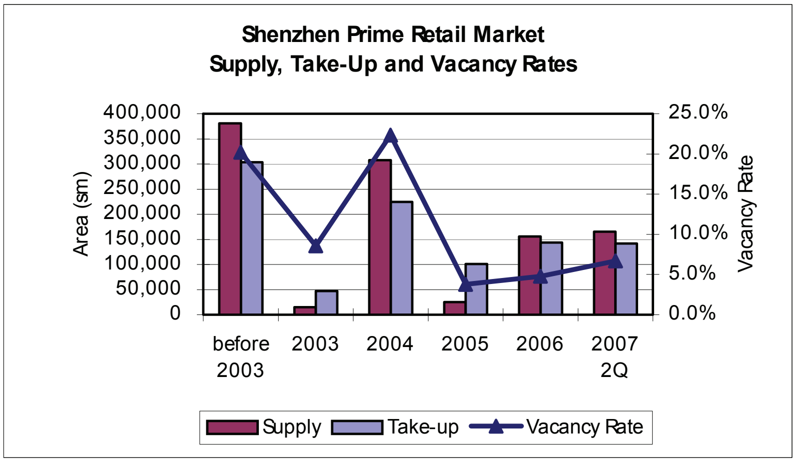
Future Prime Retail Market in Shenzhen 2007 – 2009

Major Retail District	District	Total GFA at Q2 2007 (estim. sm)*	Additional Supply Q3 2007 – 2009 (sm)*	Total GFA at Dec 09 (estim. sm)*	Proportion (%)
Renminnan	Luohu	292,600	0	292,600	23.3%
Caiwuwai	Luohu	286,000	26,000	312,000	24.9%
Huagiangbei	Luohu	114,000	0	114,000	9.1%
Futian	Futian	312,400	224,000	536,400	42.7%
Total		**1,005,000**	**250,000**	**1,255,000**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

21.3 DEMAND TRENDS

According to the latest government statistics, the retail market performed strongly from 2000 to 2006. In 2006, retail sales of consumer goods reached RMB 167.1 billion, with a CAGR of 14.7%. Demand for retail space is expected to continue to grow in a fast pace as both the economy of Shenzhen and the surrounding regional areas develop. Due to its proximity to Hong Kong and Macau and the full implementation of CEPA there have been further increases in direct investment in Shenzhen. International retailers have seen the opportunities to capitalise on the liberalisation of the huge consumer China retail market following China's accession to the WTO, as a result of consumer spending pattern changes from food and necessities to transportation, communication, home improvement, and luxurious goods, all of which are growing at a rapid rate. This should effectively translate into more activity as foreign retailers search for retail opportunities and high end shopping centre locations in Shenzhen to meet the demand from locals, expatriates, and cross-border shoppers.

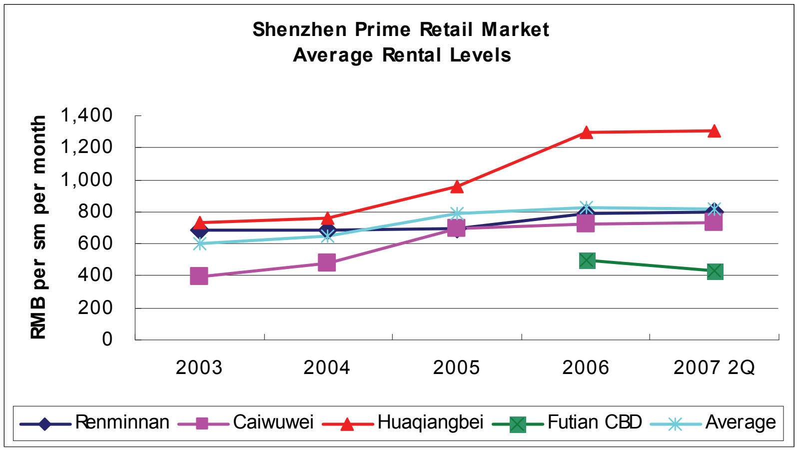


Source: CB Richard Ellis

As at Q2 2007, average vacancy rates in prime retail areas in Shenzhen were 6.7%, having remained below 5% during 2005 and 2006. In 2004, two big shopping centre projects opened raising the vacancy rate to a peak of 22.3% but the market quickly absorbed the supply as consumer patterns shifted from low-end street shopping to mid-upper shopping centres.

21.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

The overall rental market in Shenzhen has grown rapidly in recent years, largely as a result of growing consumer disposable income and expenditure, all of which have contributed to improving the retail environment and attracting more international brands. Average rental levels vary significantly across the different prime retail areas in Shenzhen, influenced by their characteristics as well as the type of retail format. Due to the limited land supply and wholesale business activities, Huanqiangbei has seen the highest recent growth. In the Renminnan area, improvements within the area and the Renminnan Road reconstructions in 2006 have led to a rise in average asking gross rental levels. A strong prime retail cluster is forming in the Caiwuwai area and the limited amount of new shopping centre supply in the near future should also contribute to further increases in future rental levels. Average rental levels in the Futian CBD area declined in the first half of 2007 due to a large volume of new retail supply. It also recorded the lowest average rental levels amongst the four prime retail areas in Q2 2007. The situation is expected to improve and rental levels should rise in the next year with the completion of improvements to the surrounding area and steady demand from a strong catchment area including people in the residential, commercial, office sectors in Shenzhen as well as cross-border shoppers.



Source: CB Richard Ellis

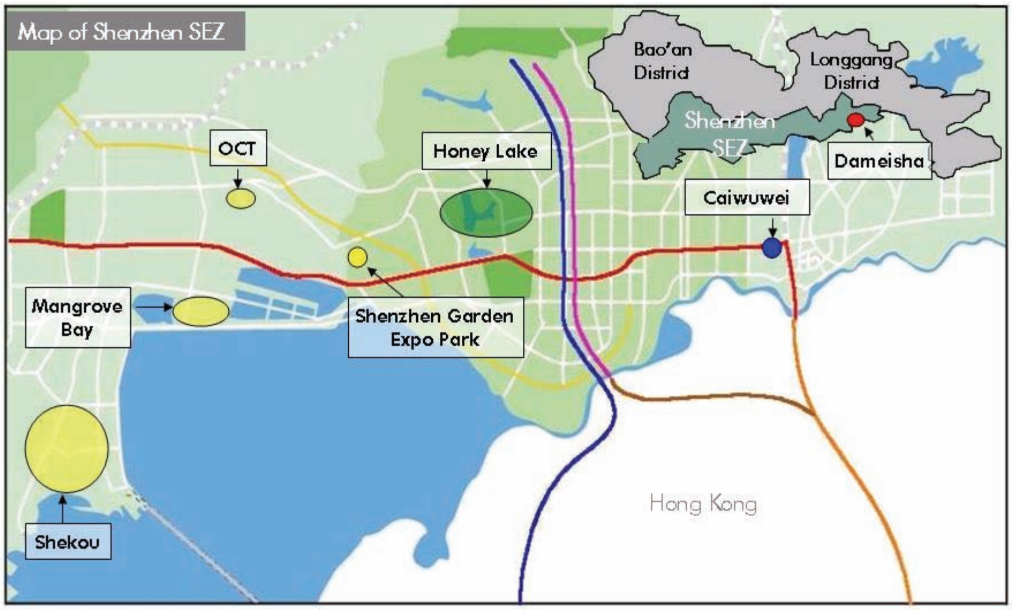
Since the Shenzhen retail market and disposable income per capita are still growing and average rental levels are on an upward trend, prime retail owners are typically tending to keep their properties as investments to generate cash flow and accumulate capital value in the future. Due to the current high occupancy rates and investment yields at many retail properties, prime retail owners appear reluctant to sell properties, typically preferring to hold them as investments whilst the rental levels and capital values increase. As a result of limited retail sales evidence, it is difficult to estimate the indicative investment yields for shopping centres across Shenzhen City. However, from an analysis of recent transactions in 2006, an estimated indicative yield would range between 9% and 10%.

21.5 PRIME RETAIL MARKET OUTLOOK

The retail market is expected to continue its expansion in the next three years due to rapid economic development, comprehensive infrastructure development throughout the city, increasing per capita disposable incomes, rising consumption expenditure, and a preference change for different types of consumption goods, all of which will stimulate the retail market to grow and remain strong. More international branded retailers are entering the Shenzhen prime retail market and the overall product mix is moving away from the low to mid end of the market and closer to the mid to high end of the market. With the overall shift in real estate gradually moving from the eastern part of the city to the western side, prime retail is expected to follow suit with a shift in prime retail areas from Renminnan, Caiwuwai, to Huagiangbei, and then finally to centralise in the Futian CBD area. Currently, prime retail areas on the eastern side of Shenzhen have the higher rental levels, however with the development shift, average rental levels in the western side of the city are expected to grow at 5% to 8% per annum between mid 2007 and the end of 2009 which should assist to keep the vacancy rate between 5% to 8%. The rejuvenation of the eastern side of Shenzhen will also contribute to a more mature retail atmosphere which is expected to boost rental levels due to the renewal of the surrounding areas and the plans to reposition the city.

22.0 SHENZHEN HIGH END RESIDENTIAL APARTMENT SECTOR

There are seven established residential districts in Shenzhen City: Honey Lake, Shenzhen Garden Expo Park, Overseas Chinese Town, Mangrove Bay, Shekou, Dameisha, and Caiwuwei. The total stock of high end residential properties reserved for sale and for lease in the seven main high end residential districts stood at approximately 2,266,400 sm at Q2 2007.



Source: CB Richard Ellis

Major High-End Residential Districts (Shenzhen)	District	Total GFA (estim. sm)*	Proportion (%)	Unsold Rate	Average Sale Price (psm)
Honey Lake	Futian	624,800	27.6%	0%	RMB 40,272
Shenzhen Garden Expo Park	Futian	16,600	0.7%	13.1%	RMB 52,000
OCT	Nanshan	468,500	20.7%	5.6%	RMB 33,928
Mangrove Bay	Nanshan	823,100	36.3%	1.5%	RMB 37,022
Shekou	Nanshan	198,600	8.8%	47.7%	RMB 37,378
Dameisha	Yantian	134,800	5.9%	0%	RMB 31,869
Total		**2,266,400**	**100.0%**		

Source: CB Richard Ellis (as at Q2 2007) Note: Average sales price are asking prices.

22.1 KEY CHARACTERISTICS OF MAJOR HIGH-END RESIDENTIAL AREAS

	HONEY LAKE	SZ GARDEN EXPO PARK	OCT
Strengths	• Close to Futian CBD • Honey Lake view & sea view • Daily retail facilities available • Secondary & Primary schools	• Close to Futian CBD • View of Shenzhen Garden Expo Park & the sea	• Good accessibility • View of Happy Valley • Proximity to Windows of the World • Charming & peaceful environment; greeneries
Weaknesses	• Second hand car shops & auto repair shops in this district – causing unpleasant environment	• Overall scale is small with less population	• No direct access by public transportation except for West Parc • Proximity to an old high density village
	MANGROVE BAY	**SHEKOU**	**DAMEISHA**

	HONEY LAKE	SZ GARDEN EXPO PARK	OCT
Strengths	• Good ocean view • New developments with good designs • Better construction materials & building intelligence used	• View of the sea & mountain • Good accessibility and connect to MTR Line 2	• A tourist destination (Nice environment, fresh air, greenery) • View of the ocean
Weaknesses	• No public transport network inside the residential area • No public supporting facilities	• Buildings are relatively old • Proximity to unpleasant industrial areas • Main arterial road too narrow – causing traffic congestion	• Away from the CBD where make the area more inconvenient • No public supporting facilities

Source: CB Richard Ellis (as at Q2 2007) Note: Average sales price are asking prices.

22.2 FUTURE SUPPLY (2007 – 2009)

Future High-end Residential Apartment Market in Shenzhen (Q3 2007-2009)					
Major High-end Residential Apartment District	**District**	**Total GFA at Q2 2007 (estim. sm)***	**Additional Supply Q3 2007 – 2009 (sm)***	**Total GFA at Dec 09 (estim. sm)***	**Proportion (%)**
Honey Lake	Futian	624,800	0	624,800	21.2%
Shenzhen Garden Expo Park	Futian	16,600	0	16,600	0.6%
OCT	Nanshan	468,500	42,000	510,500	17.3%
Mangrove Bay	Nanshan	823,100	185,200	1,017,300	34.6%
Shekou	Nanshan	198,600	130,000	328,600	11.1%
Dameisha	Yantian	134,800	60,000	194,800	6.6%
Caiwuwei	Luohu	0	260,000	260,000	8.8%
Total		**2,266,400**	**677,200**	**2,952,600**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

The total amount of additional high end residential supply between Q3 2007 and 2009 will be around 677,200 sm bringing total stock to approximately 2.9 million sm, reflecting an increase of 30%. The amount of future high end residential supply is anticipated to slow down. Owing to limited land supply in central Shenzhen, future high end residential projects mainly consist of regeneration schemes developed by demolishing and relocating those poorer quality village houses such as the ones located in the Caiwuwei District. Due to the difficulties and time consuming nature of city regeneration schemes, the further development of the overall high end residential market will depend on the speed of the execution of the regeneration programme. The Honey Lake and Shenzhen Garden Expo Park Districts have very limited land supply restricting future development and the OCT District should only see one development.

22.3 DEMAND TRENDS

The opening up of Shenzhen coupled with strong economic performance is resulting in business expansion from international and local companies. This is expected to further stimulate the sales and leasing of high end residential units from expatriates, business owners from Hong Kong, Shanghai, Beijing, and other cities. Demand is also seen from wealthy individuals from other areas of China including business owners and government officers who are acquiring high-end residential housing in Shenzhen for business and personal purposes. Higher disposable incomes among local Shenzhen residents have seen an "upgrading" trend to better quality apartments and spending patterns. The rising economic growth of Shenzhen is creating an emerging class of wealthy individuals in a position to purchase high end residential properties for their own occupation or investment purposes. As a result of limited land supply in Shenzhen's central areas, the high-end residential market has experienced strong demand as well as rising sale prices since 2002. The opening of the Shenzhen – Hong Kong Western Corridor has improved access between

Hong Kong and China (particularly Shenzhen) further contributing to increased demand for high-end residential units from Hong Kong businessmen and expatriates.

In 2004, the Central Government imposed a series of macro control policies in order to cool down the overheated property market. The high-end residential market in Shenzhen was impacted to a lesser degree than the other tier one cities, and it is thought that these macro control policies have helped the high end residential market grow at a faster rate than previous years given the scarcity of high end residential housing.

22.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

Average rental levels increased by approximately 20% between 2002 and Q2 2007, and they are expected to maintain steady growth at between 5% and 8% per annum in the coming years. Demand for leasing is expected to remain low in the face of a strong sales market and opportunity for quick capital gain. The highest average rental levels were seen in the Honey Lake District in the first half of 2007 at RMB 105 psm per month followed by the Shekou District (RMB 95 psm per month), the OCT (RMB 90 psm per month) and the Mangrove Bay District (RMB 75 psm per month). Honey Lake's rents are influenced by its proximity to downtown Shenzhen and good accessibility. Although Shekou is not as attractive, rental levels have been fairly high due to strong demand from senior executives working in the nearby industrial zones. Rents are kept fairly high in the OCT as the leasing stock is very limited as most units are owner-occupied, and most of the residential units in the Dameisha District command average rents of RMB 40 psm per month due to the distance from the downtown area and poor accessibility (although Vega Villas are an exception).

The current leasing market of high end residential is relatively inactive due to the rapid increase of sale prices in recent years triggering some buyers to purchase high end residential units in fear of losing an opportunity whilst others speculate on price growth in anticipation of a quick capital gain rather then a long term investment. Average sale prices at Q2 2007 were approximately RMB 35,000 psm with the highest record at RMB 58,000 psm equating to an average annual growth rate of 57.8% since 2002. Again, high sale prices were seen in the Honey Lake area. As at Q2 2007 investment yields were around 2% to 3%.

22.5 HIGH-END RESIDENTIAL APARTMENT MARKET OUTLOOK

The rapid economic development of Shenzhen resulting in expansion and relocation of foreign enterprises should drive further demand for high end residential properties. The closer connectivity between Shenzhen and Hong Kong will also attract more Hong Kong people to move to Shenzhen helping to stimulate a bigger demand for high end properties. Overall high end residential sales projects in Shenzhen have achieved a 94% take-up rate and are estimated to be 100% sold out in the next six months due to the fast growing demand and limited future supply. Future macro control policies from the Central Government are likely to impact acquisition costs for housing buyers and generally create restrictions and limitations on high end residential development.

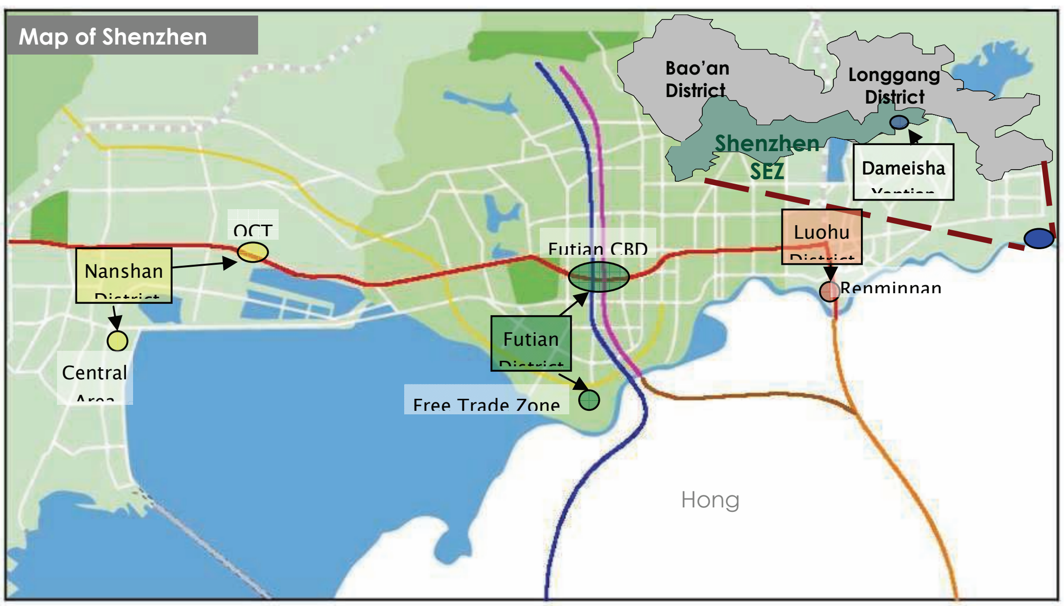
It is expected that high-end residential prices will not increase as sharply as in previous years when there was more speculative activity. Future annual sales price growth for the period from Q3 2007 to 2009 is anticipated to be around 20%. It is expected that leasing demand will become stronger as more expatriates move to Shenzhen. However, growth levels are not expected to be as strong as sales prices. Investment yields are relatively low for high end residential properties. Due to inadequate support facilities and poor accessibility for a large number of high end residential projects, many expatriates may prefer better located mid to high end residential projects instead. Nevertheless, it is estimated that the rental levels in the Caiwuwei District will perform the best due to its prime downtown location and good support facilities. Overall, the high end residential rental market is anticipated to grow by 5% to 8% per annum from Q3 2007 to 2009 with an indicative investment yield of less than 2% to 3%.

23.0 SHENZHEN 5 STAR HOTEL SECTOR – INTERNATIONAL BRANDS

Presently, there are a total of eight international branded 5-star hotels in Shenzhen, all of which are located within the Shenzhen SEZ, in the Futian District, Luohu District, Nanshan District and Yantian District. Apart from the eight listed hotels, it is noted that during the period between June 2004 and 2006 Hilton International was appointed to manage the Panglin Hotel (527 rooms). However the owner subsequently cancelled the management contract and decided to manage the hotel themselves. Therefore the Panglin Hotel is not considered in this report.

Shenzhen 5 Star Hotel Market		
Major Hotel District	Total Rooms Q2 2007	% Proportion (2009)
Luohu District	553	15.9%
Futian District	1,255	36.0%
Yantian District	368	10.6%
Nanshan District	1,312	37.5%
Total	**3,488**	**100.0%**

Source: CB Richard Ellis



Source: CB Richard Ellis

23.1 KEY CHARACTERISTICS OF MAJOR 5 STAR HOTEL AREAS

	FUTIAN DISTRICT	NANSHAN DISTRICT	LUOHU DISTRICT	YANTIAN DISTRICT
Strengths	• Located in the centre of the SEZ, near two HK checkpoints • Emerging CBD, administration, business and cultural centre of Shenzhen city;	• Tourist attraction (three large theme parks , namely China Folk Cultural Villages, Splendid China Miniature Scenic Spots and Happy Valley)	• Close to railway station and Luohu Checkpoint • Old CBD of Shenzhen, well established district with wide range of supporting	• Located in Xiaomeisha resort which is a well-known vacation destination in Shenzhen • Enjoyable seaview and close to beach

	FUTIAN DISTRICT	NANSHAN DISTRICT	LUOHU DISTRICT	YANTIAN DISTRICT
	• Highly centralised Grade A office buildings • Proximity to Convention and Exhibition Centre, as well as industrial and logistic parks • Transportation hub	• Proximity to Shenzhen Hi-tech Industrial Park, which has the largest output value in the city • Proximity to HK-SZ Western Corridor Bridge & Shekou Port	facilities	• Proximity to the theme park namely OCT East
Weaknesses	• Insufficient entertainment facilities in surrounding • Immature commercial atmosphere at present	• Lack of office buildings, especially grade A class • Immature business environment as mostly oriented to residential projects	• Heavy pedestrian traffic, especially in Renminnan area due railway station and Luohu Checkpoint	• Lack of public transportation and rapid transit • Shortage of supporting facilities in surrounding

Source: CB Richard Ellis

23.2 FUTURE SUPPLY (2007 – 2009)

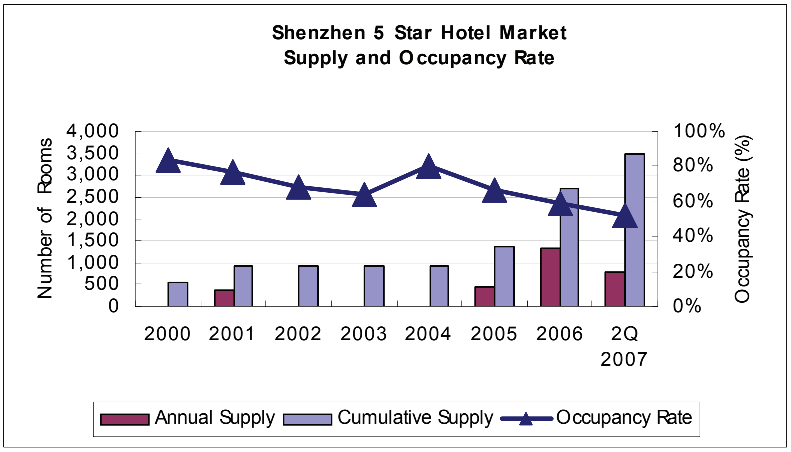
Between Q3 2007 and 2009, an additional 1,719 rooms are forecast for Shenzhen's 5 star hotel market, increasing total stock by 49% as compared with Q2 2007. Most of the future supply is planned to be completed in the Futian District, with 76.7% of the total, followed by Luohu district with 23.3% of the total which indicates a commercial shift from the east to the westside of the city, strongly promoting the Futian area as the dominant international 5 star hotel area in the future. The four new 5-star hotels to be opened by the end of 2008 are being developed by both domestic and Hong Kong based developers and will be managed by international operators. Three of the hotels are planned in Futian CBD with one in the Caiwuwei area of Luohu District.

Future 5 Star Hotel Market in Shenzhen 2007 – 2009				
Major Hotel District	**Total Rooms Q2 2007**	**Additional Supply Q3 2007 – 2009 (Rooms)**	**Total GFA at Dec 09 (estim. rooms)**	**Proportion (%)**
Futian District	1,255	1,319*	92,500*	76.7%*
Luohu District	553	400	28,000	23.3%
Total	**1,808**	**1,719***	**120,500***	**100.0%**

Source: CB Richard Ellis *Excludes the future hotel on the site B116-0040

23.3 DEMAND TRENDS

As a result of robust economic development in Shenzhen and its proximity to Hong Kong, the city is a popular tourist destination with people visiting from Hong Kong, as well as local tourists stopping by on the way to Hong Kong. The total number of visitors to the city in registered accommodation has shown an upward trend since 2000, and increased from 9.9 million in 2000 to 17.4 million in 2006, representing a CAGR of 9.9%. During the same period, the number of domestic visitors increased at a CAGR of 9.6% and the international visitors at a CAGR of 14.7%. The rising numbers are largely the result of the well known exhibitions held at the Shenzhen Convention and Exhibition Centre, the Individual Visitor Scheme (IVS) for mainland residents allowing them to travel to the Hong Kong SAR since 2003 (most travel through Shenzhen), the policy of free 144-hour visas for foreigners traveling to the Pearl River Delta via Hong Kong or Macau, as well as the increase in the number of international flights to Shenzhen Airport. As a result, the domestic and foreign tourism revenue achieved a CAGR of 7.2% and 8.3% respectively from 2000 to 2006.

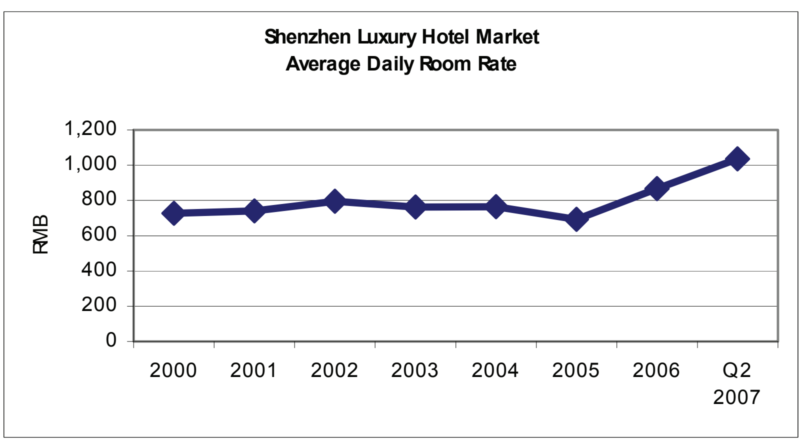


Source: CB Richard Ellis (estimates as at Q2 2007)

From 1992 to 2001, the Shangri-la Hotel was the only internationally branded 5-star hotel in Shenzhen and therefore it held a monopoly in the market for 8 years, recording a generally high occupancy rate. Occupancy rates have been largely influenced by the addition of new supply as well as the decline in 2003 because of the SARS outbreak. In Q2 2007 the average occupancy rate was around 52.0%. Of the eight existing 5-star hotels, the Crowne Plaza Hotel had the highest occupancy rate, as at Q2 2007, at 83.0%.

23.4 ROOM RATES, SALE PRICES & INVESTMENT YIELDS

The ADR of international branded 5-star hotels in Shenzhen increased at a CAGR of 5.2% from 2000 to Q2 2007. Between 2000 and 2004, ADRs fluctuated within a narrow band from RMB 687 to RMB 842. Rates showed a slight fall in 2005 mainly due to the opening of Four Points by Sheraton Shenzhen in December 2004 which pulled down the average. Between September 2006 and first half of 2007, 5 new luxury hotels opened bringing new facilities and increasing the overall quality of services, and as such, significantly lifted ADRs to approximately RMB 1,036 by Q2 2007. The growing ADRs will be well supported by the enlarged demand for 5-star hotel from increasing numbers of business travellers, conference attendants and visitors.



Source: CB Richard Ellis (as at Q2 2007)

There is very little evidence of 5-star hotel transactions in Shenzhen, even by institutional investors, therefore, figures for sales price and investment yields in Shenzhen are limited but are estimated at between 6.5% and 7.5% based on available information to date.

23.5 5 STAR HOTEL MARKET OUTLOOK

The outlook for luxury hotels in Shenzhen is positive in the short to medium term. Against a backdrop of strong investment and RMB currency appreciation, Shenzhen continues to attract large number of foreign companies setting up their businesses. The implementation of CEPA has positively impacted relations between Shenzhen and Hong Kong, as well as the overall Pearl River Delta area, consequently fostering increased foreign investment, particularly in the rapidly expanding logistic and service sectors. As a logistic hub in southern China, Shenzhen is an export manufactory base stimulating the number of business travellers. Taking advantage its proximity to Hong Kong, a leading financial hub, Shenzhen is increasingly being used as a back office location for financial services for international financial institutions, for customer services, and data warehousing. This has increased the number of foreign business travelers visiting to Shenzhen, who stay at the luxury hotels The outlook for tourist demand is also positive, due to the accelerated development of seaside resort locations on the eastern coast and international sports events in the city. With the considerable new supply, it is forecast that average occupancy rates will be compressed somewhat. Looking forward, occupancies are expected to rebound to current levels of around 52% as demand remains strong and the new supply is slowly absorbed, in the medium term. It is expected ADRs will increase as the market continues to mature and quality of hotels improve.

24.0 MACAU

24.1 ECONOMIC INDICATORS

At the end of Q2 2007, the population of Macau reached 525,500. From 2000 to 2006, the CAGR of the population was about 2.9%. The Government estimates that by 2023, the population may increase to 610,000. In addition, there were about 76,400 non resident workers authorised to stay and work in Macau at the end July 2007, up by 46% for the same period last year.

MACAU	2000	2001	2002	2003	2004	2005	2006	Q2 2007	CAGR (00-06)
Population ('000)	431.5	436.3	440.5	446.7	462.6	484.3	513.4	525.5	2.9%
GDP (MOP 100million)	489.7	497.0	548.2	635.7	829.7	925.5	1,143.6	712.6#	15.2%
GDP per capita (MOP '000)	113.7	114.5	125.1	142.8	181.4	195.2	227.5	-	12.3%
Unemployment Rate	6.8%	6.4%	6.3%	6.0%	4.8%	4.1%	3.7%	3.%	-
CPI	-1.6	-2.0%	-2.6%	-1.6%	1.0%	4.4%	5.2%	-	1.4%
Retail Sales of Consumer Goods (MOP million)	4,594	4,833	5,223	6,268	7,518	8,779	10,656	6,383#	15.1%
Retail Sales – Annual Growth	-	5.2%	8.1%	20.0%	19.9%	16.8%	21.4%	-	-
Median Monthly Earnings (MOP)	4,822	4,655	4,672	4,801	5,167	5,773	6,701	7,708	5.6%
- Financial Services	7,726	7,696	7,923	8,588	8,159	8,691	8,825	9,571	2.2%
- Construction	4,351	4,300	4,145	4,593	4,967	5,922	7,521	8,381	9.6%

MACAU	2000	2001	2002	2003	2004	2005	2006	Q2 2007	CAGR (00-06)
- Retail & Wholesale	4,533	4,445	4,430	4,355	4,550	4,888	5,576	5,999	3.5%
- Hotels & Restaurants	4,099	4,005	4,054	4,074	4,272	4,468	4,885	5,257	3.0%
- Manufacturing	2,960	2,758	2,758	2,834	2,983	3,101	3,140	3,867	1.0%
- Cultural, recreational, gambling & other services	6,156	6,187	5,965	6,466	7,080	7,837	9,537	11,585	7.6%
Foreign Direct Investment (MOP Billion)	-	23. 8	26.1	28.5	31.2	41.4	-	-	14.8%*
Visitor Arrivals ('000)	9,162	10,279	11,531	11,888	16,673	18,711	21,998	12,640#	15.7%

*CAGR (01-05) #Cumulative Figure of Q1-Q2 2007

Source: Macau Census and Statistics Department

Since the return of sovereignty of Macau to China, the Macau SAR Government has been determined to modernise its gaming industry and develop the city into one of the major gaming, entertainment and tourism cities in the world, comparable to Las Vegas. The transformation began in 2001 when the monopoly of gaming operations came to an end and three new gaming licenses were granted after a tendering process.

- Since 2000, the GDP has been growing at a CAGR of 15.2% to 2006. At the same time the median monthly earnings have increased by a CAGR of 5.6% per annum and the unemployment rate has fallen from 6.8% in 2000 to 3% in Q2 2007.
- The construction boom for the development of modern casinos, hotel and entertainment complexes, and also the infrastructure to support the city's transformation and development has generated a lot of employment. The median monthly earnings in the construction sector rose sharply from MOP 4,351 in 2000 to MOP 8,381 in Q2 2007.
- Visitor numbers also increased significantly from 9.2 million in 2000 to 22 million 2006, representing a CAGR of 15.7%. For the first half of 2007, visitor numbers have already reached 12.6 million.
- Retail sales of consumer goods grew at a CAGR of 15.1%. Foreign direct investment has also poured into Macau, reaching a MOP 41.4 billion in 2005, representing a CAGR of 14.8% since 2000.

There are six gaming concession/sub-concession license holders and the Government has announced that no new gaming licenses will be granted before 2009. By November 2006, the gaming revenue in Macau had already surpassed that in Las Vegas Strip. Gaming tax revenue reached MOP 20.7 billion in 2006, representing a 20% increase compared with 2005 and it accounted for 76% of total Government revenue. For Q2 2007, the gaming tax revenue reached MOP 14.3 billion, representing an increase of 46.4% compared with the same time last year.

For the first half of 2007, the total number of visitors reached 12.6 million, representing a 21.3% increase compared with the same period of 2006. Over 98% of the visitors were from mainland China, Hong Kong and Taiwan. The introduction of the Individual Visitors Scheme (IVS) in 2003 has significantly boosted the number of visitors from mainland China with over half of mainland China visitors entering on this basis.

24.2 INFRASTRUCTURE DEVELOPMENTS & URBAN PLANNING

To facilitate the development and planning of the city, the Macau SAR Government has plans to improve the infrastructural capacity. Some projects have been completed and others are either under construction or under active planning including the following:

Lotus Flower Bridge between Macau and Zhuhai

The bridge will divert heavy cross-boundary traffic from the Border Gate on Macau Peninsula, and assist the development of Heng Qin Island (Zhuhai) where a resort area has been proposed.

Hong Kong-Macau-Zhuhai Bridge

A 29km bridge between the three cities has been planned and negotiations are underway. Travel time between Hong Kong and Macau is expected to be around 30 minutes when completed.

Light Rapid Transit (LRT) System

Feasibility studies for a LRT System in Macau have been conducted by the Macau government in order to alleviate congestion on the road network. It would run between Macau Peninsula and Cotai. Tentatively, construction of the first phase is planned to commence in 2008 for completion by the end of 2011

Second Ferry Terminal at Taipa

A second ferry terminal is under construction at Taipa near the Macau International Airport to complete in 2009 and should provide more facilities to encourage ferry transfer from Shenzhen, cities in the Pearl River Delta region, Shenzhen International Airport, Hong Kong and Hong Kong International Airport. A temporary pier will be completed in November 2007 with 3 to 4 berths.

New Town Planning and Reclamation

In January 2006, the Government proposed a new master plan of Macau for the next two decades. Under the plan, about 398 hectares of land would be formed by reclamation. The reclaimed land would be located off the coast Areia Preta, and on 3 man-made islands off the northern coast of Taipa. About 163 hectares of land would be earmarked for residential, commercial and hotel developments. The remaining 235 hectares of reclaimed land would be used for green belt, roads and other Government, Institution and community purposes. Two cross-harbour tunnels are planned to be built alongside Macau-Taipa Bridge to facilitate vehicular traffic between the peninsula and Taipa.

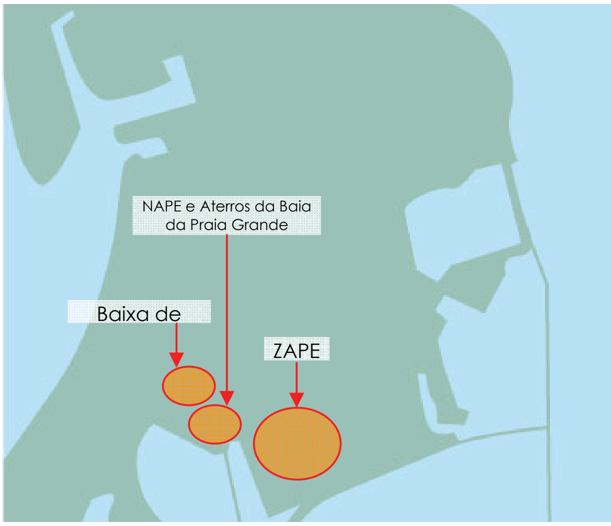
25.0 MACAU GRADE A OFFICE SECTOR

Despite the rapid expansion of the Macau economy since 2002 with the booming gaming and tourism industries, the office property sector has seen the least benefit when compared to the residential and commercial sectors. As Macau is dominated by the gaming industry rather than the financial or other professional services sectors as seen in neighbouring Hong Kong, demand for offices has historically not been very strong. The office market has been dominated by grade B office buildings and it has only been in recent years that four grade A office buildings have become available in Macau and these were a result of investors renovating and upgrading previous grade B office buildings. Looking forward, the trend for upgrading existing grade B offices is expected to continue with three additional buildings earmarked. Office buildings in Macau are typically located within three main areas on the Macau Peninsula: ZAPE, NAPE e Aterros da Baia da Praia Grande (NAPE) and Baixa de Macau (the Central Business District). The grade A office stock wa four buildings of about 144,000 sm in Q2 2007 and they were located in NAPE and ZAPE.

Major Grade A Office District	District	Total GFA (estim. sm)*	Proportion (%)
NAPE e Aterros da Baia da Praia Grande	Macau Peninsula	76,200	52.9%
ZAPE	Macau Peninsula	67,800	47.1%

Baixa de Macau	Macau Peninsula	0	0.0%
Total	**-**	**144,000**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)



Source: CB Richard Ellis

25.1 KEY CHARACTERISTICS OF MAJOR GRADE A OFFICE AREAS

	BAIXA DE MACAU	ZAPE	NAPE
Strengths	• Close to newly developed hotels and casinos • Well established commercial hub • Located near the historic town centre and major tourism assets and shopping district near Senado Square • High accessibility to the other areas of Macau Peninsula	• Close to the newly developed hotels and casinos e.g. Wynn, Grand Lisbao and MGM Grand • Sufficient car parking space • Close to Central Business District and Ferry Terminal • Comparatively less traffic congestion • Good accessibility to other areas of Macau Peninsula	• Close to newly developed hotels and casinos • New established commercial hub • Main and side streets are relatively wider • Comparatively less traffic congestion • Good accessibility to the other areas of Macau Peninsula
Weaknesses	• Lack of land for new Grade A office developments • Narrow main and side streets with little room for widening • Traffic congestion with increasing competition between vehicles and pedestrians for limited street-level circulation space	• Lack of land for Grade A office developments • Lack of F&B outlets for the majority of office workers	• Potential competition among the new Grade A office • Lack of F&B outlets for the majority of office workers

Source: CB Richard Ellis

25.2 FUTURE SUPPLY (2007 – 2009)

By the end of 2009, it is expected that the total stock of grade A office in Macau will be 271,200 sm reflecting a 88.3% increase compared to existing stock. NAPE (48.6%) and ZAPE (40.6%) will continue to dominate the grade A office market and new stock will emerge in Baixa de Macau. Future supply of grade A office buildings to 2009 is expected to be limited to the upgrading of three office buildings in NAPE, ZAPE and Baia da Praia Grande areas. Beyond 2009, it is not clear whether there will be a significant contribution of new supply to the grade A office market, given the popularity of the residential market for new development and the small size of the Macau office market in general.

Future Grade A Office Market in Macau					
Major Office District	District	Total GFA as at Q2 2007 (estim. sm)	Additional Supply 2007 – 2009 (estim. sm)	Total GFA as at Dec 09 (estim. sm)	(%)Proportion of GFA out of Total GFA Dec 09
NAPE e Aterros da Baia da Praia Grande	Macau Peninsula	76,200	55,700	131,900	48.6%
ZAPE	Macau Peninsula	67,800	42,200	110,000	40.6%
Baixa de Macau	Macau Peninsula	0	29,300	29,300	10.8%
Total	**-**	**144,000**	**127,200**	**271,200**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

25.3 DEMAND TRENDS

Demand for better quality office space, particularly grade has grown dramatically since the launch of the new casino licence system in 2002. With the amount of construction in recent years, many design, engineering and construction companies have sought grade A office space in Macau's business districts. With the completion of the Venetian and the Wynn casino, there has been a slight decline in demand as the casino management have relocated some of the staff from office buildings into the casinos. However, demand is expected to pick up in the next 12 months once a number of the other large developments start construction such as the City of Dreams and the Galaxy Mega Resort. From Q3 2007 to 2009, 18 5-star hotels with 17,110 hotel rooms are expected to be completed and companies providing support services to the hotels, casinos, shopping and entertainment complexes as well as exhibition and convention facilities are all expected to contribute to continued steady demand for grade A office space. Due to the central location and proximity to major business partners, Baixa de Macau, NAPE e Aterros da area and ZAPE will continue to be the most sought after locations for office space in Macau. The average vacancy rate in the grade A office market in Macau has improved from about 30% in 2005 to around 10% in 2006. Three of the four existing grade A office buildings in Macau had vacancy rates less than 10% as of Q2 2007. With the new supply almost doubling the amount of existing grade A office stock, vacancy rates are expected to experience some upward pressure in the next three years.

25.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

Rental levels in Macau vary significantly depending on the building quality and building management as all the buildings are located in relatively close proximity in NAPE and ZAPE. Despite the increase in demand in recent years, average rental levels for grade A office buildings in Macau have remained fairly stable with minor increases and fluctuations seen for higher floors with sea views in the better quality buildings. As at Q2 2007, average asking rental levels ranged from MOP 110 to MOP 183 psm per month on a gross basis, with consistent highest rental recorded in NAPE at the Bank of China Building and the lowest seen in ZAPE, estimated at around MOP 110 psm per month, largely a result of the older, less attractive surrounding Grade B buildings and a lack of supporting retail and food and beverage facilities.

The majority of sale transactions in Macau took place within the grade B office market. Transaction sale prices of individual units or en-block grade B office buildings in Q2 2007 ranged from MOP 14,000 psm to MOP 18,000 psm. Among the three office locations, office units in Baixa de Macau typically record the highest average unit price followed by NAPE and ZAPE. There were virtually no transactions of individual office units in the two strata-title grade A office buildings recorded in the past year as these buildings are typically held by owners for long-term investment. With regards to en-bloc sales, the last transaction was the acquisition of the AIA Tower (formerly known as The Macau Gateway) by a property fund in 2005 at a transaction price of about MOP 15,000 psm. Average investment yields for the strata-title sale of individual office units (usually of grade B quality) were about 7% to 8% as of Q2 2007. As there were no major transactions in the grade A office market in the last twelve months, it is difficult to determine an indicative yield. However, as grade A office yields are typically slightly lower than those of grade B offices, an indicative yield could be estimated at around 6% to 7% for grade A office buildings in Macau.

25.5 OFFICE MARKET OUTLOOK

In line with the steady office demand generated by business services supporting the operation of the major casinos, hotels, shopping, entertainment and convention facilities, office sale prices in the overall market are expected to continue their present trend and increase at about 10% to - 15% per annum up to 2009. Demand is expected to come from both end-users and investors. In the grade A office market, average sale prices are expected to increase at 5% to 10% per annum to 2009. Given that most of the office stock in Macau was completed in the 1990s and apart from a few office buildings which were upgraded to grade A quality, and that there is no true "grade A" office building in the city that is comparable to a similar grade of office building in Hong Kong, or even Shenzhen, demand for grade A office buildings is expected to fare better than lower grade buildings in the coming 2 to 3 years due to the increase in the number of financial and professional services companies in serving the growing entertainment, hotel and convention/exhibition businesses showing preference for better quality buildings. The take up of grade A office space is expected to increase to 2009 based on continued economic growth, the increase in number of newly formed companies which provide the ongoing casino industry with services such as recruitment and training centres to support their business growth. Also, the continuous opening of new gaming facilities and hotels should also bring in tenants in different fields such as telecommunications, finance, advertising and logistics. Rental levels are expected to remain stable or slightly increase in late 2008. Vacancy rates are also expected to remain below 10%. As it is expected that rental levels will increase at a slower pace than sale prices (which is driven more by investor demand), indicative investment yields are expected to ease slightly from the present level of 6% to 7% to 5% to 6% between 2008 and 2009.

26.0 MACAU PRIME RETAIL SECTOR

The retail market in Macau has been dominated by street shopping with only a limited number of shopping centres and podium shopping centres of a much smaller scale situated on the lower floors of office buildings in the CBD or in residential buildings around the city. There was approximately 38,700 sm of prime retail space in Macau as at Q2 2007.

Prime Retail District	Estim. GFA (sm)	Market Share
Avenida de Horta e Costa	8,200	21.2%
Senado Square	20,500	53.0%
CBD area	10,000	25.8%
Total	**38,700**	**100.0%**

Source: CB Richard Ellis (Note: No completed retail provision in Cotai as at Q2 2007)

26.1 KEY CHARACTERISTICS OF MAJOR PRIME RETAIL AREAS

	AVENIDA DE HORTA E COSTA	SENADO SQUARE	CBD AREA	COTAI
Strengths	• Located within the densely populated area where most of the local population live • Pedestrian flow is high	• Traditional shopping area well known by tourists • Location near popular tourism assets and historical place e.g. Ruins of St. Paul's & Museum	• Within the CBD, many offices, hotels and casinos nearby • Location where high purchasing power local office workers and tourists are present	• Most of the shopping centres to be part of casino/entertainment/hotels/convention facilities • A one-stop gaming, shopping and entertainment experience
Weaknesses	• Concentrate on local market only	• Traffic congestion is common along those shopping streets. • Virtually no new supply of ground floor shops	• Concentrate on the foreign and visitors market only • High potential competition of shopping centres targeting similar market in Cotai in the future	• Intensive competition among different projects • Most of the developments will not be completed until after 2009

26.2 FUTURE SUPPLY (2007 – 2009)

The total amount of additional future supply of prime retail space in Macau is estimated to be 237,200 sm between Q3 2007 and 2009, bringing the total amount of stock to about 275,900 sm in 2009. This amount reflects an increase of 613% and the majority of the new prime retail supply will be located at Cotai, accounting for 84.0% of the total additional supply. Owing to the limited supply of land in the established prime retail areas, no new supply of retail space is forecast along Avenida de Horta e Costa and in Senado Square. In the CBD area, two comprehensive projects with a retail element namely MGM and One Central Macau will be completed by end of 2007 and 2009 respectively. The retail size of the MGM project is not expected to be large. Phase 1 of The Venetian opened on 28 August 2007 with agreements with 200 premium retailers, to occupy 250 stores across two levels of the shopping centre.

Future Prime Retail Market in Macau 2007 – 2009

Major Retail District	District	Total GFA at Q2 2007 (estim. sm)*	Additional Supply Q3 2007 – 2009 (sm)*	Total GFA at Dec 09 (estim. sm)*	Proportion (%)
Avenida de Horta e Costa	Macau Peninsula	8,200	0	8,200	3.0%
Senado Square	Macau Peninsula	20,500	0	20,500	7.4%
CBD area	Macau Peninsula	10,000	37,200(1)	47,200	17.1%
Cotai	Cotai	Nil	200,000(2)	200,000	72.5%
Total	**-**	**38,700**	**237,200**	**275,900**	**100%**

Source: CB Richard Ellis (estimates as at Q2 2007); (1) Figure does not include MGM (completing end 2007) as the scale of retail space is not known; (2) Including 80,800 sm. of retail in The Venetian Macao completed in Aug 2007.

26.3 DEMAND TRENDS

Street-level shopping appears to be the preferred shopping format, making street-front shops the dominant retail format in Macau. The majority of existing retail shops mainly cater to the mid end market. However, with the development of modern shopping centres in Cotai which will be integrated with casinos, hotels, arenas, convention and exhibition facilities in the coming years, higher end retail facilities targeting tourists as opposed to locals is expected to become the focus of new retail supply in Macau. Demand for retail space in Macau has been strong in recent years with vacancy rates virtually nil, supported by buoyant retail sales figures, largely attributed to the increasing number of tourists attracted by the opening of new casinos in Macau, as well as the continuous expansion of the IVS Scheme. In terms of domestic demand, there was significant growth in the proportion of the population in the middle and high income brackets and average monthly earnings. This trend is anticipated to continue in the coming few years as competition for skilled labour in Macau continues to intensify and more foreign workers need to be imported for management positions. Due to the limited supply of retail space in the prime retail districts, the high quality shopping centres completing in the next three years have been highly sought after by global brands. Competition from the new retail supply in Cotai, is unlikely to have a large impact on the Macau Peninsula prime retail areas, given the different demand drivers for these areas. Vacancy rates in Cotai are expected to increase in the short term as the new projects come on line, before rebounding rapidly as foreign retailers take space.

26.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

The implementation of the IVS Scheme in July 2003 and the opening of the Sands Casino in 2004 saw a spike in Mainland Chinese visitor arrivals to Macau. These two factors triggered an increase in both sale prices and rental levels for high street shops in prime locations with average figures almost doubling between 2003 and Q2 2007 in the more popular locations such as Senado Square. However, for the less popular locations, average sale prices and rental levels of street shops have only increased by about 10% between 2003 and Q2 2007. Rental levels vary to a great extent depending on the location. The highest average rental levels in Q2 2007 were found in the prime tourist shopping area in Senado Square and near St Paul's ruins (MOP 550 to MOP 1,950 psm per month (G) and in the Central Business District, rental levels as at Q2 2007 ranged from MOP 450 psm to MOP 1,600 psm per month. The lowest average rental levels were found in ground floor retail premises in Avenida de Horta e Costa (MOP 320 psm to MOP 550 psm per month)). Existing shopping centres in Macau are considered to be of a comparatively lower quality than those in Hong Kong and are not popular shopping destinations for tourists.

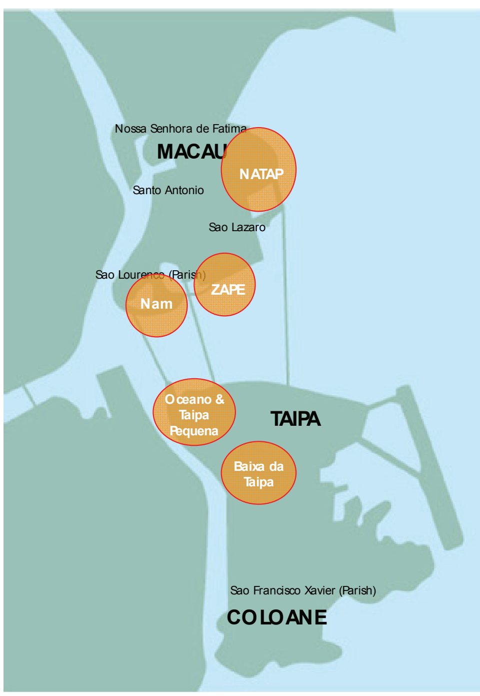
Sale price evidence for shopping centres is fairly limited in Macau as most shopping centres are developed and retained by their original developers/owners as investments. As for street shops, recent transaction evidence revealed that the average sale price of prime street shops in Avenido de Horto e Costa ranged from MOP 85,000 to MOP 110,000 psm and in Senado Square they ranged between MOP 130,000 and MOP 320,000 psm in the first half of 2007. However, there have been very few transactions for individual street shops in prime locations as many owners have been demanding unrealistically high prices. Based on available market information, the indicative investment yield of prime retail shops in Macau is estimated to be in the region of 4% to 6% as at Q2 2007.

26.5 PRIME RETAIL MARKET OUTLOOK

Local retail expenditure has been increasing steadily on the back of increasing purchasing power of residents. However, the major demand driver for retail expenditure in the coming three years is believed to come from international visitors, particularly with the opening of the new hotels and casinos. Future growth in retail sales is likely to continue to be driven by the on-going reduction in individual travel restrictions for Mainland Chinese and by the creation of a shopping, leisure and gaming hub between Hong Kong and Macau targeting the Asia-Pacific region. In view of the continued strong growth in local income and visitor numbers as well as their level of spending, and a relatively limited supply of quality retail space up to 2009, average rental levels are expected to grow at a rate of 10% per annum from Q3 2007 to 2009 in the prime retail area such as the Senado Square of the Macau Peninsula. However, no rental growth is expected for retail space of shopping malls in Cotai from Q3 2007 to 2009, as the existing tenants of the new malls are likely on a fixed lease term of 2 to 3 years. In line with the strong rental growth, sale prices for street shops are expected to appreciate at the same rate at 10% per annum from Q3 2007 to 2009 which should give rise to a stabilised indicative gross investment yield of 4% to 6% for the same period.

27.0 MACAU HIGH END RESIDENTIAL APARTMENT MARKET

In Macau, residential districts are scattered around the city on the Macau Peninsula, Taipa and Coloane. On the Macau Peninsula, the main residential districts are NATAP, Areia Preta e Iao Hon, Doca do Lamau and Horta e Costa e Ouvidor Arriaga. On Taipa, they are concentrated at Baixa da Taipa (Taipa town centre) and Jardins do Oceano e Taipa Pequena. Coloane has limited stock of residential units as it is a hilly island with limited developable land and existing residential developments are mostly low-density. High end residential apartments have only appeared in Macau in the last few years. As at Q2 2007, there were several high-end residential apartments in the areas of NATAP and Taipa, providing a total of 4,565 units. In addition, several high-end residential projects are under development ZAPE and Nam Van. These three areas are situated either near the existing CBD, or the casino/entertainment areas.



Source: CB Richard Ellis.

Major High End Residential District	District	Total Units	Proportion (%)	Unsold Rate	Average Sale Price (MOP psm)
ZAPE and Nam Van	Macau Peninsula	0	0%	0	-
NATAP	Macau Peninsula	1,881	41.2%	0	20,000-26,000
Taipa	Taipa	2,684	58.8%	0	16,000-32,500
Total		**4,565**	**100.0%**		

Source: CB Richard Ellis (as at Q2 2007)

27.1 KEY CHARACTERISTICS OF MAJOR HIGH-END RESIDENTIAL AREAS

	ZAPE AND NAM VAN	NATAP	TAIPA
Strengths	• Near the Central Business District and casino hub on Macau Peninsula • Within short travelling distance of the Macau International Airport, future Taipa ferry pier and the developing Cotai • Within short distance of major tourism attractions	• Located at the landing point of the proposed Macau-Hong Kong-Zhuhai bridge • Located at the north-eastern part of the Macau Peninsula close to the Zhuhai Border Checkpoint favoured by local Macau residents who frequently travel between Macau and Zhuhai	• Near Cotai – the developing Las Vegas Strip of Asia • Relatively new developed area in Macau with better planning for roads, and new recreational community facilities • More spacious open space and parks than Macau Peninsula
Weaknesses	• Too close to commercial districts and casinos	• High-density residential area close to the old residential and industrial developments	• Not favoured by local Macau residents as most existing job opportunities are on Macau Peninsula. • Employment opportunities of Cotai still developing

Source: CB Richard Ellis

27.2 FUTURE SUPPLY (2007 – 2009)

In Macau, developers can begin pre-selling the residential units from the planning stage even before construction has commenced. It is therefore very common for developers to pre-sell the units at an early stage for financing their development projects in Macau. From CB Richard Ellis' research we estimate that an additional 5,253 units will be completed between the second half of 2007 and 2009 increasing existing stock by 115.1%. The economic growth in Macau is likely tied to the development of major casino/entertainment complexes such as The Venetian, the City of Dreams and Macau Studio City in Cotai, Wynn Casino, MGM Grand and the New Lisboa on the Macau Peninsula. Major residential developments are currently under construction at Taipa (79%) and ZAPE (21%) on the Macau Peninsula within convenient distance of these developments. Beyond 2009, new supply of 16,982 units has been mooted for completion between 2010 and 2013, however these projects may be cancelled or delayed depending on the performance of the high end residential market in Macau in the next few years.

Future High End Residential Market in Macau 2007 – 2009

Major High End Residential Apartment District	District	Total Units at Q2 07	Additional Supply 2007 – 2009	Total Units at Dec 09	Proportion (%)
ZAPE and Nam Van	Macau Peninsula	0	1,105	1,105	11.3%
NATAP	Macau Peninsula	1,881	0	1,881	19.2%
Taipa	Taipa	2,684	4,148	6,832	69.5%
Total	**-**	**4,565**	**5,253**	**9,818**	**100.0%**

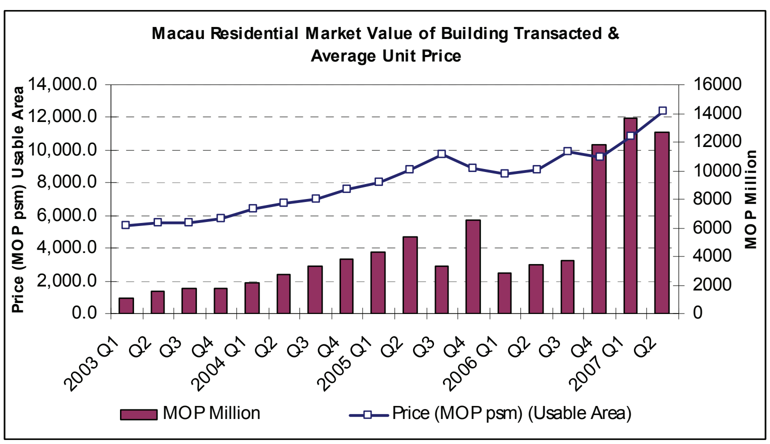
Source: CB Richard Ellis, media and local agents (estimates as at Q2 2007)

27.3 DEMAND TRENDS

The number of transactions in the overall residential market increased from 15,608 in 2004 to 17,175 in 2006. The proportion of transactions of newly completed residential units versus secondary market sales increased from 19.5% to 27.3%, and the percentage of sales transactions to non-Macau residents increased from 29% in 2004 to 38% in 2006. The figures indicate the growth in non-Macau residents in the market who mostly purchase high-end residential units. Currently there are virtually no unsold unit for completed high-end residential developments. Future demand is forecast to come from high income local residents, imported foreign workers and foreign investors . A growing number of foreign workers are expected to come to Macau to fill the rapid increase in job vacancies due to both economic expansion and to structural changes in the employment sectors. Not only will the gaming and hospitality industries be employing expatriates but many businesses that support the gaming and MICE businesses may also be employing foreign workers seeking residential accommodation in the mid-high to high end of the market. Future investors in the high end residential property market are likely to continue to be from Hong Kong, Mainland China, and a few westerners, with some also from Korea and Japan. To cater for demand for quality housing units, many developers have upgraded the building standards and quality of finishes in their latest developments, matching those provided in the medium and high-end residential sector in Hong Kong. During the past few years, developers have been focusing to develop large-sized residential units with at least 2 bedrooms (>120 sm GFA), aiming to capture the high-end and high-value sector of demand.

27.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

Sale prices for the overall residential market grew by 30% in 2004 to MOP 8,000 psm after an eight-year market slump, which had left many buildings vacant having been bought by speculators in the mid 1990s. From Q4 2006 onward, both the number of transactions and the price increased sharply. In Q2 2007, the total value of building transactions had increased by 3.7 times compared with the same period in 2006. In terms of average unit price, Q2 2007 has recorded a 41.3% y-o-y increase to MOP 14,140 psm. As at Q2 2007, sale prices for the overall residential market are highest in Nam Wan (MOP 22,750 psm), ZAPE (MOP 18,598 psm) and NATAP (MOP 14,646 psm) on the Macau Peninsula and Taipa (MOP 21,039 psm), and this trend is indicative of the high end residential market as well. Due to its proximity to the CBD, major casinos and the Ferry Terminal, residential apartments in ZAPE and Nam Van command higher sales prices than other areas on Macau Peninsula.



Source: Macau Census and Statistics Department

For recently completed residential developments average rental levels were around MOP 70 to MOP 86 per month psm (exclusive of management fees) in Q2 2007. Average rental levels in NATAP, ZAPE and Taipa in Q2 2007 ranged from MOP 60 to MOP70 psm per month. Rental levels have appreciated by about 30% since 2003, as a result of demand from foreign workers and expatriates. The investment yields for high-end residential buildings as at Q2 2007 were relatively low at about 3.5%, as a result of fairly low rental levels compared to the fast appreciating sale prices.Currently the unsold rate for completed high-end residential developments is close to zero. The recent successful launches of a number of residential projects not due for completion until 2009 demonstrates the positive confidence of investors. Buyers of these projects are mainly investors either for long term investment or short term speculation. Since there is no statutory restriction on sale of uncompleted units, investors have greater flexibility in reselling these units.

27.5 HIGH-END RESIDENTIAL APARTMENT MARKET OUTLOOK

Based on figures released by the Macau Government, about 32,600 residential units will be completed to 2010. It is expected most of the upcoming residential units will be of medium to high quality targeting the more affluent local buyers and foreign investors. In terms of development quality, the existing stock of high end residential developments lags that of Hong Kong. However, developers have begun to improve their standard of fittings and finishings of new residential projects with a view to targeting at the top-end local investors or overseas buyers. During 2007, average rental levels are expected grow by 15%, with growth slowing to around 10% pa to 2009, with no major new casino/entertainment complexes are expected to open. Given continued strong economic growth with the further development of the gaming and hotel industry in Macau expected to fuel demand for high-end residential units is expected to remain strong. It is estimated that sales price will appreciate by 15% in 2007 with the opening of the Venetian, MGM Grand and Crown Macau casinos, and then grow at a steady rate of around 10% pa to 2009. Investment yields are currently about 3.5%, and are forecast to increase to around 4.0% by the end of 2007 due to stronger rental growth and limited number of new completions. From 2008 to 2009, yields are likely to remain steady at 4.0% as rental growth is anticipated to be on par with capital value growth.

28.0 MACAU 5 STAR HOTEL SECTOR– INTERNATIONAL BRANDS

As of Q2 2007, there were a total of 5,288 5-star hotel rooms from thirteen 5-star hotels, excluding The Venetian which opened in August 2007 in Macau. Eight of them are located in the traditional hotel precincts on the Macau Peninsula, four in Taipa and the remaining hotels are located in Cotai and Coloane. Of the 5-star hotels in Macau Peninsula, most of them are located in the NAPE or ZAPE areas.

Macau 5 Star Hotel Market		
Major Hotel District	**Total Rooms Q2 2007**	**% Proportion**
Macau Peninsula	3,594	68.0%
Taipa	1,486	28.1%
Coloane	208	3.9%
Cotai	0	0%
Total	**5,288**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

28.1 KEY CHARACTERISTICS OF MAJOR 5 STAR HOTEL AREAS

	MACAU PENINSULA	TAIPA	COLOANE	COTAI
Strengths	• Close to hotel, casino, residential, office and shopping precincts • Clusters of newly developed 5-star hotels with casinos • High accessibility to the other areas • Close to Macau Ferry Terminal & historic town centre	• Hotels, casinos and residential found here • Range of entertainment facilities available • Connected to Macau Peninsula via3 bridges • Close to the Cotai Strip & International Airport • Relatively new infrastructure with less traffic congestion	• Provides quiet and tranquil environment away from the hustle-bustle of gaming entertainment. • Adjacent to Macau Golf Club and offers hotel accommodation with golfing packages.	• The future gaming/entertainment capital of Asia • World-class gaming/ entertainment centres attracting critical mass • New and up-to-date infrastructure • Close to Macau International Airport & Macau Dome
Weaknesses	• Traffic congestion problem • Potential competition of 5-star hotels targeting similar market in Macau Peninsula in the future	• Taipa is relatively small • No new supply of land for 5-star hotel developments • Not close to major tourism assets	• Distant from central business district, downtown shopping & entertainment & Macau International Airport and Macau Ferry Terminal	• Potential intense future competition among the 5-star hotels targeting similar customers • Distance to Ferry Terminal & proposed new ferry pier

Source: CB Richard Ellis

28.2 FUTURE SUPPLY (2007 – 2009)

From Q3 2007 to the end of 2009, eighteen 5-star hotel projects are expected to supply about 17,110 additional hotel rooms to the Macau market and most of these hotels are associated with casinos. About 15,000 rooms would be located at Cotai and the rest would be on the Macau Peninsula. Taking into account the existing 8,162 rooms, the total stock of 5-star hotel rooms may reach 25,272 by the end of 2009, reflecting an increase of 210% over the 2 ½ year period. Historically most of the 5-star hotels were located on the Macau Peninsula and Taipa. However, most of the new supply will shift to Cotai in the future, as there is very little development land on the Macau Peninsula and this is the precinct marked by the Macau government for further hotel development. Most of the new supply will be associated with mega casino/entertainment projects to be developed along the Cotai strip and will include many international hotel operators who are new to the Macau market.

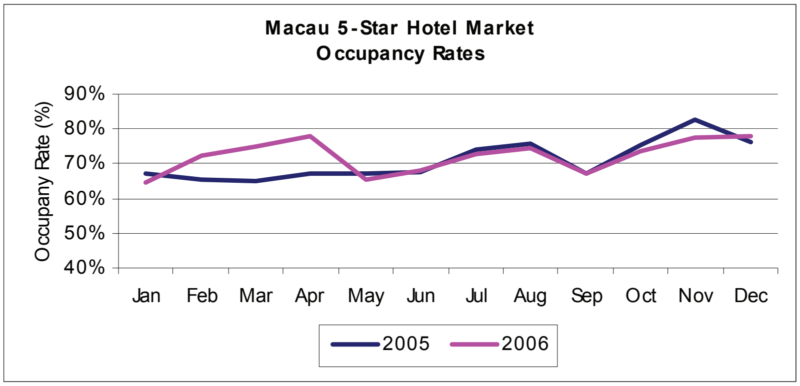
Future 5-Star Hotel Market in Macau 2007 - 2009				
Major Hotel District	**Total Rooms Q2 2007**	**Additional Supply Q3 2007 – 2009 (Rooms)**	**Total Rooms at Dec 09 (estim. rooms)***	**Proportion (%)**
Macau Peninsula	3,594	2,110	5,704	22.6%
Taipa	1,486	0	1,486	5.9%
Coloane	208	0	208	0.8%
Cotai	0	17,874	17,874	70.7%
Total	**5,288**	**19,984**	**25,272**	**100.0%**

Source: CB Richard Ellis

28.3 DEMAND TRENDS

Macau's hotel industry has remained buoyant due to the steady increase in the number of visitors. The total number of visitors to Macau increased with a CAGR of 15.7% from 2000 to 2006.

Future demand for Macau's 5-star hotels is expected to be driven by the continued growth of visitors from mainland China, and from other Asian countries plus the growth in visitors as Macau's MICE trade increases with new facilities.



Source: Macau Census and Statistics Department

Occupancies increased to 71% during the first half of 2007 after fluctuating within a narrow band between 62% and 67% since 2001 (peaking at 76% in 2004). Considering the number of 5-star hotel rooms increased from 3,789 to 4,763 during the same period, the occupancy rate growth is an indicator of rising demand for 5-star hotel rooms.There is little seasonality in demand for hotels . The average length of stay for visitors to 5-star hotels in the first half of 2007 was 1.54 nights, compared with 1.41 nights for the same period of 2006. The average length of stay for visitors China, Hong Kong and Taiwan is relatively short compared with visitors from other places.

28.4 ROOM RATES, SALE PRICES AND INVESTMENT YIELD

In the past few years, the ADRs of 5-star hotels ranged between MOP 400 to MOP 1,000 for standard rooms during weekdays, i.e. from Sunday to Thursday. The average daily room rate levels of 5-star hotels as at Q2 2007 ranged from MOP 470 to MOP 1,600 during weekdays which account for an increase of about 20% to 60%.The newer 5-star hotels are charging higher rates and providing more upscale facilities including shopping centres, entertainment, and meetings and convention facilities. In comparison, the ADR's for older hotels ranged from MOP 600 to MOP 2,000 in Q2 2007. It is expected that no large additional premium will be charged on ADRs during the initial launch of the new hotels and the ADRs are expected to increase by 3% to 5% per annum to 2009. However, the large supply of new 5-star hotel will create room rate and occupancy pressure to those 4-star hotels and older 5-star hotels in Macau Peninsula which are less competitive. There were no sales transactions for 5-star hotels in Macau over the past two years and therefore, indications of sale prices but estimates for investment yields are between 5% and 6%.

28.5 5 STAR HOTEL MARKET OUTLOOK

By 2009, it is estimated that the total stock of 5-star hotel rooms may reach 25,700. The key to achieving both increased guest numbers and a longer length of stay to be able to absorb this supply, could be the successful development of non-gaming and convention/exhibition businesses. In this regard, those 5-star hotels associated with major convention, exhibition, entertainment and shopping facilities will have a competitive edge in the market.In the development of non-gaming and convention/exhibition businesses, Macau is facing challenges in the following areas, insufficient infrastructural support with most projects not planned to complete until after 2010, a shortage of skilled labour pool, particularly for convention and exhibition type work, and competition from neighbouring cities for the MICE business such as

Hong Kong, Singapore and primary cities in mainland China. However, the Macau has an advantage as it is the only city in China where gambling is legalised. Although Singapore is also developing two resorts with casinos and convention/exhibition facilities in Sentosa and Marina Bay, Singapore is not expected to pose a direct competition with Macau in terms of target customers, particularly visitors from mainland China because of the Macau SAR's unique geographical location and cultural background.

29.0 DALIAN

29.1 ECONOMIC INDICATORS

DALIAN	2000	2001	2002	2003	2004	2005	2006[1]	Q2 2007[2]	CAGR 00-06
Registered Population (million)	5.5	5.6	5.6	5.6	5.6	5.7	5.7	N/A	0.6%
Population Growth	-	1.8%	0.0%	0.0%	0.0%	1.8%	0.0%	-	-
Nominal GDP[3] (RMB billion)	111.1	123.6	140.6	163.3	196.2	215.0	257.0	145.0	15.0%
Nominal GDP – Average Annual Growth	11.8	11.8	14.1	15.2	16.2	14.2	16.5	17.0	-
GDP per capita	20,225	22,340	25,276	29,206	34,975	38,196	42,579	N/A	13.2%
Total Investment in Fixed Assets (RMB billion)	26.9	30.5	36.8	50.7	71.6	111.0	147.0	66.0	32.8%
Foreign Direct Investment Contracted (US$ billion)	2.4	2.5	3.0	4.6	3.2	4.6	4.7	N/A	11.9%
Retail Sales of Consumer Goods (RMB billion))	48.9	53.4	59.2	56.9	64.5	73.2	83.9	47.6	9.4%
Annual Disposable Income per capita (RMB)	6,861	7,418	8,200	9,101	10,378	11,994	13,350	7,475	11.7%
Annual Consumer Expenditure per capita (RMB)	6,073	6,512	7,118	7,760	8,672	9,996	10,534	5,589	9.6%
Retail Price Indices (Preceding Year = 100)	99.6	99.5	98.0	100.6	102.6	101.4	101.4	101.6	-
Unemployment	N/A	N/A	N/A	4.5%	4.4%	3.4%	2.9%	2.5%	-
Engel Index	45.1%	43.0%	41.1%	39.4%	41.5%	39.8%	39.9%	N/A	-

Source: Dalian Statistics Yearbook 2001-2007 [1]Based on Monthly Statistics Report of Dalian, Jan-Jun, 2007

- At the commencement of 2006, Dalian's registered population stood at 5.7 million, with approximately 2.5 million in the central urban districts. Population growth has been driven mainly by domestic migration from within the Liaoning Province and northeast China.
- Dalian's GDP more than doubled between 2000 and 2006, to reach RMB 257.0 billion in 2006. GDP per capita also nearly doubled during this time. Macro-economic indicators such as GDP and annual disposable income suggest that Dalian is one of the most developed cities in northeast China, outperforming the three provincial capital cities in the region, i.e. Shenyang, Harbin and Changchun. As of 2006, the secondary and tertiary sectors contributed 47.8% and 44.0% of total GDP, respectively.
- Investment in fixed assets increased considerably between 2000 and 2006, with a CAGR of 32.8% – significantly higher than other major cities in China. The majority of investment has in urban infrastructure development, in particular the Dalian port expansion and the transportation system.
- Contracted FDI rose to US$ 4.6 billion in 2005, and though 2006 data has yet to be released, it is anticipated to have a similar growth trend, due to Dalian's position as a major international

port, continued development of the Dalian Development Area (DDA) and Dalian High-tech Zone (DHZ), as well as the recent discovery of an oil reserve in the Bohai Sea.

- Retail sales in Dalian have grown rapidly since 2000, with a CAGR of 9.4%. However, particularly strongly growth has been recorded since 2003. The growth in retail sales has been keeping pace with that of disposable income, with the exception of 2003. The annual disposable income of city residents in Dalian has been growing with a CAGR of about 11.7% over the past six years, increasing from RMB 6,861 in 2000 to RMB 13,350 in 2006. As of the first half of 2007, disposable income stood at RMB 7,475 and the rapid development of foreign-invested companies in Dalian suggests this rate of growth will be sustained in the near future.

29.2 INFRASTRUCTURE DEVELOPMENT & URBAN PLANNING

According to Dalian's latest Urban Master Plan (2000-2010), new development will be concentrated around the suburban town of Jinzhou (40 minutes drive north from Dalian's city centre) and the Dalian Economic Development Zone, also north of the historical centre of the city. The historical centre will retain its role as the administrative and business centre of Dalian, whilst the government aims to develop a new financial district in the south-west of the city, in the Xinghai Square area, to attract both local and international banks, insurance and financial services companies. The Lushunkou area, also in Dalian's south-west, on the tip of the Liaodong Peninsula, is planned as a centre for higher education, high-tech and logistics industries.

- Construction of the first light rail commuter line was completed in 2004, linking Dalian to the tourism area of Gold Pebble Beach to the south of the city, via the Economic Development Zone serving most of the traditional CBD. There is currently no subway system in Dalian.
- The government embarked on an extensive road construction programme to create better links around Dalian in 2006, and it is due for completion in 2010.
- The government recently extended the city's airport. It is also considering improving the existing railway station, as well as building an underwater tunnel and a 15 km cross-harbour bridge to link the city centre and the Economic Development Zone.
- A new 1,400 km railway line is now under planning and is likely to start construction in 2008. This will improve connections between Dalian and other major cities in Liaoning, Jilin and Heilongjiang provinces, as well as facilitate external trade, especially with Russia.
- A new world-class deep water port in near Changxing Island is forecast be opened at the end of 2007, and is aimed to increase Dalian's market share in port logistics over ports in Qingdao and Tianjin.

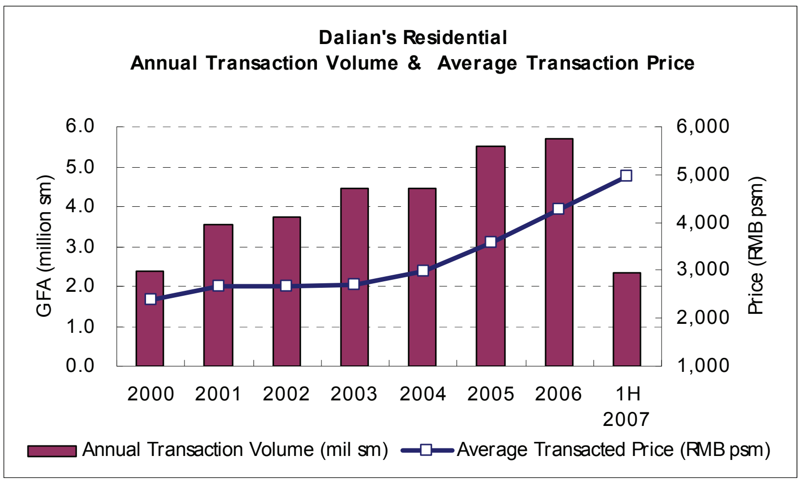
29.3 REAL ESTATE MARKET

DALIAN PROPERTY MARKET	2000	2001	2002	2003	2004	2005	2006[1]	Q2 07 2007	CAGR 00-06
Investment in Real Estate (RMB billion)	10.7	11.6	12.5	15.1	20.9	26.5	33.7	14.2	21.1%
Total GFA sold (sm million)	2.8	3.9	4.2	5.0	4.9	6.0	6.3	2.5	14.4%
GFA Under Construction (sm million)	10.7	12.4	13.7	14.0	13.3	15.7	22.0	20.0	12.8%
GFA of New Completion (sm million)	5.0	5.4	5.5	5.8	4.2	3.9	5.4	0.5	1.3%
Average Price of Residential Properties (RMB psm)	2,369	2,679	2,668	2,699	2,973	3,580	4,256	N/A	10.3%
Average Price of Commercial Properties (RMB psm)	4,086	4,135	4,422	5,050	4,914	6,207	8,199	N/A	12.3%
Average Price of all Properties, including Residential, Commercial, and Other Properties (RMB psm)	2,607	2,801	2,843	2,921	3,116	3,747	4,525	5,188	9.6%

Source: Dalian Statistics Yearbook 2001-2007 and CB Richard Ellis

[1] Based on Monthly Statistics Report of Dalian, Jan-Jun, 2007

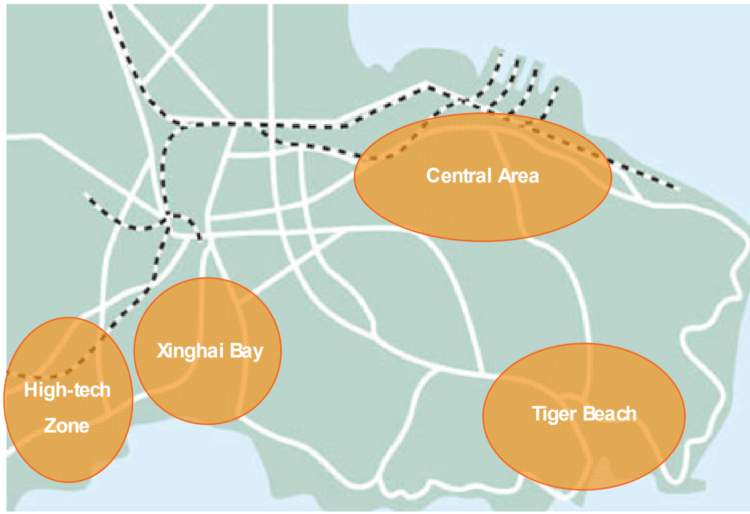
The relatively low proportion of completions compared to new construction, as well as the declining rate of completions between 2003 and 2005, indicate that there were a number of poorly planned, unfinished projects in Dalian during these periods, which are known as "lanweilou". The local government has become more proactive in trying to ensure construction projects are completed by being more stringent when issuing land and building licences, putting limits on the amount of time land can be held before starting construction and encouraging the completion of distressed/unfinished buildings.The GFA of new completions, on the other hand, has not grown significantly since 2000. Completions are traditionally low during the first quarter of each year, mainly due to weather constraints and because of the Spring Festival holidays. Nevertheless, the strong decline compared to last year (and despite a high GFA under construction) suggests that several projects may have been delayed during the first half of the year. As new construction projects typically take 18 to 36 months to complete, the recent rise in new construction is expected to translate to an increase in new completions over the next two to three years. Despite an increase in residential supply, residential property prices have grown significantly over the past few years. Residential prices are expected to continue to increase in coming years due to positive macro-economic indicators and strong demand from both locals and outside buyers primarily from Northeast China.



Source: Dalian Statistics Yearbook 2001-2006, Communique of Dalian 2006

30.0 DALIAN HIGH-END RESIDENTIAL APARTMENT SECTOR

As of Q2 2007, the total stock of high-end residential apartments in central Dalian was around 1.5 million sm, or 11,410 units. Note that a number of projects located in Dalian's downtown area are not "pure" residential: some units are often used as small offices. This is a common practice across many cities in China, with such units often referred to as "office apartments" or, occasionally, "SOHO". There are currently four established high-end residential districts in central Dalian, Xinghai Bay, the Central Area, Tiger Beachand the High-tech zone. Several projects with smaller units have been completed in the Central Area since 2004. These projects were primarily sold to investors, in response to an increasing number of temporary residents and expatriates working in Dalian. Meanwhile, projects in the coastal areas have increasingly focused on offering larger unit sizes, targeting affluent buyers from Dalian and other areas in northeast China. The high-end residential market has grown significantly in the past few years. Not only has the amount of stock increased substantially, but the overall quality of projects has also improved. As more experienced and well-known developers continue to enter the market, along with occupiers and investors becoming increasingly sophisticated, this trend in quality is expected to continue.



Source: CB Richard Ellis

Major High-End Residential District	District	Total GFA (estim. sm)	Proportion (%)	Unsold Rate (est.)	Average Sale Price (RMB psm)
Xinghai Bay	Shahekou	833,164	55%	36%	12,929
Central Area	Zhongshan	316,778	21%	30%	10,625
Tiger Beach	Zhongshan	136,793	9%	14%	12,100
High-tech Zone*	Shahekou	0	0%	-	-
Other	Zhongshan & Xigang	227,802	15%	42%	10,500
Total	**-**	**1,514,537**	**100%**	**34%**	

Source: CB Richard Ellis (estimates as at Q2 2007); *No existing supply in High-Tech Zone as of Q2 2007

30.1 KEY CHARACTERISTICS OF MAJOR HIGH END RESIDENTIAL AREAS

	XINGHAI BAY	CENTRAL AREA	TIGER BEACH	HIGH-TECH ZONE
Strengths	• Quality of environment e.g. sea views, green space • Close to planned CBD and Xinghai Square	• Traditional city centre close to CBD • Ample supporting facilities e.g. shopping • Several newer properties	• Location and scenery • Beautiful sea views and quality of environment • National 5A tourism zone • Stock is relatively new	• Close proximity to high-tech zone and university area • Good quality stock catering to middle class
Weaknesses	• Lack of supporting facilities – although expected to improve • Some projects may suffer from humidity, close to the sea • Very high plot ratio • Far from city centre	• Lack of green space • Locals consider the area too noisy and old, not good for long-term living • Residential projects are being used as office and residential	• Traffic access still relatively immature • Far from the city centre, poor access • Lack of adequate supporting facilities, • Locals believe seaside projects have humidity	• Limited public transportation • Lack of entertainment or leisure facilities • Distance from city centre

Source: CB Richard Ellis

30.2 FUTURE SUPPLY (2007 – 2009)

Future High-end Residential Apartment Market in Dalian 2007 - 2009					
Major High-end Residential Apartment District	District	Total GFA at Q2 2007(est. sm)	Additional Supply Q2 2007 – 2009 (est. sm)	Total GFA at Dec 09 (est. sm)	Proportion (%)
Xinghai Bay	Shahekou	833,164	606,000	1,439,164	37.2%
Central Area	Zhongshan	316,778	1,067,368	1,384,146	35.7%
Tiger Beach	Zhongshan	136,793	205,459	342,252	8.8%
High-tech Zone	Shahekou	0	368,680	368,680	9.5%
Other	Zhongshan & Xigang	227,802	110,000	337,802	8.7%
Total		**1,514,537**	**2,357,507**	**3,872,044**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

The estimated volume of future supply between Q3 2007 and 2009 is around 2.4 million sm bringing total supply to around 3.9 million sm at the end of 2009, an increase of close to 160% on current stock. Although this is a significant figure, the increase is starting from a very low base. Based on the experience of more developed cities, such as Beijing or Tianjin, such large increases in supply have historically been well-absorbed by the market. In addition, longer-term supply is likely to be much more limited, as a result of the 70/90 rule. Benefiting from the development of Dalian Software Park, an estimated 368,680 sm of new supply is expected to be completed in the High-tech Zone.

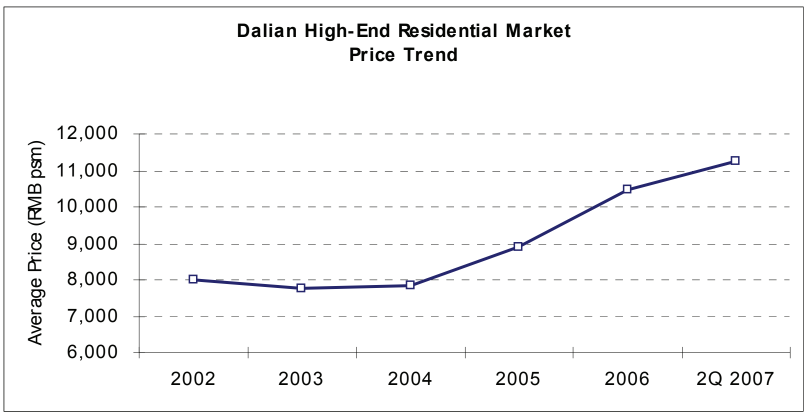
30.3 DEMAND TRENDS

Demand for high-end residential apartments in Dalian comes from both local residents and outside buyers. As one of the more developed cities in northeast China, Dalian attracts buyers from all over the northeast, including Shenyang, Changchun and Harbin. Buyers typically include senior government officials, senior managers of large companies and private entrepreneurs. Since 2000, demand has followed a steady upward trend driven largely by rapid economic growth and the increasing number of affluent people in northeast China buying homes in Dalian. In 1999, the Dalian government issued a policy to encourage migration of affluent individuals to Dalian through an investment arrangement. Second home buyers focus on the Xinghai Bay area, while investment buyers typically purchase small units in the Central Area. The number of international buyers remains very limited, although there are instances of overseas Chinese purchasing units, as well as some Korean buyers. In addition, young graduates or young couples purchase small units to get on the property ladder in order to move out from their parents' house. The unsold rate increased to 48.8% in 2006, due to a number of new projects, reducing to an average unsold rate of 34% in Q2 2007.

With respect to the leasing market, aside from the leasing of units for use as SOHO, very limited demand exists in the Dalian high-end residential apartments sector, and this is mostly derived from expatriate workers (Japanese or Koreans), young professionals working in foreign companies or small companies which use the units as office space. Expatriates working in Dalian usually come for shorter time periods than in Beijing or Shanghai, and do not usually bring their families with them, due to the lack of suitable amenities (schools, etc), resulting in a preference for smaller unit sizes.

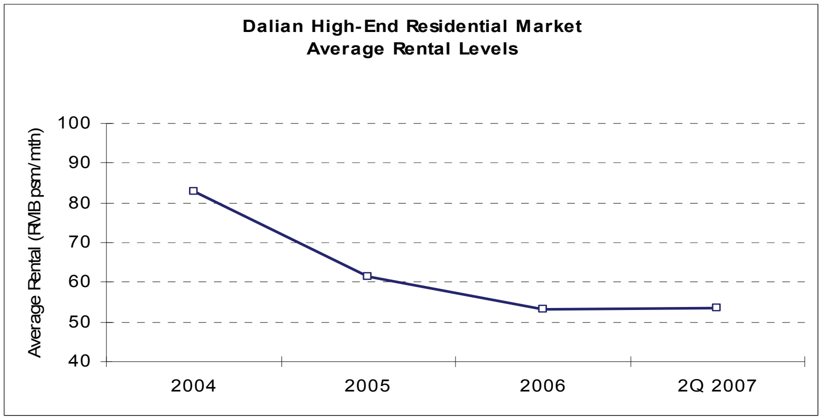
30.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

The average price of high-end residential in Dalian has been growing steadily since 2003, reaching RMB 11,247 psm as of the end of 1H 2007. In 2002, the market only consisted of two high-priced projects and average sales prices were at RMB 8,000 psm. Prices rose with the introduction of new projects. The average sales price for high-end residential apartments in Dalian as of Q2 2007 was RMB 11,247 psm. Xinghai Bay and Tiger Beach commanded the highest prices, due to the strong price premium associated with sea views and proximity to the sea. The average unsold rate as of Q2 2007 was about 34%, driven mainly by the large amount of new supply launched in Xinghai Bay and the Central Area in the first half of 2007. In comparison to first-tier cities such as Beijing and Shanghai, current high-end residential projects in Dalian are not very well developed, in terms of building quality, design and layout, and services provided. With demand remaining strong for high-end apartments in Dalian, and large units in particular likely to become much more limited as a result of the 70/90 rule, prices for high-end units are expected to continue increasing by about 10% p.a. over the next two to three years.



Source: CB Richard Ellis (estimates as at Q2 2007)

Contrary to sale price trends, average rental levels for high-end residential projects in Dalian have been declining since 2004, from RMB 83 psm per month to RMB 53 psm per month as of Q2 2007, mainly because of the large quantity of new quality supply coming on line. As in other second tier cities in China, local residents typically prefer to buy premises rather than let. The rental market is therefore predominantly composed of temporary or non-local residents (including both foreigners and domestic Chinese).



Source: CB Richard Ellis (Estimates as at Q2 2007)

Given recent trends, average rental levels are expected to stabilize and remain within their current range of around RMB 50 to RMB 55 psm per month, over the short and medium term, but are expected to strengthen as the quality of stock continues to develop and improve in the coming years. Based on the current prices and rental levels in Dalian, yields on high-end residential properties are estimated to be around 5% to 7%. With sales prices rising rapidly and rental levels holding steady, yields are expected to face further compression, reflecting a maturing residential market.

30.5 HIGH-END RESIDENTIAL APARTMENT MARKET OUTLOOK

The high-end residential market in Dalian has grown steadily since 2004, driven by the significant increase in foreign investment and strong demand from local and outside buyers, in particular those from other cities in northeast China. Looking at future supply, the high-end residential market is expected to increase substantially between now and 2009 and the overall quality of projects is also expected to improve as more experienced and well-known developers enter the market, along with the increased sophistication of occupiers and investors. Average rental levels are expected to remain relatively stable and high-end residential prices are expected to continue growing strongly, despite the large amount of supply. An average annual growth of 10% is believed to be realistic over the short and medium term. Given recent trends average rental levels are expected to stabilise and remain within their current range over the short to medium term but as the market matures and quality improves, rentals are expected to strengthen in coming years. Despite the substantial increase in supply, the outlook for take-up is positive, based on Dalian's economic growth, increased foreign investment and sustained demand from local and outside buyers.

31.0 HANGZHOU

Hangzhou is the capital of Zhejiang Province and political and economic centre of the province. The city comprises a land area of 16,596 sq km, of which the urban land area totals 3,068 sq km covering eight districts. Hangzhou is a major tourist destination in China.

31.1 ECONOMIC INDICATORS

HANGZHOU	2000	2001	2002	2003	2004	2005	2006	Q2 2007	CAGR 01-06
Registered Population (million)	6.2	6.3	6.4	6.4	6.5	6.6	6.7	N/A	1.3%

HANGZHOU	2000	2001	2002	2003	2004	2005	2006	Q2 2007	CAGR 01-06
Population Growth	-	1.6%	1.6%	0.0%	1.6%	1.5%	1.5%	-	-
Nominal GDP (RMB billion)	138.3	156.8	178.2	210	254.3	294.3	344.1	179.8	16.4%
Real GDP Growth– Adjusted for Inflation	12.0%	12.2%	13.2%	15.2%	15.0%	13.0%	14.3%	14.4%	-
GDP per capita*	22,342	25,074	28,150	32,819	39,293	44,853	51,875	N/A	15.1%
Total Investment in Fixed Assets (RMB billion)	37.7	46.4	56.2	89.5	110.8	127.7	146.1	55.6	25.3%
Foreign Direct Investment Contracted (US$ billion)	0.6	1.0	1.0	2.0	3.1	4.0	5.4	2.5	44.2%
Retail Sales of Consumer Goods (RMB billion)	51.5	57.9	66.1	74.3	85.5	97.5	111.2	63.0	13.7%
Annual Disposable Income per capita** (RMB)	9,668	10,896	11,778	12,898	14,565	16,601	19,027	N/A	11.9%
Annual Consumer Expenditure per capita**(RMB)	7,790	8,968	9,215	9,950	11,213	13,438	14,472	N/A	10.9%
Retail Price Indices** (Preceding Year =100)	98.3	95.3	97.9	98.1	101.6	100.3	N/A	N/A	
Unemployment Rate	3.5%	4.5%	4.4%	4.4%	4.3%	3.7%	3.5%	N/A	
Engel Index	0.4	0.4	0.4	0.4	0.4	0.4	0.3	N/A	

Source: Hangzhou Statistics Bureau (20012005 Hangzhou Statistics Yearbook; 2006 Statistics Communique)
*Based on registered population; ** In urban districts

- As a result of Hangzhou's strategic location within the Yangtze River Delta close to Shanghai, the city has experienced strong economic growth in recent years. Hangzhou is considered one of most economically developed cities in China. According to the latest statistics communiques, in 2006 it's GDP ranked eighth, after Shanghai, Beijing, Guangzhou, Shenzhen, Suzhou, Tianjin and Chongqing.
- To support Hangzhou's economic growth, the local municipal government has invested heavily in recent years in infrastructure development projects, particularly in relation to roads, bridge construction, telecommunications, and utilities.
- A growing number of MNC's, have begun setting up R&D facilities in Hangzhou, due to the city's wealth of talent and relatively low labour costs over nearby Shanghai. As a result, Hangzhou's Contracted FDI has increased rapidly at a CAGR of 44.2% between 2000 and 2006 – from US$0.6 billion to US$5.4 billion. Foreign investment in Hangzhou is concentrated in the technology and electromechanical related industries.
- Hangzhou's retail sales of consumer goods grew from RMB 51.5 billion in 2000 to RMB 111.2 billion in 2006, equivalent to a CAGR of 13.7%. Year-on-year growth rates were fairly consistent throughout the period. By comparison, retail sales for China as a whole grew at a CAGR of 11.8% over the same period to reach RMB 7.64 trillion as at 2006.
- The annual disposable income of city residents in Hangzhou incresed from RMB 9,668 in 2000 to RMB 19,027 in 2006, growing at a CAGR of 11.9%. This compares to an annual disposable

income of RMB 20,668 for Shanghai's residents as of 2006. Such increases in disposable income has led to increasing purchasing power and generally rising standards of living for Hangzhou's residents.

31.2 INFRASTRUCTURE DEVELOPMENTS & URBAN PLANNING

Hangzhou's latest urban plan, which covers the period 2001 to 2020, outlines the transformation of the city from the "West Lake Age" to the "Qiantang River Age". According to the plan, future development of the city will move from the traditional city centre around the West Lake to the southeast along the Qiantang River. The two major areas of focus will be the Qianjiang New City as a major CBD and administrative centre and Qianjiang Century CBD to eventually be an independent CBD in the long term. The urban development plan is designed to conserve the historical significance of the traditional Hangzhou city centre, given its appeal as one of China's most popular tourist destinations.

Rail / Metro Development

While there is no operational metro system in Hanghzhou presently, eight lines consisting of about 278 km are planned to be developed by 2050. Construction on Metro Line 1 began in March 2007 with completion targeted for 2011. Construction on Line 2 to traverse Qianjiang New City and Qianjiang Century CBD has not yet begun, and as such its completion date is still uncertain.

A fast-train service was introduced between Shanghai and Hangzhou earlier in 2007, cutting average travel times from about 2 ½ hours to just over 1 hour. Although there is no confirmed completion time for the Shanghai-Hangzhou Maglev line, it is anticpated to this service shall further reduce the travel time.

Road Transportation

Over the last five years, the government has completed many infrastructural and transportation projects including improvement of roads surrounding the West Lake, and the development of infrastructure for Qianjiang New City. Hangzhou's road system is expected to be enhanced even more by future infrastructure projects including the QingChun Cross-River Tunnel (to complete in 2010), and the No. 9 Bridge (Jiangdong Bridge) to be completed in 2009 linking the Shanghai Hangzhou speedway.

Airport

The Xiaoshan International Airport is the only airport in Hangzhou. It is located in Xiaoshan, 27 km to the northeast of the Hangzhou city centre. The airport officially became an international airport in March 2004 and in 2005, it was the eighth busiest airport in China. It has direct flights to most major Chinese cities including Beijing, Chengdu, Dalian, and Guangzhou, as well as to several international destinations including Hong Kong, Japan, Singapore, and South Korea. In 2005, the central government approved an aggressive expansion project for the airport expected to be completed by 2010.

31.3 REAL ESTATE MARKET

HANGZHOU PROPERTY MARKET	2000	2001	2002	2003	2004	2005	2006	CAGR 00-06
Investment in real estate (RMB billion)	10.2	14.1	19.3	25.9	32.9	41.1	44.3	27.7%
Total gross floor area sold (million sm)	3.2	3.6	4.4	5.6	6.6	7.0	7.6	15.5%
Gross floor area of projects under construction (million sm)	11.1	14.5	19.0	24.5	35.3	42.1	45.5	26.5%

HANGZHOU PROPERTY MARKET	2000	2001	2002	2003	2004	2005	2006	CAGR 00-06
Gross floor area of new completions (million sm)	4.6	4.3	5.6	7.0	8.7	9.0	7.3	-
Average price of all properties, (RMB psm)	2,936.6	2,844.9	3,526.1	3,938.6	4,184.5	5,618.6	N/A	11.4%*

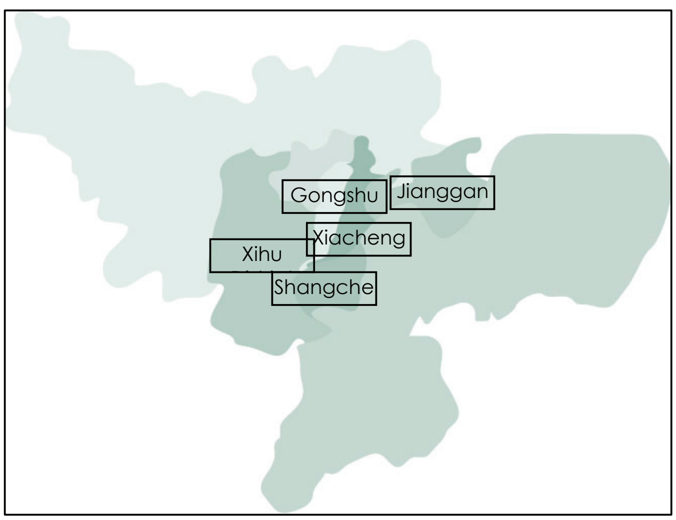
Source: Hangzhou Statistics Bureau *(CAGR 00-05)

As with other major first and second-tier cities in China, Hangzhou's real estate sector has demonstrated relativley strong growth in recent years. Between 2000 and 2006, investment in real estate has grown at a CAGR of 27.7% reaching RMB 44.3 billion in 2006. It is noted, however, that real estate investment has been slowing somewhat recently as is evidenced by below trend growth of about 7.8% in 2006. This slow down is partly attributed to macro measures introduced in 2005 and 2006 and also demostrates Hangzhou real estate market transition into a more mature market, more in line with China's primary cities. .

GFA of projects under construction have shown a similar trend also growing at a CAGR of 26.5% between 2000 and 2006, and tailing off to about 7.9% in 2006, year-on-year. Average prices of all properties, including residential, commercial, office, and others, has increased at a CAGR of 11.4% between 2000 and 2005, reaching RMB 5,618.6 psqm in 2005 (latest available data). This compares to an average price of RMB 6,842 psqm in Shanghai as of the same date.

32.0 HANGZHOU HIGH END RESIDENTIAL APARTMENT SECTOR

The overwhelming majority of high end residential apartment developments are located within the urban area of Hangzhou. The five established residential districts in central Hangzhou include: Shangcheng, Xiacheng, Xihu, Jianggan and Gongshu. The map below highlights five established districts which comprise the highest concentration of high-end residential projects in Hangzhou. The high end residential sector in Hangzhou only started to develop in 2004 and has grown rapidly. The total stock of high end residential properties in the five main upper end residential districts stood at an estimated 2,912,392 sm at Q2 2007.



Source: CB Richard Ellis

Major High-End Residential District	Total GFA (estim. sm)*	Proportion (%)	Unsold Rate (%)	Average Asking Price (psm)
Shangcheng	452,987	15.6%	13.8%	20,700
Xiacheng	663,809	22.8%	18.3%	14,533
Xihu	1,196,398	41.1%	15.4%	24,166
Jianggan	261,345	9.0%	5.2%	15,975
Gongshu	337,853	11.6%	37.0%	n/a*
Total	**2,912,392**	**100.0%**	**17.4%**	**18,844**

Source: CB Richard Ellis (as at Q2 2007);
** There has been no new supply in Gongshu district, and as such asking prices are unavailable

The highest proportion of high end residential stock as of Q2 2007 was located in Xihu district (41.1%). High end development in this district has been largely driven by its natural attributes including mountain and lake views, as well as its close proximity to the downtown area. Total existing stock of high end residential space has increased by about 67.7% from 2004 to its current level of 2.9 million sm as at Q2 2007. New supply in these years has been mainly concentrated in Shangcheng and Xihu districts.

32.1 KEY CHARACTERISTICS OF MAJOR HIGH-END RESIDENTIAL AREAS

	SHANGCHENG	XIACHENG	XIHU	JIANGGAN	GONGSHU
Strengths	• Traditional city centre of Hangzhou • Highest concentration of high-end residential developments on a GFA per sq km basis	• Former industrial area converted into high end residential development since 1998 • Proximity to Hangzhou CBD	• Xihu lakeside scenery • Strong retail development, including Xicheng Retail Centre, hypermarts • Larger district with higher overall land supply	• Major transport hub with city's railway station and long distance bus station • Keynote new town development - government's 'Planned Qianjing New City Mixed Project'	• Traditional industrial district in Hangzhou • Traditional market district
Weaknesses	• Traditional city centre and much pricier to redevelop • Low developable land supply	• Traffic congestion brought about by Xiacheng Highway	• Traffic congestion caused by Tianmushan Road	• Currently characterised by mix of industrial buildings	• Characterised by mix of low-end housing and factory space

32.2 FUTURE SUPPLY (2007 – 2009)

Future High end Residential Apartment Market in Hangzhou 2007 2009				
Major Luxury Residential Area	Total GFA as at Q2 2007 (est. sm)	Additional Supply Q3 2007 2009 (est. sm)	Total GFA as at Dec 09 est. sm)	(%)Proportion of GFA out of Total GFA as at Dec 09
Shangcheng District	452,987	1,210,064	1,663,051	28.7%
Xiacheng District	663,809	171,000	834,809	14.4%
Xihu District	1,196,398	490,976	1,687,374	29.1%
Jianggan District	261,345	1,006,752	1,268,097	21.9%
Gongshu District	337,853	0	337,853	5.8%
Total	**2,912,392**	**2,878,792**	**5,791,184**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

The total future supply of high end residential properties between Q3 2007 and 2009 is estimated at 2,878,792 sm, representing a 98.8% increase from the existing stock as of Q2 2007. The relatively large increase is due to the small size of the current high end residential market as compared to the overall Hangzhou residential market, as well as the changing market structure with higher end properties planned for development. It is noted, however, that in Hangzhou, high end residential properties are typically pre-sold one year or more in advance of completion. As such, a portion of the future supply has already been sold. The high end residential market is Hangzhou is fragmented with numerous local developers active in the market. Most are from Zhejiang province and they are expected to remain active in Hangzhou with high end residential projects currently planned or under construction. The largest amount of new supply between mid 2007 and 2009 will be developed in the Shangcheng district (42%), attributed to its proximity to the Hangzhou central business district and a low historic rate of high end residential development. The Jianggan district will experience the most rapid growth (385.2%) of high end residential supply by 2009. This is mainly attributed to the master plan of the Hangzhou Municipal Government, which plans to develop Qianjiang New City located in Jianggan District as a new city centre. Future high end residential development is expected to be limited in Xiacheng and Xihu districts – restricted by available land.

32.3 DEMAND TRENDS

Demand for high end residential properties in Hangzhou has been largely attributable to rising affluence among both Hangzhou locals and Chinese from other cities in Zhejiang Province, who represent a growing demand component for housing in Hangzhou. In addition, due to Hangzhou's attraction as a scenic tourist destination and its close proximity to Shanghai, a growing number of Shanghainese have been buying residential property as vacation homes. In 2005, the Hangzhou Municipal Government implemented a new regulation, limiting the building height of all future properties developed within 1 km of the West Lake to 20 km. Consequently, demand for residential properties in this area, particularly in Xihu District, has been bolstered relative to other areas of the city, as future supply in the mid to long term is likely to be constrained. It is expected that demand for apartments with views of the West Lake will further rise given the constraint to future land supply. Relatively strong demand for high end properties in Hangzhou has translated into a relatively low cumulative unsold rate of 17.4% as of Q2 2007.

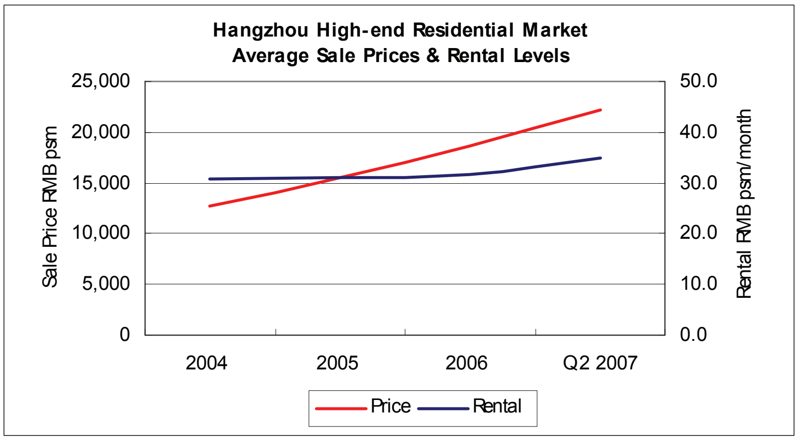
In general, the quality of high end residential properties in Hangzhou has improved steadily in recent years. More developers are constructing properties with better quality building materials and incorporating innovative designs and landscaping in order to differentiate their products in the increasingly competitive market.

32.4 RENTAL LEVELS & SALE PRICES

Between 2004 and 2006, average asking rental levels for high end residential properties in Hangzhou remained relatively stable and stood at RMB 31.70 psm per month as of the end of 2006. However as of Q2 2007, average asking rentals rose by about 10.4% to reach RMB 35.00 psm per month. The increase is largely attributed to growing demand in the high end leasing market as more MNC's enter the Hangzhou market, which has led to an upward trend in the number of expatriates seeking accommodation in the city. In addition, the international standard serviced apartment market in Hangzhou is only in its infancy stage and therefore currently provides limited competition to the high end residential leasing market.

Average asking sale prices for high end residential properties have increased from RMB 12,750 psm in 2004 to RMB 22,260 psm in Q2 2007, reflecting a CAGR of 25.0%. Such growth has been supported by steady improvement in the quality of properties introduced. In addition to quality improvements, the recent acceleration in sale price is also attributed to rising income levels and the revitalisation of the real estate market in Hangzhou. Overall, factors from both the demand

and supply side have contributed to this growth with increasing affluence among locals eager to upgrade and the height restrictions for buildings close to the West Lake have created a desired medium density luxury residential environment. Average gross yield levels in Hangzhou's high end residential market have declined from about 2.9% as of 2004 to about 1.9% as of Q2 2007. The relatively low yields are largely attributed to most high end units being purchased for self-use rather than for investment purposes. For the limited portion of demand buying for investment purposes, the expectation for capital appreciation is a higher priority than the income the asset would produce if rented.



Source: CB Richard Ellis (as at Q2 2007)

32.5 HIGH-END RESIDENTIAL APARTMENT MARKET OUTLOOK

Overall, the outlook for high end residential apartment in Hangzhou is positive driven by (1) the expectation for continued economic growth and income levels, (2) increasing scarcity of quality developable land sites in the city centre, (3) the continued trend for local Hangzhou residents to upgrade their existing housing in line with rising incomes, and (4) activity from wealthy investors within Zhejiang province. Another favourable factor expected to underpin strong demand for residential properties is the increasing urbanisation rate which stood at 45%. When compared with the average for 1st tier cities (75.5%), there is huge potential for future housing demand. Average asking sale prices for high end residential projects are expected to continue to rise at a relatively fast rate at an average of 15% to 20% per annum between mid 2007 and 2009. Support for higher sale prices is expected to be driven by increasing building quality, a higher proportion of units being sold fully fitted out, and increasingly limited supply in the central city areas. Recent land auctions have also indicated a significant increase in land prices providing evidence of developers' expectations for future price increases. Central Hangzhou, Shangcheng and Xihu are expected to continue commanding premium prices due to their proximity to business centres, their established physical surroundings and scenic attributes. In the high end residential leasing market, average rental levels are expected to grow at a moderate rate of 4% to 5% from mid 2007 to 2009. This forecast rate is somewhat lower than recent growth and is reflective of some anticipated competitive pressures from the emerging serviced apartment market in Hangzhou. Trends in future supply to be launched from 2008 are expected to include a shift towards smaller unit sizes, beginning to reflect the impact of the government regulation requiring that 70% of residential units be less than 90 sm. While no definitive announcement has been made as to how the 70/90 rule will be implemented in Hangzhou, is expected to be implemented on a project by project basis, which would potentially curtail high end residential development in the longer term.

33.0 TIANJIN

33.1 ECONOMIC INDICATORS

TIANJIN	2000	2001	2002	2003	2004	2005	2006	Q2 2007	CAGR 00 06
Registered Population (million)	9.12	9.14	9.19	9.26	9.32	9.39	9.49	N/A	0.7%
Population Growth	--	0.2%	.0.5%	0.8%	0.6%	0.8%	1.1%	--	--
Nominal GDP (RMB billion)	170.2	191.9	215.1	257.8	311.9	369.7	435.9	231.2	17.0%
Nominal GDP Growth	10.8%	12.0%	12.5%	14.8%	15.7%	14.5%	14.4%	14.5%	-
GDP per capita (RMB)	17,353	19,141	21,387	25,544	30,575	35,783	41,163	N/A	15.5%
Total Investment in Fixed Assets (RMB billion)	60.9	70.5	81.1	104.7	125.9	151.7	185.0	109.1	20.3%
Foreign Direct Investment Contracted[1] (US$ billion)	4.6	4.6	5.8	3.5	5.6	7.3	8.1	4.6	32.3%
Retail Sales of Consumer Goods[2] (RMB billion)	73.7	83.3	94.1	92.2	105.3	119.0	135.7	78.2	13.7%
Annual Disposable Income per capita (RMB)	8,141	8,959	9,338	10,313	11,467	12,639	14,283	7,705	9.8%
Annual Consumer Expenditure per capita (RMB)	6,121	6,987	7,192	7,868	8,802	9,653	10,548	5,605	9.5%
Retail Price Indices (Preceding Year = 100)	98.6	98.6	97.4	97.4	100.8	99.9	100.4	103.4	-
Unemployment	3.2%	3.6%	3.9%	3.8%	3.8%	3.7%	3.6%	N/A	-
Engel Index	40.1%	37.0%	36.2%	37.7%	37.2%	36.7%	34.9%	37.4%	-

Source: Tianjin Municipal Bureau of Statistics

[1] The methodology used to calculate FDI was modified in 2003 to reflect a new definition from the Ministry of Commerce.

[2] The methodology used to calculate retail sales was also modified in 2003 to exclude direct retail sales from manufacturing & farming. Note that the apparent declines in both FDI and retail sales in 2003 are due to changes in methodology

- In 2006, Tianjin had a total registered population of 9.5 million. The population has been growing slowly but steadily since 2000, with a CAGR of 0.7% between 2000 and 2006. Tianjin's GDP however has more than doubled between 2000 and 2006, to reach RMB 435.9 billion, reflecting a CAGR of 17.0%. In 2006, 57.3% of Tianjin's GDP came from the secondary industry, with about 40% coming from the tertiary industry, in particular wholesale and retail trade, transportation and storage.
- Investment in fixed assets grew at a CAGR of 20.3% from 2000 to 2006 to reach RMB 185.0 billion in 2006. In the first half of 2007, investment in fixed assets reached RMB 109.1 billion. Growth in fixed assets investment has been driven mainly by government investment in new infrastructure as well as real-estate development, which has accounted for 20%22% of all fixed assets investment since 2000.
- Due to a change in the calculation of FDI in 2003, Contracted FDI cannot be compared between 2000 and 2006. However, Tianjin's FDI increased very rapidly between 2003 and 2006, from US$ 3.5 billion to US$ 8.1 billion, a CAGR of 32.3% over the three-year period. Most of the recent growth has been driven by very large-scale investments, to be spread out over several years.
- Similarly, the calculation of retail sales changed in 2003. Nevertheless, retail sales have shown strong growth in recent years, with a CAGR of 13.7% between 2003 and 2006. Retail sales reached RMB 135.7 billion in 2006, equivalent to 31.1% of the city's GDP. The double-digit growth in retail sales can be attributed to both rising incomes and increasing purchasing

power of consumers.

- Annual disposable income of city residents in Tianjin increased to RMB 14,283 in 2006, a CAGR of 13.7%. For the first half of 2007, disposable income increased by 17.1% compared to 1H 2006.
- Household per Capita Annual Consumer Expenditure has grown at a CAGR of 9.5% from 2000 to 2006 reaching RMB 10,548 which is comparable to the growth in disposable incomes. In the first half of 2007, household expenditure reached RMB 5,605. Since 2000, Tianjin's Engel index has steadily decreased to a low in 2006 of 34.9 in line with an increasingly affluent market.
- Inflation in Tianjin has remained low in the past five years, however, it picked up during the first half of 2007, as a result of increasing oil and food prices (especially pork), with the latest retail price index indicating an increase of 3.4% compared to the same period last year.

33.2 INFRASTRUCTURE AND URBAN PLANNING

In 2006, the Tianjin government spent close to RMB 51.8 billion or about 30.3% of total fixed asset investment on infrastructure. As one of the major port cities in China, Tianjin is considered to be a major transportation hub in the Northeast region.

Air

Tianjin Municipality has plans to turn Tianjin Binhai International Airport (TBIA) into a major air freight centre for north China and northeast Asia. A major expansion project is currently under construction and is expected to be completed by the end of 2007. Improvements will include a new terminal and runway extension and infrastructure linking the Metro, highway and high speed rail to the airport.

Rail

Tianjin is one of the largest railway hubs in north China, linking to major cities across the country. Tianjin is the junction for two major national lines: the Beijing-Shenyang Line and the Beijing-Shanghai Line. Currently seven main railway lines exist for both freight and passengers. The future Beijing-Tianjin High-Speed Railway (HSR) will be fully operational before the 2008 Olympics and will cut travel times in half to 30. Tianjin Municipality is also planning to prolong the HSR line to Binhai New Area in the long term. Another Two HSRs will be added linking Tianjin to Shanghai before 2010, and linking Tianjin to Qinhuangdao.

Road

Eight major intercity highways link Tianjin to the rest of the national road network with 500km to be added between 2007 and 2010. Five new expressways are to be built before 2009.

Metro

A total of nine metro lines are planned to be in operation by 2020. Currently, Metro Line 1 and Jin-Bin (Tianjin to Binhai) Light Rail are in operation. Eight new subway lines are planned up to 2020, of which the three main lines (1, 2 and 3) will have a combined length of 77.1 km. Tianjin Railway Station will become a major interchange, with connections to subway lines 2, 3 and 9, as well as the Beijing-Tianjin Intercity high-speed train by the end of 2010.

Port

Tianjin Port is the largest port in northern China and a major international shipping centre. Tianjin Port is considered a core strategic resource for the city. Cargo throughput reached 258 million tons in 2006, which ranked No. 6 in the world, and the container throughput reached 5.95 million

TEUs, putting Tianjin within the top 20 ports in the world. The total area of Tianjin Port will be expanded to 100 sq km by 2010. Several major infrastructure works are currently underway to develop and expand the port's capacity.

Urban Development Plan (to 2020)

According to the Tianjin Urban Master Plan (2005-2020), Tianjin's future urban development will be shaped along the lines of one development axis, two (east and west) development belts and three wetland ecological protection areas (in the north, middle and south of the city).The development axis, running from Beijing in the West to Tianjin Port in the East refers to the development area along the Beijing-Tianjin-Tanggu expressway and the Haihe Riverfront area.

Haihe River Regeneration

In order to boost the economy of Tianjin's central urban area, in 2003 the municipal government undertook a major redevelopment of the Haihe Riverfront. According to government authorities, the entire redevelopment project is scheduled to be completed within 10 to 15 years, and total investment for the redevelopment of the Haihe River will reach RMB 14.6 billion by 2010.

33.3 REAL ESTATE MARKET

TIANJIN PROPERTY MARKET	2000	2001	2002	2003	2004	2005	2006	Q2 2007	CAGR 00-06
Investment in real estate (RMB billion)	13.4	16.1	17.6	21.1	26.4	32.8	40.2	23.2	20.1%
Total GFA sold (million sm)*	3.9	5.4	5.6	7.9	8.5	14.1	14.6	6.2	24.6%
GFA of projects under construction (million sm)	17.8	18.6	21.35	23.14	28.6	34.7	41.4	N/A	15.1%
GFA of new completions (million sm)	5.8	6.9	7.5	9.1	11.1	14.8	15.2	5.0	17.4%
Average price of residential commodity properties (RMB psm)	2,274	2,307	2,414	2,393	2,950	3,928	4,649	5,524	12.7%
Average price of commercial properties (RMB psm)	3,844	3,774	4,318	4,141	4,626	4,799	6,259	N/A	8.5%
Average price of all properties (RMB psm)	2,478	2,527	2,609	2,795	3,346	3,781	4,774	5,285	11.6%

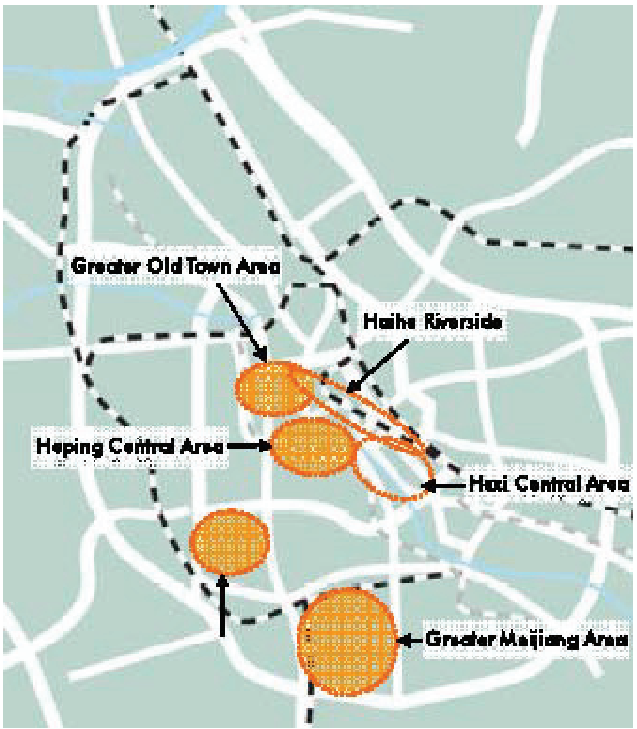
*Note that before 2004, annual GFA sold did not include the pre-sold GFA of buildings still under construction. Source: Tianjin Statistics Bureau

Tianjin's real estate sector has been experiencing very strong growth over the past few years, as indicated by the above statistics. In the five year period from 2000 to 2006, total investment in real estate more than tripled, from RMB 13.4 billion to RMB 40.2 billion, recording a CAGR of 20.1%. In the first half of 2007, total real estate investment was RMB 23.2 billion, 24.8% higher than that of the corresponding period last year. The percentage of investment in real estate as a component of total investment in fixed assets has remained fairly stable between 20% and 22%. Other major supply indicators –GFA under construction, GFA completed and GFA sold –have also more than doubled since 2000. Real-estate prices have been growing rapidly over the past five years, with especially rapid growth between 2005 and 2006, despite the introduction of the government's macro control measures, which appear to have had limited effects. Average prices of all properties have experienced a CAGR of 11.6% to RMB 4,774 psm between 2000 and 2006 increasing to RMB 5,285 psm in the first half of 2007.

Despite the increased supply and government measures to slow down the growth of residential property prices, residential prices grew by over 18%, to RMB 4,649 psm on average in 2006. In the first half of 2007, the average price of residential properties in Tianjin was RMB 5,524 psm, a 15.0% increase compared to the corresponding period of 2006.

34.0 TIANJIN HIGH END RESIDENTIAL APARTMENT SECTOR

Tianjin's high-end residential property market started developing in 1998, and development of the market speeded up significantly as of 2003. There are currently six established high-end residential areas in the central urban districts of Tianjin: Heping Central Area, Hexi Central Area, Greater Old Town, Greater Meijiang, Water Park Area and Haihe Riverside. As of Q2 2007, the total stock of high-end residential apartments in Tianjin stood at approximately 7.2 million sm. Assuming an average unit size for high-end apartments in Tianjin of about 120 sm, the total stock of apartments is estimated to be about 60,000 units. Land-use rights would normally be 70 years, although a few projects are built on commercial land with 50-year land use rights.



Source: CB Richard Ellis

Major High End Residential District	District	Total GFA (estim. sm)*	Proportion (%)	Unsold Rate	Average Sale Price (psm)
Heping Central Area	Heping District	1,359,000	18.9%	4.1%	RMB 9,650
Hexi Central Area	Hexi District	736,000	10.2%	4.2%	RMB 9,500
Greater Meijiang Area	Hexi District	2,564,000	35.6%	23.6%	RMB 8,860
Greater Old Town Area	Nankai/Hongqiao Districts	1,521,700	21.1%	16%	RMB 8,750
Water Park Area	Nankai Districts	640,000	8.9%	26.6%	RMB 9,500
Haihe Riverside Area	Nankai/Heping/Hebei	240,000	3.3%	16.1%	RMB 9,020
Others	Hedong/Hebei/Hongqiao	140,000	1.9%	13.2%	RMB 8,502
Total		**7,200,700**	**100.0%**	**16.1%**	**RMB 9,112**

Source: CB Richard Ellis (as at Q2 2007)

34.1 KEY CHARACTERISTICS OF MAJOR HIGH-END RESIDENTIAL AREAS

	HEPING CENTRAL	HEXI CENTRAL	GREATER MEIJIANG	GREATER OLD TOWN	WATER PARK	HAIHE RIVERSIDE
Strengths	• Close to business and retail core of Tianjin • Benefits from a central location and convenient transport • Good amenities: retail, schools.	• Close to business districts such as Xiaobailou or Nanjing Road • Benefits from a convenient transportation • Good amenities: retail, school	• Attractive natural environment, (both water and greenery) • Close to Youyi Road business district and development zones in Xiqing and Jinnan	• Benefits from convenient transportation and central location • Historically high-end area • Good educational facilities	• High quality environment and views • Convenient transportation • Good amenities including retail, museum, universities and library	• Good views of Haihe River • Good transportation
Weaknesses	• Several one-way roads in the area – car traffic is congested and convoluted • Surrounded by low quality or older buildings	• Surrounded by older, poor quality buildings • Traffic congestion	• Very limited proximity retail • Still relatively few public amenities • Public transport is limited – important to have a car	• Several one-way roads • Dirty and dusty because area is undergoing massive redevelopment	• Limited local retail.	• One-way road network • Construction in the surrounding area (dirty & dusty)

Source: CB Richard Ellis (estimates as at Q2 2007)

34.2 FUTURE SUPPLY (2007 – 2009)

Future High end Residential Apartment Market in Tianjin 2007 - 2009

Major High end Residential Apartment District	District	Total GFA at Q2 2007 (estim. sm)*	Supply 2007 2009 Additional (estim. sm)*	Total GFA at Dec 09 (estim. sm)*	Proportion of total as of Dec. 09 (%)
Heping Central	Heping District	1,359,000	365,000	1,724,000	15.3%
Hexi Central	Hexi District	736,000	190,000	926,000	8.2%
Greater Meijiang Area	Hexi District	2,564,000	1,028,000	3,592,000	31.9%
Greater Old Town Area	Nankai/Hongqiao Districts	1,521,700	1,216,000	2,737,700	24.3%
Water Park Area	Nankai Districts	640,000	240,000	880,000	7.8%
Haihe Riverside	Nankai/Heping/Hebei	240,000	330,000	570,000	5.1%
Other	Hedong/Hebei/Hongqiao	140,000	681,500	821,500	7.3%
Total		**7,200,700**	**4,050,500**	**11,251,200**	**100.0%**

Source: CB Richard Ellis (estimates as at Q2 2007)

Over 4 million sm of new high-end residential supply is expected to be completed between Q3 2007 and 2009, bringing total stock to over 11.2 million sm by the end of 2009, an increase of close to 60% compared to current levels. Most of the future supply will be concentrated in the Greater Old Town and Greater Meijiang areas, which will account for a combined 55% of future supply. By comparison, new supply in Heping and Hexi will be much more limited. Not only is there much less land available in both these areas, but the local authorities are focusing on commercial (office and retail) developments, meaning limited land is available for residential development. On the contrary, residential development is being encouraged in Meijiang and in the Old Town, and both areas have more site availability; Meijiang because it is an emerging location in the periphery, and is not yet well-developed, and the Old Town because it is being comprehensively redeveloped by the municipal authorities.

34.3 DEMAND TRENDS

Demand in the high end residential market has followed a steady upward trend since 2000, driven largely by rising incomes and rapid economic development. According to the Tianjin Property Administration Bureau, the total GFA sold of residential priced at RMB 7,000 psm and above, reached 1.17 million sm in 2006, 17% more than the GFA of residential priced at RMB 6,000 psm and above sold in 2005. Buyers of high-end residential apartments are mainly local and most of them purchase new apartments in order to upgrade their living environment. Most of the residential properties are sold to owner-occupiers. There are still few foreign buyers in the Tianjin market, although some Hong Kong buyers have become interested in buy-to-let opportunities. Investment buyers typically target smaller units, preferably in central locations such as Heping or Hexi, close to Nanjing Road or Xiaobailou, near the major business districts.

Demand is likely to continue growing with three key factors driving demand for new high-end residential: (1) increasing incomes, which enable households to upgrade to better apartments, (2) urban redevelopment, which is generating overall demand for new residential, and (3) the increasing number of non-local white collar workers who are moving to Tianjin from other cities in China as a result of the city's increasing importance and rapid development. The unsold rate for high-end residential in the city centre has declined slightly since 2005 and at the end of Q2 2007 was around 38%. The unsold rate is expected toremain quite high over the coming years, due to the increasing number of high-end projects being launched.

34.4 RENTAL LEVELS, SALE PRICES & INVESTMENT YIELDS

According to the Tianjin Statistics Bureau, the average asking sale price of high-end residential projects in central Tianjin in Q2 2007 was RMB 9,500 psm, with the highest price being RMB 15,000 psm. In recent years, high-end residential prices have grown rapidly at a rate of 10% to 15% per annum. Achieved residential sale prices in Heping have registered the highest level at RMB 9,650 psm. Hexi ranks second, with average sale prices of RMB 9,500 psm in Q2 2007. As of Q2 2007, high-end residential prices had already increased by 8% compared with 2006. Given the rapid increase in apartment prices, it is expected that high-end residential prices will continue to grow at around 10%per annum in 2008 and 2009.

The rental market for residential space is limited in Tianjin, as in most secondary cities in China. Local residents typically prefer to buy premises. However, economic growth and the increasing number of expatriates as well as non-local Chinese residents are spurring the development of the rental market. The most popular locations for the rental market are Meijiang, Hexi and Heping areas. Rental levels for high-end residential properties in Tianjin ranged between RMB 40 to RMB 60 psm per month in Q2 2007. High-end apartments in Hexi and Heping area are popular with expatriates working in the nearby office buildings. Meijiang is also becoming a popular area, with the presence of several international schools. Although rental levels have been increasing in recent years, growth has been slower than that seen for sale prices resulting in a progressive compression of yields. Estimated indicative gross yields for high-end residential properties in Tianjin ranged between 4% and 5% for most projects in Q2 2007. With sale prices increasing faster than rental levels, yields are expected to see some further compression in the next few years.

34.5 HIGH-END RESIDENTIAL APARTMENT MARKET OUTLOOK

The future supply of high-end residential property in central Tianjin to 2009 will be over 11 million sm, representing a 57% increase compared to existing levels of stock. Most of this stock will be concentrated in the relatively "new areas": Meijiang (south of the city centre) and the Old Town (north of the city centre). The general outlook for the Tianjin high-end residential market is positive. The city has been growing rapidly and is expected to continue to grow in the coming years, benefiting from strong central government support, a very successful Economic Development

Zone and a major port. With rapidly growing FDI and increasing numbers of foreign businesses setting-up operations in Tianjin, the outlook for disposable incomes is also positive. As a result, demand for high-end residential units is expected to remain strong, driven by an increasingly affluent and growing population. Because of the 70/90 rule (requiring that 70% of all units built be 90 sm or less), the future supply of large sized, high-end apartments is likely to become more limited, which in turn should help to maintain high sale prices in the longer term. Average sale prices for high-end residential properties are expected to keep rising at around 10% per annum in 2008 and 2009. Average rental levels are likely to continue growing in the medium term, although at a slower pace than average sale prices; and rental levels for serviced units are likely to decline slightly as more new supply comes on line.

35.0 DEFINITION OF TERMS & ABBREVIATIONS

ABBREVIATIONS

5-Star Hotel	**Beijing** Beijing's high-end hotel sector is defined as the major 5-star hotels concentrated in the eastern part of the city, namely Dongcheng and Chaoyang Districts, close to the main business districts and some key tourist attractions (e.g. Wangfujing shopping street and Forbidden City). **Guangzhou** Guangzhou's high-end hotel sector is defined as internationally branded 5-Star hotels. **Macau** The Macau Government Tourist Office defines 5-star hotels as hotels located at convenient locations, with luxury facilities, equipments and furnishings, room sizes and mix, good appearance and environment, and variety of good quality of services. For the purpose of this report, the classification by the Macau Government Tourist Office is adopted, and shall cover all existing and probable future stock of 5-star hotels located in Macau Peninsula, Taipa, Cotai and Coloane. **Shanghai** Shanghai's high-end hotel sector is defined as all 5-Star, internationally branded hotels. For those hotels completed prior to 2006, such hotels have been officially designated as 5-Star by the China Tourism Bureau. For those completed in 2006, CB Richard Ellis has assumed their 5-Star designation given their global branding, quality and pricing, in the expectation that they will be classified as 5-Star by the China Tourism Bureau. **Shenzhen** Shenzhen's 5-star hotel sector are those internationally branded 5-star hotels which are located within the downtown central business district of Shenzhen, in the Futian, Luohu, Nanshan and Yantian districts.
Additional Supply	Incremental new supply to the market, usually quoted on an annual basis with reference to GFA or number of units.
Average Daily Room Rate	Average room rate for hotels, per room per day
Average Price	On a gross basis, inclusive of all residential sales transacted in a particular month in only the primary markets (including pre-sale transactions).
Average Rental Levels	On a gross basis, unless otherwise stated.
Average Sales Price	On a gross basis, unless otherwise stated.
Average Transaction Volume	On a gross basis, inclusive of all residential sales transacted in a particular month in only the primary markets (including pre-sale transactions).
Boutique Retail	Relatively small scale retail facilities managed under a single management company and targeting the mid-upper to upper end of the market. Such facilities are typically located in city-centre areas and tend to include a relatively high proportion of F&B and entertainment options.
Company	Pacific Alliance Capital Limited
Department Store	A retail organisation under one roof, which carries a wide range of merchandise that is organised into separate departments usually as consignments, with no single predominant merchandise line. Goods sold with one operator's branding, for the purpose of promotion, service and control.
Engel Index	The ratio of expenditure spent on food against whole expenditure (reflects people's change in consumption).
FIT	Facilitated Individual Travel Scheme first introduced on 28 July 2003 as a liberalisation measure under the Closer Economic Partnership Agreement. The scheme allows residents of designated china cities to visit Hong Kong and Macau in their individual capacity. Today, residents of 49 cities in mainland China are covered in the Scheme.
Forecast Stock	The total amount of stock (usually quoted in GFA) at a certain future point in time.
Grade A Office	**Beijing** Modern office facilities with exceptional accessibility and a definite market presence along with high-quality standard finishes; state-of-the-art systems, flexible layout and large floor plates; effective central air-conditioning; good management and the availability of parking facilities. Note that a key factor for a building to be considered grade A is usually that the building be held in single ownership (that is, not sold on a

	strata basis). **Guangzhou** Guangzhou's grade A office properties are defined as modern office facilities with GFA greater than 30,000 sm, exceptional accessibility, definite market presence along with high-quality standard finishes, state-of-the-art systems, flexible layout, good management and sufficient car-parking facilities. **Macau** Macau's grade A office properties are typically classified as modern office facilities with exceptional accessibility and high-quality standard finishes; state-of-the-art systems, flexible layout and large floor plates; effective central air-conditioning; good management and the availability of parking facilities. **Shanghai** Shanghai's grade A (including Premium Grade A) properties are typically characterised as modern office facilities with exceptional accessibility along with high quality standard finishes. In addition, these properties normally comprise state-of-the-art building systems, a flexible layout, relatively large floor plates, effective central air-conditioning, and international standard management. **Shenzhen** Shenzhen's grade A office properties are typically classified as modern office facilities with exceptional accessibility and high-quality standard finishes; state-of-the-art systems, flexible layout and large floor plates; effective central air-conditioning; good management and the availability of parking facilities.
Gross Floor Area	The area contained within the external walls of any building at each floor level and the whole thickness of the external walls. In general excludes mechanical and electrical services rooms, refuse rooms, water tanks, carparking floors and all lifts and staircases.
High End Residential	**Beijing** High end residential market in Beijing is defined as high end residential apartment with an average price above RMB 20,000 psm. The average figures used are those over the first six months of 2007 to ensure a representative sample (at the beginning of 2007, average sale prices were slightly below RMB 20,000 psm and at the end of the six month period they were above RMB 20,000 psm). The data covers all apartments that are currently selling units in the primary market, as well as older high-end projects selling in the secondary market. **Dalian** Average price above RMB 10,000 psm, located in main central urban districts. **Guangzhou** High end residential market in Guangzhou is defined as well designed apartments in urban area with an average transacted price level in excess of RMB 20,000 psm. **Hangzhou** High end residential market in Hangzhou is defined as high end residential apartments with transacted price in excess of RMB 12,500 psm, in addition, such properties are to be built to high specification, developed by reputable and experienced developers with good track records, and are typically located within the city centre of Hangzhou. **Macau** High end residential market in Macau is defined as large-scale developments, currently under construction or completed within the past three years, and will contain about 300 units or more, incorporating a comprehensive range of recreational facilities such as gymnasium, function rooms and swimming pools,, etc within a club house for use by its residents. **Shanghai** High end residential market in Shanghai is defined as high-density condominiums having a current sales price of more than RMB 25,000 psm and located with core residential districts of downtown Shanghai. **Shenzhen** A well designed apartment community with a transacted price in excess of RMB 35,000 psm. **Tianjin** Those projects with an average price above RMB 8,000 psm as of Q2 2007 and located within the main central urban districts. There are currently six established high-end residential areas in the central urban districts of Tianjin: Heping Central Area, Hexi Central Area, Greater Old Town, Greater Meijiang, Water Park Area and Haihe Riverside

HKSAR	Hong Kong Special Administrative Region
Macau SAR	Macau Special Administrative Region
Major Shopping Facility	Shopping facilities with an estimated GFA of over 10,000 sm.
MOP	The Macau currency, Pataca (MOP), is adopted for statistics and information from official Macau Government sources. The Pataca is pegged to the Hong Kong Dollar (HK$), which is also accepted as currency in Macau. The exchange rate is MOP103.20 = HK$100.00. Since HK$ is accepted in Macau and some of the local sales of residential flats are actually quoted in HK$, for ease of comparison, the HK$ is adopted in our analysis of selling price of residential flats in the report. For conversion, US$1 = 8MOP and US$1 = 7.8 HK$
Net (Floor Area)	Net Floor Area shall exclude all common areas such as common corridors, stairs, lift lobbies, toilets and plant room. It shall be measured from the centre of the enclosing external and/or party walls
Net Lettable Area	Lettable Area of whole floor shall include toilets and lift lobbies but exclude common areas such as lift shafts, stairs, plant rooms and smoke lobbies.
Primary Sector	Includes farming, forestry, animal husbandry, fisheries, natural resource extraction and similar industries
Prime Retail Market	**Beijing** Prime retail in Beijing is defined as department stores and shopping centers located in the main central retail areas, with a total GFA in excess of 20,000 sm. **Guangzhou** Prime retail in Guangzhou is defined as large scale shopping centres or department store projects, with a GFA greater than 10,000 sm and located in the main downtown retail areas. Big box retailers such as hypermarkets and DIY stores have been excluded from the study unless they are part of a larger prime retail development. **Macau** Prime retail market in Macau is defined as those areas with chains of international brands targeted for tourists and local high income group. **Shanghai** Prime retail market in Shanghai is defined as those retail areas located in downtown Shanghai (within the Inner Ring Road) that comprise a heavy concentration of good quality shopping centres, department stores, and boutique retail developments selling goods targeted at mid-upper/upper-income consumers. **Shenzhen** Prime retail in Shenzhen is generally defined as being in the upper end of the rental range in the prime locations of the city.
Secondary Sector	Includes manufacturing, construction, mining, water supply, electricity supply, gas supply, and similar industries
Shopping Centre	Usually a large complex under one roof, containing a cluster of retail stores and/or department stores collectively selling an assortment of goods.
Tertiary Sector	Includes all other industries not included in the primary and secondary sectors such as service related industries

ABBREVIATIONS

ADR	Average Daily Room Rates
CB Richard Ellis	CB Richard Ellis Limited
CBD	Central Business District
CEPA	Closer Economic Partnership Agreement
CIES	Capital Investment Entrant Sc heme (Macau)
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFA	Gross Floor Area
HK$	The lawful currency of the Hong Kong Special Administrative Region
IVS	Individual Visits Scheme
km / sq km	Kilometre / Square Kilometres
MICE	Meetings, Incentives, Conventions and Exhibition
MNC	Multi National Corporations
psm	Per Square Metre
RMB	Renminbi – the lawful currency of China

SARS	Severe Acute Respiratory Syndrome
SEZ	Special Economic Zone
sm	Square Metres
SOHO	Small Office, Home Office
US$	The lawful currency of the United States of America
WOFE	Wholly Owned Foreign Enterprises
WTO	World Trade Organisation
y-o-y	Year on year

PART 7

OVERVIEW OF REGULATION AND TAXATION OF THE PRC PROPERTY MARKET

This Part 7 sets out summaries of certain aspects of PRC laws and regulations, which are relevant to the Company's intended operations and business. These include laws and regulations relating to land, real estate development, foreign investment enterprises and foreign exchange control. Certain laws and regulations relating to taxation applying to the Company's operations and business in the PRC are discussed in Part 8 of this document. **It should be noted that PRC laws, regulations and the interpretation thereof are subject to change from time to time and it should be noted in particular that such laws, regulations and the interpretation thereof can change swiftly and without prior notice to any person.** For a description of the legal risks relating to the Company's business, and in particular the land system in China, see Part 3 of this document.

1. The land system of the PRC

1.1 *Overview*

PRC law distinguishes between the ownership of land and the right to use land

Under the Constitution of the PRC (中华人民共和国宪法), as amended in 2004, all land in the PRC is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, while all land in rural and suburban areas, including residential sites (宅基地), privately farmed crop land (自留地) and hilly land (自留山) are, unless otherwise specified by law, collectively-owned. The right to use the land, referred to as land use rights, can be transferred as provided by applicable laws and regulations. The State may expropriate (征收), i.e. resume the ownership of, or requisition (征用), i.e. acquire the use right of any land upon paying compensation in accordance with applicable laws and regulations if required for the public interest.

The Land Administration Law of the PRC (中华人民共和国土地管理法), as amended on 28 August 2004, stipulates that land use rights of state-owned land may be assigned in accordance with the law for construction purposes, provided that the compensation is made for the use and except for certain land uses of allocated land that are prescribed by the laws and regulations.

In May 1990, the State Council (国务院) enacted the provisional Regulations of the PRC Concerning the Grant and Transfer of the Land Use Rights of State-owned Land in Urban Areas (中华人民共和国城镇国有土地使用权出让和转让暂行条例) (the "**Urban Land Regulations**"), under which all local and foreign companies, enterprises, other organisations and PRC nationals are permitted to acquire land use rights for development and operation purposes unless the law or regulations provide otherwise. The two most important ways of acquiring land use rights are land grants from local land administration authorities and land transfers from land users who have already obtained the land use rights.

1.2 *Land grants*

National and local legislation

As provided in the Urban Land Regulations, land use rights can be granted by local governments at or above the county level on behalf of the State for a definite period, pursuant to a contract for granting land use rights, or the land grant contract, and upon payment by the land user to the State of a land grant fee.

The Urban Land Regulations prescribe different maximum terms of the grant for different uses of land as set out below:

Use of land	**Maximum period (years)**
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Educational, scientific, cultural, public health and sports	50
Comprehensive utilisation or others	50

The State may not resume possession of lawfully-granted land use rights prior to the expiration of the term except under special circumstances if public interest requires the resumption of possession by the State and for which compensation must be paid by the State. In compliance with the terms of the land grant contract, a grantee, as the holder of land use rights, may exercise substantially the same rights as a land owner during the grant term, including holding, leasing, transferring, mortgaging and using the land for other commercial purposes. However, the State is entitled to resume possession of the land use rights under certain circumstances, for instance, if the grantee fails to develop the land as stipulated in the land grant contract. See the paragraph below entitled "Land grant contract".

Upon paying in full the land grant fee pursuant to the terms of the land grant contract, the grantee may apply to the relevant land administration authority for issuance of a land use certificate. Upon expiration of the term of grant, renewal is possible subject to the execution of a new land grant contract and payment of a new land grant fee. If the term of the grant is not renewed, the land use rights and ownership of any buildings on such land will revert to the State without compensation.

In addition to the general framework for granting land use rights set out in the Urban Land Regulations, local regulations may provide for additional requirements, including those applicable to specific land grants within specific areas. These local regulations are numerous and some of them are inconsistent with national laws and regulations. Under PRC laws and regulations, national laws and regulations prevail to the extent of such inconsistencies unless otherwise provided by national laws and regulations.

Methods of land grant

Grant by competitive bidding

Except for land use rights which may be obtained through allocation (划拨) pursuant to the Urban Land Regulations and the Urban Real Estate Administration Law of the PRC (中华人民共和国城市房) (the "**Real Property Law**") effective from 1 January 1995, as amended on 30 August 2007, land use rights for property development shall be obtained through government grants. There are two methods by which land use rights may be granted, namely by private agreement or competitive process (i.e., bidding, auction or listing at a land exchange (招、拍、挂) administered by the local government).

As from 1 July 2002, the grant of land use rights by way of competitive process is implemented by the Measures on the Grant of State-owned Land Use Rights by Public Bidding, Auction or Listing (招标拍卖挂牌出让国有土地使用权规定) (the "**2002 Measures**"), issued by the Ministry of Land and Resources of the PRC (国土资源部). The 2002 Measures specifically provide that land to be used for operational purposes, including commercial, tourism, entertainment and construction of luxury flats, must be granted by way of competitive processes. A number of measures are provided by the 2002 Measures to ensure such grant of land use rights for operational purposes is conducted openly and fairly. For instance, the local land administration authority must consider various factors when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval by the local government. In addition, the announcement of bidding, auction or listing at a land exchange must be made 20 days prior to the date on which such competitive process begins. Furthermore, it is also stipulated that for listing at a land exchange, the listing term must be no less than ten business days.

The local land administration authority granting the land use rights should examine the qualifications of the intended bidders and inform those qualified to participate in the bidding process. Bidders are asked to submit sealed bids within the bidding term together with a security deposit. When land use rights are granted by way of bid invitation, a bid evaluation committee consisting of not less than five members (including representative(s) of the grantor and other experts) is responsible for opening the bids and deciding on the successful bidder. In making their decision the committee will consider: (a) if the bid invitation only requires a bid from the bidder, whoever offers the highest bid will be the successful bidder; and (b) if the bid invitation requires the bidder to submit planning proposals in addition to the bid, the details of the proposals. If the relevant land administration authority considers that none of the bids are satisfactory, the land administration authority has the right to reject all of the bids. Following the announcement of a successful bidder, the successful bidder will sign the land grant contract with the local land administration authority and pay the balance of the land grant fee before obtaining the land use certificate and the land administration authority will effect registration of the successful bidder as the holder of land use rights for the land. See the paragraph below entitled "Documents of title and registration of property interests".

Where land use rights are granted by way of an auction, a public auction will be held by the relevant local land administration authority. The land use rights are granted to the highest bidder. The successful bidder will sign the land grant contract with the local land administration authority and pay the relevant land grant fee as provided in the land grant contract. Auction for land use rights can be made by way of open auction or private auction. Where land use rights are granted by way of listing at a land exchange, a public notice will be issued by the local land administration authority to specify the location, area and purpose of use of land, the initial bidding price, the period for receiving bids and the terms and conditions upon which the land use rights are proposed to be granted. The land use rights will be granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will sign a land grant contract with the local land administration authority and pay the relevant land grant fee within a prescribed period.

On 21 September 2007, the Ministry of Land and Resources of the PRC issued Regulation on the Grant of State-owned Construction Land Use Rights by Public Bidding, Auction or Listing which further clarifies and standardises the process for obtaining land use rights through public bidding, auction or listing. The fundamental intention of this Regulation is to make the process for obtaining land use rights fairer and more transparent. This Regulation also provides that the acquirer of the land has to pay in full all land premium under the land grant contract before it can lawfully apply for the land use right certificate for the land. The application of separate land use right certificates in proportion to the land premium having been paid, which was allowed in the past, is no longer permitted.

Grant by agreement

In June 2003, the Ministry of Land and Resources promulgated the Regulations on Grant of State-owned Land use Rights by Agreement (协议出让国有土地使用权规定) or the 2003 Regulations, to regulate granting of land use rights by agreement in respect of land, the designated uses of which are other than for commercial purposes as described above. According to the Regulations, effective from 1 August 2003 (the "2003 Regulations"), the local land administration authority shall propose the base price of the land premium for the grant by agreement, provided that the base price shall not be lower than the minimum price regulated by the State, and formulates the plan for the grant by agreement with the other relevant government authorities, including the city planning authority. Once the land premium and plan for the grant have been approved by the local government, the local land administration authority and the potential user will negotiate and enter into the land grant contract based on the above-mentioned plan. If two or more parties are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of bidding, auction or listing on a land exchange in accordance with the 2002 Measures.

A grantee is required to pay the land grant fee pursuant to the terms of the contract and the contract is then submitted to the relevant local land administration authority for the issuance of the land use certificate. Upon expiration of the term of grant, the grantee may apply for its renewal. Upon approval by the relevant local land administration authority, a new contract is entered into to renew the grant, and a land grant fee shall be paid.

According to the "Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land use in Urban Construction (关于加强城市建设用地审查报批工作有关问题的通知)" enacted by the Ministry of Land and Resources on 4 September 2003 (the "Notice"), commencing from the day of distribution of the Notice, land use for development of luxury housing shall be stringently controlled, and applications for land use for building villas shall be stopped. On 30 May 2006, the Ministry of Land and Resources issued the "Urgent Notice of Further Strengthening the Administration of the Land" (关于当前进一步从严土地管理的紧急通知). It is expressly prescribed in this Notice that land for property development must be assigned by way of competitive bidding, public auction or listing-for-sale; the rules of stopping the development of villas should be strictly enforced; and all supply of land for such purpose and handling of related land use procedure will be ceased from the day of the Notice's issuance.

Model land grant contract

To standardise land grant contracts, the Ministry of Land and Resources and the State Administration for Industry and Commerce jointly published the model land grant contract template (the "**Template**") in 2000. Many local governments have formulated their respective local form of model land grant contracts to suit specific local circumstances using the Template. The Template contains terms such as location, purpose of use, land grant fee and its payment schedule, conditions of land upon delivery, term of grant, land use conditions and restrictions (including gross floor area ("GFA"), plot ratio, height and density limitations), construction of public facilities, submission of building plans for approval, deadline for commencement of construction, payment of idle fees, deadline for completion of construction, application for extension of the stipulated construction period, restrictions on subsequent transfers, responsibility for obtaining supply of utilities, restrictions against alienation before payment of the land grant fee and completion of the prescribed development, application for renewal, *force majeure* and dispute resolution.

According to the Urban Land Regulations, if a land user wishes to change the specified use of land after the execution of a land grant contract, approvals must first be obtained from the relevant land administration authority and the relevant city planning authority. In addition, a new land grant contract may have to be signed and the land grant fee adjusted to reflect the added value of the new use. Registration procedures must be completed immediately upon approval for the change of designated use.

If the land user fails to develop and invest in the land within the time limit specified in the contract and in accordance with the conditions set forth therein, the land administration authority will have the power, depending on the severity of the case, to impose penalties such as a warning, a fine or, in an extreme case, resume the land use right without consideration (unless the failure to develop and invest in the land is due to a *force majeure* event or the activities of a governmental authority).

Termination

According to the "Real Property Law of the People's Republic of China" promulgated on 16 March 2007 and becoming effective as of 1 October 2007, when the term of the right to use land for construction of dwelling houses expires, it shall be renewed automatically. With regard to the term of the right to use land not for construction of dwelling houses, the land user can apply for renewal. Such application cannot be rejected based on reasons other than public interest.

The land use right terminates upon the earlier of the expiry of the term of grant specified in the land grant contract or the resumption by the State of the land use right.

The State will not resume the land use rights that have been granted to the lawful users before the expiration of the grant term, except for a special reason, such as in the public interest, and in such cases the State must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the land user.

Upon expiry of the grant term, the land use right and ownership of the related buildings erected on the land and other attachments may be acquired by the State without compensation. The land user shall take steps to surrender the land use certificate and cancel the registration of the certificate in accordance with relevant laws and regulations.

A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a land grant fee and effect appropriate registration for the renewed grant.

Land transfers from current land users

In addition to a direct grant from the government, an investor may also acquire land use rights from the land users that have already obtained the land use rights by entering into an assignment contract or a joint venture development (合作开发建设) agreement with the land user.

The assignment contract or joint venture development agreement must be registered with the relevant local land administration authority at the municipal or county level. Upon a transfer of land use rights, all rights and obligations contained in the land grant contract are deemed to be incorporated as part of the terms and conditions of such transfer.

The assignment contract or the joint venture development agreement is subject to the terms and conditions specified in the land grant contract. For the assignment of residential construction projects, PRC laws and regulations require that at least 25 per cent. of the total construction costs, excluding land grant fees, have been expended and the construction schedule and date of completion and delivery of the project have been determined before assignment can take place. A higher minimum construction and investment fee may be provided in land grant contracts entered into between the local land administration authority and the land user. All rights and obligations of the current holder under a land grant contract will be transferred simultaneously to the assignee of the land use rights. The relevant local government has the right to acquire the land use rights to be assigned if the assignment price is significantly lower than the market price. Relevant local governments may also acquire the land use rights from a land user in the event of a change in town planning. The land user will then be compensated for the loss of his land use rights.

Certain domestic PRC individuals or entities enjoy the right to use land allocated (other than by grant) by the State without payment of any consideration for an indefinite period of time. This type of land use right is generally referred to as an allocated land use right. According to the Urban Land Regulations, the assignment, lease or mortgage of allocated land use rights in urban areas and any buildings or attachments situated on such land is subject to the approval of the relevant land and real estate administration authority. The conditions for approval include the following:

1.2.1 the existing land user must be an individual or a company, enterprise or other economic organisation;

1.2.2 the existing land user shall have obtained the land use rights certificate and the relevant ownership certificates for the buildings and attachments;

1.2.3 a formal land grant contract must be entered into with the relevant land department; and

1.2.4 the land grant fee must be paid or such payment may be made from the proceeds of such assignment, lease and mortgage.

Documents of title and registration of property interests

A land use rights certificate is the evidentiary legal document to demonstrate that the registered land user has the lawful right to use the land during the term stated in the land use rights certificate. Upon the completion of construction of a building (including passing the acceptance tests by various government departments), a building ownership certificate evidencing the rights and ownership to the real property (房屋所有权证或房地产权证) (the "Property Ownership Certificate") will be issued to the owner of the building. The holder of a land use right who is issued a Property Ownership Certificate holds the land use rights and owns the building erected on the land. All holders of land use rights must register all their lawful land use rights, as well as ownership of the buildings. In this regard, real estate registers have been established in all cities in China. In most cities, there are separate registries for registration of land use rights and building ownership. However, in Shanghai and some other major and secondary cities, the two registries have been or are in the process of being combined. In Beijing, the two registries at the county level have been combined, but at the municipal level, the land use rights and the ownership of the buildings are still separately registered. In places where there are separate registries, the holder of a land use right will be issued a Property Ownership Certificate for its ownership of the building and a land use rights certificate for its land use rights in the underlying land. In the other places where registries have been combined, the land use rights certificate and the Property Ownership Certificate are combined into a single certificate. Land use rights and building ownership title which are duly registered are protected by PRC law.

Whether the registered land user can assign, mortgage or lease the land use rights will be subject to conditions stipulated in the original land grant contract. In addition to the requirement to register land use rights, there is also a requirement to register a mortgage of a land use right in local land registration departments. See the paragraph entitled "Mortgage and guarantee."

Mortgage and guarantee

The mortgage of property in the PRC is governed by the Security Law of the PRC (中华人民共和国担保法) (the "**Security Law**"), the Real Property Law, the Administrative Measures of Mortgages of Urban Real Estate (城市房地产抵押管理办法) (the "**Real Estate Mortgage Measures**"), and other relevant laws and regulations. When a mortgage is created over the ownership of a completed building, the same will be simultaneously created over the land use right of the land where the building is erected. The mortgagee and the mortgagor shall enter into a mortgage contract in writing which becomes effective on the date of the registration of such mortgage by the relevant real estate administration authority. A property mortgage agreement must contain specific provisions including: (i) the type and amount of the indebtedness secured; (ii) the period of the obligation by the debtor; (iii) the repayment of the indebtedness; and (iv) the name, quantity, conditions, location, valuation and ownership of the mortgaged property. Pursuant to the Real Property Law, buildings newly erected on a piece of urban land after a mortgage contract has been entered into shall not constitute mortgaged property.

If a mortgage is created over the contractual rights and interests under the pre-sale contract in relation to non-completed buildings, the registration authority shall record the details of such mortgage. Once the construction of the building is completed during the term of the mortgage, the parties involved shall re-register the mortgage after issuance of the Property Ownership Certificate. If a mortgage is created on the property in respect of which a Property Ownership Certificate has been issued, the registration authority shall make an entry under the "third party interests" item on the Property Ownership Certificate and also issue a third party rights certificate (房屋他项权证) to the mortgagee evidencing its rights to the mortgage. If the mortgaged property is auctioned off, the new buildings added on the land may be auctioned together with the mortgaged property, but the mortgagee shall not be entitled to priority compensation from the proceeds of the auction of the new buildings.

If the mortgagor cannot repay the loan that is secured by the mortgaged property, the mortgagee may agree with the mortgagor to receive payment by evaluating the mortgaged property in terms of money or through the proceeds of the auction or selling off the property. If no such agreement is reached, the mortgagee may institute proceedings in a People's Court. After the mortgaged property has been evaluated in terms of money or been auctioned or sold off, any portion of the proceeds that exceeds the amount of the indebtedness shall belong to the mortgagor.

The Security Law also contains comprehensive provisions dealing with guarantees. Under the Security Law, guarantees may be in two forms: (i) general guarantees whereby the guarantor bears the liability when the debtor fails to perform the payment obligation; and (ii) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally liable for the payment obligation. A guarantee contract must be in writing and, unless agreed otherwise, the term of a guarantee shall be six months after the expiration of the term for performance of the principal obligation.

The Security Law further provides that where indebtedness is secured by both a guarantee and by mortgaged property, the guarantor's liability shall be limited to the extent of the indebtedness that is not secured by the mortgaged property.

Idle land

According to the Measures on Disposing of Idle Land (闲置土地处理办法) enacted and enforced by the Ministry of Land Resources on 28 April 1999, land can be defined as idle land under any of the following circumstances: (i) development and construction of the land is not commenced within the prescribed time limit after obtaining the land use right without consent from the people's government who approved the use of the land; (ii) where the "Contract on Paid Use of the Right to Use State-Owned Land" or the "Approval Letter on Land Used for Construction" has not prescribed the date of commencing the development and construction, the development and construction of the land is not commenced at the expiry of one year from the date when the "Contract on Paid Use of the Right to Use State-Owned Land" became effective or when the administrative department of land issued the "Approval Letter on Land Used for Construction"; (iii) the development and construction of the land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25 per cent. of the total amount of investment, and the development and construction have been continuously suspended for one year or more without approval; and (iv) other circumstances prescribed by the laws and the administrative regulations.

The municipality or county level land administrative department shall, after a piece of land has been ascertained as idle land, notify the concerned land user and draft a proposal on methods of disposal of the idle land including but not limited to extending the time period for development and construction (provided that the extension shall be no longer than one year), changing the use of the land, arranging for temporary use, ascertaining a new land user by competitive bidding or public auction. The administrative department of land under the people's government at city or county level shall, after the proposal on disposal has been approved by the original people's government who approved the use of the land, arrange for implementation of the proposal. In relation to the land which is obtained by assignment and is within the scope of city planning, if the work has not been commenced after one year from the prescribed date of commencement, a surcharge on idle land equivalent to less than 20 per cent. of the assignment price may be levied; if the work has not been commenced after two years from the prescribed date of commencement, the land can be confiscated without any compensation. However, the preceding stipulations shall not apply if the delay is caused by *force majeure*, acts of government or acts of other relevant departments under the government, or by the indispensable preliminary work.

1.3 ***Property development***

Establishment of a property development enterprise

Property development projects in the PRC are generally divided into single projects and large tract development projects. A single project refers to the construction of buildings on a plot of land and the subsequent sale of units. Large tract development projects consist of the comprehensive development of a large area of land and the construction of necessary infrastructure such as water, electricity, road and communications facilities. The developer may either assign the land use rights of the developed area or construct buildings on the land itself and sell or lease the buildings erected on it.

Under the Regulations on Administration of Development of Urban Real Estate (城市房地产开发经营管理条例) (the "**Development Regulations**") promulgated by the State Council in July 1998, an enterprise which is to engage in development of property shall satisfy certain requirements including: (i) its registered capital shall be more than RMB 1,000,000; and (ii) it has four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold relevant qualifications.

Where a foreign investment enterprise is to be established to engage in the development and sale of property, the relevant requirements of the laws and regulations regarding foreign investment enterprises must also be observed and relevant approvals obtained. Under the Foreign Investment Industrial Guidance Catalogue (外商投资产业指导目录) (the "**Catalogue**") amended and promulgated by the Ministry of Commerce and the National Development and Reform Commission in October 2007 and effective as of 1 December 2007 the development, construction and operation of high end hotels, villas, premium office buildings and international conference centres falls within the category of industry in which foreign investment is subject to restrictions while other property development including the development and construction of ordinary residental units fall within the category of industries in which foreign investment is permitted. The secondary market in real estate trade and the establishiment of real estate brokerage companies by foreign investors also fall within the restricted category according to the catalogue. A foreign investor intending to engage in the development and sale of property in the PRC may establish an equity joint venture, a co-operative joint venture or a wholly foreign-owned enterprise in accordance with relevant laws and regulations regarding foreign investment. Prior to its registration with the local industry and commerce administration to obtain a business licence, the enterprise must be approved by the government authorities in charge of foreign investment, upon which approval an approval certificate for a foreign investment enterprise will be issued.

Pursuant to the Urban Land Regulations, foreign entities may acquire land use rights in the PRC unless the law provides otherwise. However, in order to develop the acquired land, the foreign entities need to establish foreign investment enterprises in the PRC as the project companies to develop the property. These project companies may be in the form of sino-foreign equity or co-operative joint ventures or wholly foreign-owned enterprises. The typical scope of business of such project company includes development, construction, sales and leasing of commodity properties and ancillary facilities on the specific land approved by the government and property management. The term of the project company is usually the same as the term of grant of the land use rights in question.

Establishment of a project company is subject to the approval by the relevant departments of the PRC Government in accordance with the following procedure. First, in most places, the PRC party to a joint venture project or the foreign investor, in the case of a wholly foreign-owned project, will submit a project application report to the central or local development and reform commission for verification and approval. If the development and reform commission considers the proposed property development project to be consistent with the prevailing national and local economic plans and foreign investment regulations, it will grant an approval to the applicant in respect of the project. The National State Development and Reform Commission and the Ministry of Commerce have been given the authority to regularly promulgate guidelines for the direction of foreign investment.

The total investment amount and the category provided by the "Foreign Investment Industrial Guidance Catalogue" determine the levels of the approval authorities. The existing laws and regulations impose a cap of a total investment of US$50 million on local approval for projects in the restricted category and a cap of total investment of US$100 million on local approval for projects in the encouraged category. For those with a total investment exceeding US$50 million in the restricted category and projects with a total investment exceeding US$100 million in the encouraged category, the relevant approval authority shall submit the matter to the Ministry of Commerce for approval.

Once the project application report has been verified and approved by the PRC Government, the PRC party and the foreign investor may proceed to prepare a joint feasibility study report that reflects their assessment of the overall economic viability of the proposed project company. At the same time, the parties may proceed to negotiate and execute the joint venture contract and articles of association for the establishment of a project company. In the case of a wholly foreign-owned enterprise, the foreign investor may then prepare and sign the articles of association. The joint feasibility study report, the joint venture contract and/or articles of association will then, depending, among other things, on the industry to which it belongs under the Catalogue and the amount of total investment, be submitted to the Ministry of Commerce or its local counterpart, as the case may be, for approval. If the Ministry of Commerce or its local counterpart finds the application documents to be in compliance with PRC laws and regulations, it will issue an approval certificate for the establishment of the project company. With this approval certificate, the foreign investor and/or the PRC party can apply to the local administration for industry and commerce for a foreign investment enterprise business licence for the project company.

Once a foreign developer has established a project company and secured the land use rights to a piece of land for development, it has to apply for and obtain the requisite planning permits from the planning departments and have its design plan approved by, and apply for and obtain a construction permit from, the relevant construction commission for commencement of construction work on the land. When the construction work on the land is completed, the completed buildings and structures must be examined and approved by the government departments before they can be delivered to purchasers or lessors for occupancy.

Qualification of real estate development enterprise

Under the Administrative Measures of Qualification Certificates of Real Estate Developers (房地产开发企业资质管理规定) (the "**Qualification Measures**") implemented by the Ministry of Construction (建设部) on 29 March 2000, a real estate developer shall apply for registration of its qualifications according to such regulation. An enterprise may not engage in the development and sale of real estate without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualification of real estate developers, and the real estate development authority under a local government at or above the county level shall oversee the qualifications of local real estate developers.

In accordance with the Qualification Measures, real estate developers are classified into four classes. The approval system is tiered, so that confirmation of class 1 qualifications shall be subject to preliminary examination by the construction authority under the PRC Government of the relevant province, autonomous region or municipality directly under the central government and then final approval by the Ministry of Construction. Procedures for approval of developers of class 2, 3 or 4 are formulated by the real estate administration authority of the government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority.

Under the Development Regulations, the real estate development authorities shall examine the applications for registration of qualifications of a real estate developer when it notifies of its establishment, by considering its assets, professional personnel and business results. A real estate developer shall only undertake real estate development projects in compliance with the approved qualification registration.

After a newly established real estate developer reports its establishment to the real estate development authority, the latter shall issue an interim qualification certificate to the eligible developer within 30 days of its receipt of the report. The real estate developer shall apply for an extension of the interim qualification or a formal qualification certificate from the real estate development authority within one month before expiry of the interim qualification certificate. Failure to obtain or maintain the required interim or formal qualification certificate may result in a fine ranging from RMB 50,000 to RMB 100,000 and revocation of the developer's business licence if such failure to obtain a qualification certificate is not rectified.

A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification. A class 1 real estate developer is not restricted as to the scale of the real estate project to be developed and may undertake a real estate development project anywhere. A real estate developer of class 2, 3 or 4 may undertake a project within a maximum gross area of 250,000 square metres and the specific scope of business shall be as confirmed by the real estate administration authority of the relevant province, autonomous region or municipality.

The real estate development authorities perform annual inspections of real estate developers. Developers who fail to meet the qualification requirements or operate in breach of the requirements may have their qualification classification certificates degraded or revoked.

For the purpose of carrying out the construction and development of a real estate project, the real estate developers shall, after signing the land grant contract in accordance with the 2002 Measures, perform certain procedures and obtain relevant approval documents in relation to the design, planning, construction and development of the land.

Planning and construction permits

Under the Measures on Planning Administration Regarding Granting and Transfer of State-owned Land Use Right in Urban Area (城市国有土地使用权出让转让规划管理办法) promulgated by the Ministry of Construction in December 1992 (the "**1992 Measures**"), a real estate developer needs to apply for a construction site planning permit (建设用地规划许可证) (the "**Planning Permit**") from the municipal planning authority. After obtaining the Planning Permit, the real estate developer then needs to organise the necessary planning and design work in accordance with relevant planning and design requirements. A planning and design proposal in respect of the real estate project has to be submitted to the municipal planning authority following the requirements and procedures under the Urban Planning Law of the PRC (中华人民共和国城市规划法) promulgated in December 1989 and a construction project planning permit (建设工程规划许可证) must be obtained from the municipal planning authority.

Before the commencement of construction of a real estate project, the real estate developer needs to apply for a Permit for Housing Demolition and Resettlement (房屋拆迁许可证) (a "**Demolition Permit**") if there are buildings or houses to be demolished on the land where the real estate project is located in accordance with the regulations for the administration of demolition and removal of urban housing (城市房屋拆迁管理条例) promulgated by the State Council in June 2001.

Upon obtaining the Demolition Permit, the real estate developer should appoint a qualified third party to carry out the demolition and removal within the land area and period specified in the Demolition Permit after the local real estate administration authority have issued a demolition and resettlement notice to the inhabitants of the housing to be demolished. Subject to a written agreement entered into by the real estate developer and the interested parties for compensation and resettlement, the real estate developer needs to pay compensation and resettlement fees to the inhabitants of the housing to be demolished. Compensation may be effected by way of monetary compensation or exchange of property rights. In addition to paying the demolition and resettlement compensation, the real estate developer has to pay relocation allowance to the parties subject to demolition and resettlement. After a real estate developer has carried out the above work, if the progress of demolition of existing buildings complies with construction needs and funds required for the construction have been made available, the contractor has been determined, and the design for construction has been examined and approved by the relevant government authorities, the real estate developer can apply for a Permit for Commencement of Construction Works (建设工程施工许可证) from the relevant construction authority in accordance with the Administrative Measures on Permission of Commencement of Construction Works (建筑工程施工许可管理办法) promulgated by the Ministry of Construction in October 1999 and as amended in July 2001.

Acceptance and examination upon completion of the real estate project

According to the Interim Measures on Acceptance Examination upon Completion of Construction Projects of Buildings and Infrastructures for Urban Utilities (房屋建筑工程和市政基础设施工程竣工验收暂行规定) (the "**Acceptance and Examination Measures**") promulgated by the Ministry of Construction in June 2000 and the Regulations of Administration of Quality Construction Projects (建设工程质量管理条例) promulgated by the State Council in January 2000 (the "**Construction Quality Regulations**"), after completion of construction works on a real estate project the real estate developer has to organise and apply for an acceptance examination of the construction works and obtain a Filing Record of the Completion Inspection and Acceptance of Building Construction Works and Urban Utilities and Infrastructures (the "**Completion Certificate**"). A real estate project may not be delivered before passing the acceptance examination and obtaining the Completion Certificate.

Sales/pre-sales of commodity buildings

Commodity buildings can be sold before or after their completion. These sales are regulated and conducted in accordance with the Administrative Measures of Sales of Commodity Properties (商品房销售管理办法) (the "**Sales Measures**") promulgated by the Ministry of Construction in April 2001, the Administrative Measures of Pre-sales of Urban Commodity Properties (城市商品房预售管理办法) (the "**Pre-sales Measures**") promulgated and amended by the Ministry of Construction in November 1994, August 2001 and July 2004 respectively and the Development Regulations.

For units of a commodity building to be sold before completion (a "**Pre-sale**") under the Pre-sales Measures, a developer must make the necessary Pre-sale registration with the real estate development authority of the relevant city or county and obtain a Pre-sale permit. A Pre-sale can only take place when:

1.3.1 the land premium in respect of the land use rights has been paid in full and the land use certificate has been obtained;

1.3.2 the construction works planning permit and the construction project commencement permit have been obtained;

1.3.3 at least 25 per cent. of the total amount of the project investment fund has been injected into the development of the project and the progress of construction and the expected completion date of the project has been ascertained; and

1.3.4 the pre-sale permit has been obtained.

Pursuant to the Pre-sale Measures, pre-sale proceeds shall only be applied towards settlement of the related construction cost. In Beijing and other cities, the local real estate administration authorities have formulated, in accordance with the Pre-sale Measures, their own rules with respect of the supervision of the use of pre-sale proceeds. Under these local rules, the developer shall open an escrow account for pre-sale proceeds, at a commercial bank in the same locality as the commodity building, to ensure that all pre-sale proceeds are used to the related construction expenses.

Under the "Regulation for the Administration of Sale of Commodity Buildings" (商品房销售管理办法), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (a) the real estate development enterprise offering to sell the post-completion buildings shall have an enterprise legal person business licence and a qualification certificate of a real estate developer; (b) the enterprise has obtained a land use right certificate or other approval documents of land use; (c) the enterprise has the permit for construction project planning and the permit for construction; (d) the commodity buildings have been completed and been inspected and accepted as qualified; (e) the relocation of the original resident(s) has been settled; (f) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or other schedule of construction and delivery date have been specified and (g) the property management plan has been completed. Before the post-completion sale of a commodity building, a real estate developer shall submit the Real Estate Development Project Manual and other documents showing that the preconditions for post-completion sale have been fulfilled.

1.4 ***Property management***

According to the Regulation on Real Estate Management (物业管理条例) enacted by the State Council on 8 June 2003 and coming into force on 1 September 2003, the State has implemented a qualification scheme system for the monitoring of real estate management enterprises. Under the Administrative Measures of Qualification of Property Management Enterprises (物业管理企业资质管理办法) promulgated by the Ministry of Construction in March 2004, a property management enterprise is required to apply for a qualification certificate to be issued by the relevant qualification approving authority after conducting an assessment of qualification. An enterprise shall not engage in property management without undertaking a qualification assessment and obtaining a qualification certificate.

The qualifications of a real estate management enterprise shall be classified as class one, class two or class three. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of class one real estate management enterprises. The competent construction departments of the people's governments of the provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of class two real estate management enterprises, and the competent realty departments of the people's governments of municipalities directly under the central Government shall be responsible for the issuance and administration of the qualification certificate of the classes two and three real estate management enterprises. The competent realty departments of the people's governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate management enterprises.

Real estate management enterprises with class one qualification may undertake various real estate management projects. Real estate management enterprises with class two qualification may undertake the real estate management of residential management projects of less than 300,000 sq.m. and non-residential management projects of less than 80,000 sq.m. Real estate management enterprises with class three qualification may undertake the real estate management of residential projects of less than 200,000 sq.m. and non-residential projects less than 50,000 sq.m.

There is an annual inspection system in relation to the qualifications of real estate management enterprises. The annual inspection of real estate management enterprises of various classes of qualifications is presided over by the corresponding departments dealing with the qualification, examination and approval process.

1.5 ***Leasing***

Both the Urban Land Regulations and the Real Property Law permit leasing of granted land use rights and the buildings or homes constructed on the land. Leasing of properties situated in urban areas is governed by the Administrative Measures of Leasing of Urban Properties (城市租賃管理办法) (the "**Leasing Measures**"). The Leasing Measures were promulgated by the Ministry of Construction in April 1995 in accordance with the Real Property Law in order to strengthen the administration of the leasing of urban buildings. The Leasing Measures permit property owners to lease their properties to others for residential or commercial property use except as otherwise prohibited by relevant laws and regulations. Landlords and tenants who are party to a property lease transaction are required to enter into a written lease agreement specifying all terms of the lease arrangement as required by relevant laws and regulations. Leasing of buildings and the underlying land use rights cannot exceed 20 years. The lease agreement becomes effective upon signing, however, it must be registered with the relevant estate administration authority at the municipality or county level within 30 days after its execution. A tenant may, upon obtaining consent from the landlord, assign or sublet the premises to sub-tenants. Local governments may impose rent controls.

According to the Real Property Law, in case of lease of a property and the underlying land use rights of allocated land, the property owner shall submit the land use proceeds of the rental income to the State.

1.6 ***Separation of markets for domestic and foreign property purchasers***

When the PRC property market started to include non-domestic participants in the early 1990s in some cities such as Beijing and Shanghai there was a "foreign" element of the property market in which high-end properties were designated for sale to purchasers from Hong Kong, Macau, Taiwan and other foreign countries for foreign currency and a "domestic" element of the property market in which properties of domestic quality standards were designated to be sold to local PRC purchasers for RMB which was required by the local government regulations. This mandatory bifurcation of the property market has been lifted in Beijing and Shanghai in recent years.

1.7 ***Insurance***

According to the Construction Law of the People's Republic of China (中华人民共和国建设法) promulgated by the Standing Committee of the National People's Congress on 1 November 1997 and effective as of 1 March 1998, construction enterprises must take out accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the Opinion of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in Construction Work (建设部关于加强建筑意外伤患保险工作的报告意见) published by the Ministry of Construction on 23 May 2003, the Ministry of Construction further emphasises the importance of insurance for accidental injury in construction work and put forward detailed opinions and guidance.

1.8 ***Real estate loans***

On 5 June 2003, the People's Bank of China promulgated the Circular on Further Strengthening the Administration of Real Estate-Related Credit (关于进一步加强房地产信贷业务管理的通知) (the "**2003 Circular**"). According to the 2003 Circular, commercial banks shall focus their business to support real estate projects targeted at mid to lower-income households and appropriately restrict the granting of real estate loans to projects for the construction of luxury apartments and villas. The 2003 Circular provides that when applying for bank loans, a property development company must contribute at least 30 per cent. of the total investment of the project from its own funds, and prohibits banks from advancing funds to property developers as working capital or for payment of land grant fees. See "Recent macroeconomic control measures" below for recent developments in this area.

On 2 September 2004, the China Banking Regulatory Commission issued the Guidelines for Commercial Banks on Risk Control of Real Estate Loans (商业银行房地产贷款风险管理指引) (the "**Guidelines**"). According to the Guidelines, no loans shall be granted in relation to projects which have not obtained the requisite land use rights certificates, construction land planning permit, construction works planning permit and construction works commencement permit. The Guidelines also stipulated that not less than 35 per cent. of the investment in a property development project must be derived from the real estate developer's own capital for the development project in order for banks to extend loans to the real estate developer. In addition, the Guidelines noted that commercial banks should set up strict approval systems on granting loans.

1.9 ***Recent macroeconomic control measures***

The PRC Government has implemented a series of measures to tighten control on the property market since 2003. In August 2003, the State Council issued the Circular on Promoting the Sustainable and Healthy Development of the Real Estate Market (国务院关于促进房地产市场持续健康发展的通知) (the "**2003 State Council Circular**") formulating the policies, directions and guidelines for the regulation of the property market, including tightening control on the construction of high-end residential properties, strengthening the property mortgage financing market, improving urban planning and controlling land supply. Since 2004, there has been stabilisation in the residential property market, particularly as a result of the PRC Government's efforts to discourage speculation and increase the supply of affordable housing. In April 2004, the State Council increased the self capital investment ratio of property development projects (except for low-end residential properties) and three other major industries from 20 per cent. or above to 35 per cent. or above.

Since March 2005, central government agencies, including the Ministry of Construction, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Land and Resources, the People's Bank of China, the State Administration of Taxation and the China Banking Regulatory Commission, have introduced a series of measures to stabilise the property market. The measures, among others, included: (i) the removal of the preferential mortgage interest rate for residential housing by the People's Bank of China, while still allowing banks to give a ten per cent. discount on home loans; (ii) raising the minimum down payment by purchasers of properties that have yet to be completed from 20 per cent. to 30 per cent. of the purchase price, and requiring that monthly mortgages should not exceed 50 per cent. of household income; (iii) placing restrictions on the amount of money that can be lent to individuals for multiple investment mortgages; (iv) imposing a business tax of five per cent. of the sale price if a homeowner re-sells a residential unit within five years of purchase, or a business tax of five per cent. of the increased value if a homeowner resells a luxury residential unit after five years from purchase; (v) prohibiting buyers from reselling unfinished properties before construction is completed; and (vi) other measures designed to increase the supply of subsidised housing and improve the availability of information on the demand and supply of residential housing.

In response to the notices issued by the State Council, the People's Bank of China, the PRC central bank, adopted numerous financial measures and issued a series of lending guidelines for PRC banks to follow. In addition to the 2003 State Council Circular, on 16 March 2005, the PRC central bank increased the basic interest rate for the financing of residential properties, which was the second increase in the basic interest rate within a time period of five months, to bring the basic interest rate for the financing of properties for residential purposes more in line with the interest rate applicable for financing of properties for commercial and other purposes. The measure imposes a minimum interest rate for financing of residential properties equal to 90 per cent. of the basic rate for other lending purposes in the same period.

The State Council and the Ministry of Land and Resources also separately issued a number of regulations and notices on land supply. Following the 2002 Measures, the Ministry of Land and Resources issued the Circular on Continuing the Review of the Implementation of the Grant of Land Use Rights for Commercial Use by Bid Invitation, Auction or Listing on a Land Exchange (关于继续开展经营性土地使用权招标拍卖挂牌出让情况执法监查工作的通知) on 31 March 2004, requiring all local land administration authorities to strictly enforce the 2002 Measures. In addition, the Ministry of Land and Resources required that, effective from 31 August 2004, the grant of land use rights must be made through auction or listing on a land exchange and that no land use rights for commercial use may be granted by way of agreement. In the Urgent Circular of the General Office of the State Council on Further Implementing the Rectification and Reorganisation of Land Market and Tightening Up Land Administration (国务院办公厅关于深入开展土地市场治理整顿严格土地管理的紧急通知) issued by the State Council on 29 April 2004, the development of agricultural land was suspended for a period of six months pending rectification by the State Council of irregularities in land development in various regions.

The State Council continued to introduce measures to stabilise the domestic property market in 2005. On 26 March 2005, the State Council issued the Circular on Concretely Stabilising the Prices of Residential Properties (关于切实稳定住房价格的通知), which required the relevant government authorities to take administrative measures including increasing land supply for ordinary and low-end residential properties and formulating land supply, fiscal, tax and financial policies to balance supply and demand in the property market and to stabilise property prices. Thereafter, on 30 April 2005, the Ministry of Construction, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Land and Resources, the People's Bank of China, the State Administration of Taxation and the China Banking Regulatory Commission jointly promulgated the Opinion on Fulfilling the Duty of Stabilising the Prices of Residential Properties (关于做好稳定住房价格工作的意见) (the "**Price Stabilising Opinion**"), which discourages land speculation by adjusting land supply, prohibits the re-sale of uncompleted residential properties and imposes a business tax on the resale of residential properties by individuals within two years from initial purchase. Starting from 1 June 2005, for residential properties sold within two years from the original purchase, business tax is levied on the selling price. Also, the Price Stabilising Opinion emphasises that local authorities are only authorised to grant preferential treatment to ordinary residential property projects that fulfil the requirements specified in the Price Stabilising Opinion, subject to a maximum amount of variation not exceeding 20 per cent.

On 17 May 2006, the State Council announced further measures to promote healthy development of the real estate industry in the PRC, which include a plan to focus on property development projects for low-income households, the usage of taxation, bank credit and land policies to regulate housing demand and the policy to take steps against property developers and local authorities who hoard land and/or drive up prices. On 24 May 2006, the State Council issued the Opinion on Adjusting Supply Structure of Residential Properties and Stabilising the Prices of Residential Properties (关于调整住房供应结构稳定住房价格的意见), providing detailed measures to implement these measures. On 30 May 2006, the State Administration of Taxation promulgated the Circular Addressing the Policies Governing the Adjustment of Real Estate Business Tax (关于加强住房营业税征收管理有关问题的通知) (the "**Business Tax Circular**"). Pursuant to these measures, local governments were required to adopt plans by September 2006, to focus on developing low-to-mid-priced and small-to-medium-sized properties to meet demand from owner-occupiers. These measures stipulate that, commencing from 1 June 2006, the minimum down payment for residential units with floor area exceeding 90 square metres shall be 30 per cent. of the total purchase price on all existing units and those yet to be completed, or a down payment of 20 per cent. on residential units for self use with floor area under 90 square metres. The measures require that at least 70 per cent. of the residential units in residential housing projects approved or commenced after 1 June 2006 must be no larger than 90 square metres. The measures further provide that for residential properties sold within five years after purchase business tax will be levied on the total sale price; for "ordinary" residential properties sold five years or more after purchase business tax will be exempted; and for "non-ordinary" residential properties sold five years or more after purchase business tax will be levied on the difference between the sale price and the original purchase price. The measures continue to restrict land provision for villas and restrict land provision for development of low density and large residential properties.

On 6 July 2006, the Ministry of Construction promulgated Certain Opinions Regarding the Implementation of the Ratio Requirements for the Structure of Newly Constructed Residential Units (关于落实新建住房结构比例要求的若干意见) (the "**New Opinions**") to implement the Price Stabilising Opinion approved by the State Council. The New Opinions stipulate that residential units with a floor area of less than 90 square metres shall account for over 70 per cent. of the total area of residential units which are newly approved and constructed in each city or county after I June 2006. The relevant local government will have authority to determine the configuration of newly constructed property.

On 6 July 2006, the Ministry of Construction, the National Development and Reform Commission and the State Administration for Industry and Commerce promulgated the Circular on Further Reorganising the Transactional Order of the Real Estate Market (关于进一步整顿房地产市场交易秩序的通知) (Document Code: JZF [2006] No.166) (the "**166 Circular**"). The 166 Circular aimed at perfecting a system of disclosure in order to regulate transactions conducted in the real estate market so as to prevent speculation. The 166 Circular contains, *inter alia*, the following measures:

1.9.1 pre-sales be commenced by a developer within ten days of the receipt of the pre-sale permit;

1.9.2 the re-sale of any unit of an uncompleted commodity building be prohibited;

1.9.3 advertisement of pre-sales prior to obtaining the relevant pre-sale permit be prohibited; and

1.9.4 standard forms for the sale and purchase of an unit of a commodity building before or after its completion be made available to a purchaser.

On 11 July 2006, the Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, the People's Bank of China, the State Administration for Industry and Commerce and the State Administration of Foreign Exchange jointly issued the Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market (关于规范房地产市场外资准入和管理的意见) (Document Code: JZF [2006] No. 171) (the "**171 Opinion**"). The 171 Opinion aims to regulate access to foreign investment in the real estate market and to strengthen the management of real estate purchases by foreign investment enterprises. The 171 Opinion provides, among other things, that a foreign institution or individual must establish a foreign investment enterprise in order to purchase property in the PRC which is not intended for self use. The registered capital of such foreign investment enterprise must be at least 50 per cent. of its total investment if the total investment of the foreign investment enterprise exceeds US$10 million. Branches and representative offices of foreign institutions in the PRC and foreign individuals who work or study in the PRC for more than one year may purchase property for self use but not for any other purpose; and foreign institutions which have no branches or representative offices in the PRC or foreign individuals who work or study in the PRC for less than a year are prohibited from purchasing any property in the PRC. Residents of Hong Kong, Macau and Taiwan and foreigners of Chinese origin are not subject to the one-year residency requirement and may purchase property in the PRC for self use. On 22 July 2006, the China Banking Regulatory Commission (中国银行业监督管理委员会) issued a Circular on Strengthening Real Estate Credit Management (关于进一步加强房地产信贷管理的通知). The Circular emphasises the need for effective risk controls and credit management of bank loans in the real estate sector. The notice requires the banks and banking regulators to strengthen real estate market research and adaptability towards market change, to adopt more conservative approaches towards real estate loans, to improve risk control systems, to enhance due diligence and control risks associated with the real estate loans and land inventory and enhancing post-lending credit management.

On 31 August 2006, the State Council promulgated the Circular on Certain Issues Concerning Strengthening the Land Control (国务院关于加强土地调控有关问题的通知) (the "**Land Control Circular**"). The Land Control Circular is intended to regulate the improper conversion of agricultural land into construction land, the grant of industrial land at unreasonably low prices, and other improper practices of governmental agencies in relation to land use. The Land Control Circular contemplates that the State will enact minimum land grant pricing standards applicable to different localities. The minimum land grant price must be no less than the costs of land acquisition and of early-stage development costs incurred by the State, together with fees charged according to relevant regulations. Significantly, the Land Control Circular also expressly states that industrial land must be granted through a process of competitive bidding, public auction, or public tender, and the land grant price may not be lower than the amount computed under the minimum land grant pricing standards. Before the Land Control Circular, such a public bidding requirement is applied mainly to grants of land for residential and commercial uses.

On 3 September 2006, the State Administration of Foreign Exchange and the Ministry of Construction jointly issued the Circular on Certain Issues of Regulating Foreign Exchange in the Real Estate Market (关于规范房地产市场外汇管理有关问题的通知) (the "**47 Circular**") to implement the 171 Opinion. The 47 Circular provides, among other things, specific procedures for purchasing houses by branches and representative offices established in the PRC by foreign institutions, foreign individuals who work or study in the PRC for more than one year, and residents of Hong Kong, Macau and Taiwan as well as foreigners of Chinese origin. According to the 171 Opinion and the 47 Circular, if the registered capital of the foreign investment real-estate enterprise has not been paid in full or if the enterprise has not obtained the "State-Owned Land Use Certificate" or its own capital funds for the project development do not reach 35 per cent. of the total investment for the project, the enterprise is prohibited from applying for domestic and overseas loans and the branches of the State Administration of Foreign Exchange are not permitted to register such overseas loans.

On December 12, 2006, the Ministry of Land and Resources and the National Development and Reform Commission (国家发展和改革委员会) jointly issued the 2006 Catalogues for Projects Subject to Land Use Restriction or Prohibition (关于发布实施《限制用地项目目录(2006 年本)》和《禁止用地项目目录(2006 年本)》的通知) (the "**2006 Catalogues**"), with a view to support the implementation of the national industrial policies and macro control of the economy. The 2006 Catalogue of Projects

Subject to Land Use Restriction ("**2006 Restricted Catalogue**") specifically lists fourteen categories of projects which are subject to land use restriction. If a project meets the condition described under Categories 1-10, it may not be granted the land use; if a project falls under Categories 11-14, the land use right may only be granted if such project meets specific requirements. Furthermore, compared to the 1999 Catalogue, the 2006 Restricted Catalogue expressly provides that land uses for certain projects are restricted from using any agricultural land, which includes but is not limited to, large-scale commercial facilities (such as automobile trading markets or furniture or construction material hyper market), large-scale entertainment facilities, theme parks, movie and television city, large space residential houses and racing tracks. The 2006 Catalogue of Projects Subject to Land Use Prohibition ("**2006 Prohibited Catalogue**") specifically lists fifteen categories of projects which will not to be granted any land use. The 2006 Prohibited Catalogue expressly provides that the land uses for certain projects will not be permitted, which includes but is not limited to, villa developments, golf courses, horse racecourses, mineral resource surveys or explorations without an applicable licence. The 2006 Catalogues apply to any new construction, expansion, and rebuilding of construction projects.

On 23 May 2007, the Ministry of Commerce and State Administration of Foreign Exchange jointly issued Notice on Further Enforcing the Management and Regulation of Approval and Supervision of Foreign Investment in the Real Estate Market (the "**2007 Circular 50**"), 2007 Circular 50 requires that: (i) in setting up a new real estate development company (including a property holding company), a foreign investor should have already signed a pre-sale and purchase agreement of the proposed land and properties with a PRC counterparty beforehand; (ii) each foreign invested real estate related enterprise needs to promptly file with the Ministry of Commerce after its establishment.

On 10 July 2007, The General Affairs Department of State Administration of Foreign Exchange issued Notice of List of Foreign Invested Real Estate Enterprises Obtained Filing from the Ministry of Commerce (the "**2007 Circular 130**") sets forth that no offshore debts can be borrowed by any foreign invested real estate enterprise incorporated in the PRC after 1 June 2006. Before this circular, foreign invested real estate enterprises could borrow either by way of loans from offshore shareholders or loans from offshore banks to fund their business operations. This is no longer permitted for enterprises incorporated after 1 June 2006, however, domestic PRC financing is still permitted for foreign invested real estate enterprises, provided certain standards are satisfied. See the paragraph entitled "Real Estate Loans."

1.10 ***Implementation of macroeconomic control measures in major and secondary cities in the PRC***

As real estate prices in Beijing have been rising faster than the national rate, the central and local governments have also adjusted local economic policies on several occasions in an effort to curb prices and discourage speculation in Beijing. On 24 June 2005, the Beijing local government issued the Circular on Implementing the Opinions on Concretely Stabilising the Prices of Residential Properties (北京市人民政府关于贯彻落实国务院办公厅切实稳定住房价格的通知), which prohibits the re-sale of units of uncompleted commodity properties.

Following the Circular on Certain Issues Concerning Land Appreciation Tax (财政部、国家税务总局关于土地增值税若干问题的通知) promulgated by the Ministry of Finance (财政部) and the State Administration of Taxation (国家税务总局) on 2 March 2006, the Beijing Local Tax Bureau, in November 2006, issued a Circular for Imposing Land Appreciation Tax on the Re-sale of Residential Properties (关于个人转让二手房征收土地增值税问题的通知), which has provided that starting from 1 December 2006, any individuals who resell residential properties shall pay land appreciation tax.

On 31 May 2005, the Beijing Municipal Construction Commission promulgated a Circular on Criteria of Ordinary Residential Properties Enjoying Preferential Policies (关于公布北京市享受优惠政策普通住房标准的通知), pursuant to which, non-luxury homes are defined as homes with a GFA of less than 140 square metres, a plot ratio of the residential area of more than 1.0 (inclusive), and a traded price of less than 1.2 times the average price of residential properties of the same grade of land.

In light of the 171 Opinion, on 29 January 2007, Beijing Construction Commission (北京市建设委员会), Foreign Affairs Office of Beijing Municipal Government (北京市人民政府外事办公室), Beijing Municipal Bureau of Public Security (北京市公安局), Beijing Administration for Industry and Commerce (北京市工商行政管理局) and Beijing Municipal Bureau of Commerce (北京市商务局) jointly issued a Circular on Administrating the Purchase of Commodity Properties by Foreign Institutions and Individuals (关于规范境外机构和境外个人购买商品房的通知). This circular provides the following conditions of pre-sale registration and title transfer registration for foreign institutions and individuals to purchase a commodity property in Beijing:

1.10.1 *Purchase of property for self use.*

1.10.1.1 Foreign Individual Buyers. Each foreign individual (including an individual from Hong Kong, Macau, Taiwan and overseas Chinese) may only purchase one unit of property for self use. In addition to personal identification documents, a foreign individual buyer is required to provide a Certificate of Domestic Residence of Overseas Individual (境外个人在境内居留状况证明) issued by Beijing Municipal Bureau of Public Security and a written covenant that the purchased property is for self use purpose only and will not be leased or transferred without permission; and

1.10.1.2 Foreign Institutional Buyers. In addition to those documents normally required for registration purpose, a foreign institutional buyer should also provide the business licence or registration certificate of the branch or representative office that is established and a written covenant that the purchased property is for self use purpose only and will not be leased or transferred without permission.

1.10.2 *Purchase of property for non-self use.*

In the case where a foreign institutional or individual buyer intends to purchase a property for non-self use purposes, it/he must establish a foreign investment enterprise in line with the principle of commercial presence and according to the relevant provisions relating to foreign investment in real estate. After establishment, the foreign investment enterprise should submit its Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China (外商投资企业批准证书) and Business Licence to the registration authority for registration of the pre-sale and later the title transfer of the purchased property, in addition to those documents normally required for registration purpose. This guideline is also applied to those self use properties if they are to be leased or transferred. Other local governments in the PRC, including those in Qingdao, Dalian and Chengdu, have formulated their respective criteria of "ordinary residential property" to implement the requirements set out in the Price Stabilising Opinion.

Local legislation

While the Urban Land Regulations set out a general framework for transactions relating to land use rights, the local governments may enact local legislation to regulate the transactions relating to the grant and transfer of land use rights within their jurisdiction according to national legislation. These local regulations are numerous. If there is any inconsistency between local legislation and national legislation, the national legislation will prevail unless otherwise provided by the national laws and regulations.

2. Foreign investment enterprises

2.1 *Overview*

The PRC promulgated its first law in relation to joint ventures involving foreign investment in 1979. Since then, a broad range of laws, administrative rules and regulations have been adopted to provide a framework within which foreign investment activities can be legally conducted and effectively regulated. The PRC Government has encouraged foreign direct investment in order to accelerate the inward flow of foreign capital technology and management techniques. Foreign investment enterprises in the PRC ("**FIEs**") may take a number of forms, including:

2.1.1 equity joint ventures;

2.1.2 co-operative joint ventures; and

2.1.3 wholly foreign-owned enterprises.

Procedures for establishment of a joint venture

The establishment of a joint venture requires the approval of the Ministry of Commerce (or its delegated authorities) (商务部) (the "**MOFCOM**"). Certain documents including a feasibility study report, joint venture contract and the articles of association of the joint venture are required to be submitted to the Ministry of Commerce or its delegated authorities for approval. Within 30 days after the issue of the approval certificate by MOFCOM, the applicant is required to apply to the State Administration for

Industry and Commerce ("**SAIC**") or its local administration authority for the issue of a business licence. A joint venture entity is formally established on the date its business licence is issued.

2.2 ***Types of joint ventures***

Sino-foreign equity joint ventures

Equity joint ventures are governed by the Sino-Foreign Equity Joint Ventures Law of the PRC (the "**Equity Joint Venture Law**") adopted on 1 July 1979 and amended on 15 March 2001 by the National People's Congress and the Implementing Regulations of the Sino-Foreign Equity Joint Ventures Law of the PRC promulgated on 20 September 1983 and amended on 22 July 2001 by the State Council (the "**Implementing Regulations**").

Under the Equity Joint Venture Law and its Implementing Regulations, an equity joint venture takes the form of a limited liability company. It is an independent legal person which may independently assume civil obligations, enjoy civil rights and own, use and dispose of its assets. The liability of the joint venture partners is limited to the amount of the registered capital they have respectively agreed to contribute under the joint venture contract. The registered capital must be paid in accordance with the terms and conditions of the joint venture contract and may take the form of cash, land use rights, capital goods, intellectual property rights and know-how. Transfer of the contributions in the registered capital of a joint venture partner to any other person(s) requires the consent of the other joint venture partner(s) and the approval of the original approval authority.

The total investment amount of an equity joint venture is the sum of the capital construction funds and the circulating funds required for the scale of its operations and production. The proportion of the investment contributed by a foreign partner in the registered capital of the joint venture in general shall not be less than 25 per cent. Under the Interim Regulations Concerning the Ratio of Registered Capital and Total Investment of Sino-Foreign Equity Joint Ventures promulgated by the SAIC on 1 March 1987, the ratios between the amount of registered capital and the amount of total investment are prescribed. For example, where the amounts of total investment is between US$10 million and US$30 million, the amount of registered capital must not be less than 40 per cent. of total investment.

The profit, risks and losses of an equity joint venture are shared by the joint venture partners in proportion to their contributions to the registered capital.

The operations of an equity joint venture are regulated by an extensive body of laws and regulations, both national and regional, governing matters such as registration, capital contribution, foreign exchange, accounting, taxation and labour.

Sino-foreign co-operative joint ventures

Co-operative joint ventures are governed by the Sino-Foreign Co-operative Joint Ventures Law of the PRC promulgated on 13 April 1988 and amended on 31 October 2000 and the Implementing Rules of the Sino-Foreign Cooperative Joint Ventures Law of the PRC promulgated by the Ministry of Foreign Trade and Economic Cooperation of the PRC, the predecessor of MOFCOM ("**MOFTEC**"), on 4 September 1995 (the "**Co-operative Joint Venture Laws**"). A co-operative joint venture may or may not be registered as an independent legal entity. If a co-operative joint venture is registered as an independent legal person, the joint venture entity will take the form of a limited liability company. The joint venture partners of a co-operative joint venture that has not applied for the status of an independent legal person are required to assume civil liabilities in accordance with the applicable PRC civil law.

Matters relating to the establishment, approval procedures, capital contribution, foreign exchange, accounting, taxation and labour of a co-operative joint venture are substantially the same as those of an equity joint venture.

Under the Co-operative Joint Venture Laws, the joint venture partners have a greater degree of flexibility to structure the joint venture arrangements and to determine their respective rights, obligations and liabilities. Profits and losses of a co-operative joint venture may be distributed to and shared by the joint venture partners in such manner as those partners may agree to instead of in proportion to their respective contribution to the registered capital of the joint venture. In addition, where the co-operative joint venture contract provides for the reversion of all fixed assets of the co-operative joint venture to the local joint venture partner upon the expiry of the term of the joint venture, the joint venture partners may agree in the relevant joint venture contract the mechanism of profit distribution whereby the foreign joint venture partner may have priority in recovering investment during the term of the joint venture.

Management of joint ventures

Under the Equity Joint Venture Law and the Co-operative Joint Venture Law, the highest authority of a joint venture is vested in its board of directors. There is no requirement under the applicable law for the holding of meetings of joint venture partners.

The powers and functions of the board of directors are generally governed by the provisions of the joint venture contract and the articles of association of the joint venture. Meetings of the board of directors of a joint venture are required to be held at least once every year. In general, major decisions affecting the joint venture (such as development plans, production and business plans, budget, distribution of profits, termination of business, and appointment of key personnel) are to be determined by the board of directors. The daily operation and management of a joint venture are vested in the management office which has a general manager and several vice managers who assist the general manager. The general manager and vice general managers of a joint venture are engaged by the board of directors. A general manager is required to act in accordance with the directions and guidance of the board of directors.

On 6 January 2003, MOFTEC promulgated the Circular Concerning Strengthening Management of Approval, Registration, Foreign Exchange, Taxation and Relevant Problems of Foreign-Investment Enterprises. This circular took effect on 1 January 2003 and provides that if the investment proportion of foreign investors is less than 25 per cent., the investors should apply for examination for approval and registration in accordance with the procedure now required when establishing foreign-investment enterprises. If the enterprise passes the examination process, it will be granted a ratification certificate for a foreign investment enterprise which states that "foreign investment is less than 25 per cent". Once the enterprise obtains the registration, it will be granted a business licence for a foreign investment enterprise and the words "foreign investment is less than 25 per cent." will be added to the column entitled "Nature of Enterprise" on such business licence. Such enterprises cannot enjoy the preferential tax policies of foreign investment enterprises.

Wholly-foreign-owned enterprise

A wholly-foreign-owned enterprise ("**WFOE**") is owned completely by one or more foreign investors and does not involve any PRC joint venture partners. It is a PRC legal person under the PRC law. The establishment of a WFOE is restricted or prohibited in certain specified sectors, such as media, trading companies and telecommunications.

3. Regulation of foreign currency exchange and dividend distribution

3.1 *Foreign currency exchange*

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls, and the State Administration of Foreign Exchange ("**SAFE**") is empowered with the functions of administering all matters relating to foreign exchange. The principal regulations governing foreign currency exchange in the PRC are the Regulations of the PRC on Foreign Exchange Control (中华人民共和国外汇管理条例) (the "**Foreign Exchange Regulations**"), promulgated by the State Council in January 1996, as amended on 14 January 1997. The Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. The Renminbi is freely convertible for payments and transfers of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for payments and transfers of capital account items such as direct investment, loans or investments in securities outside the PRC unless the prior approval of SAFE is obtained.

Under the Foreign Exchange Regulations, foreign investment enterprises in the PRC may purchase foreign currency for trade and service-related foreign exchange transactions without SAFE's approval by providing commercial documents evidencing these transactions. They may also remit foreign currency (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities or to pay dividends. However, the relevant PRC Government authorities, which have significant administrative discretion in implementing the laws, may restrict or eliminate the ability of foreign invested enterprises to purchase and remit foreign currencies in the future.

3.2 *Dividend distribution and remittance*

The principal PRC laws and regulations governing the distribution of dividends by groups are (i) the Wholly Foreign-Owned Enterprise Law (中华人民共和国外资法) (1986), as amended in 2000; and (ii) the Implementation Rules of the Wholly Foreign-Owned Enterprise (2001).

Under these regulations, WFOEs in the PRC may only pay dividends out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a WFOE is required to set aside at least ten per cent. of its after-tax income each year, if any, to create a reserve fund until the accumulated reserve fund amounts to 50 per cent. of its registered capital. It is also required to set aside funds for the employee bonus and welfare fund from its after-tax income each year at percentages determined at its sole discretion. These reserves are not distributable as cash dividends.

For overseas remittance of the current year's dividends by a foreign party, FIEs are required, under the Circular on Certain Issues Concerning the Remittance of Profits, Dividends and Bonuses out of China through Designated Foreign Exchange Banks (关于外汇指定银行办理利润、股息、红利售出有关问题的通知) which was issued on 22 September 1998 and amended on 14 September 1999, to submit the following documents to a designated foreign exchange bank:

3.2.1 proof of tax payment and tax declaration (WFOEs enjoying tax reductions or exemptions shall provide certification of tax reduction and exemption issued by the local tax authorities);

3.2.2 an auditor's report on the profit and dividend situation for the current year issued by an accounting firm;

3.2.3 the resolution of the board of directors relating to the dividends distribution;

3.2.4 the foreign investment enterprise's foreign exchange registration certificate;

3.2.5 the capital verification report issued by an accounting firm; and

3.2.6 any other documents that the foreign exchange authorities may require.

In addition, for overseas remittance of the preceding dividends, such FIE shall appoint an accounting firm to conduct an audit on the capital situation for the year(s) in which the dividend-related profits were generated and shall present such audit report to the bank.

Where the registered capital of a FIE has not been fully paid up in accordance with the relevant laws and regulations, any dividends in foreign currency may not be remitted out of the PRC. If there are special circumstances for the registered capital not being contributed within the relevant time limit, the FIE should apply for approval from the original approving authority. With the approval of the original approving authority and the above mentioned required documents, the dividends in foreign currency can be remitted out of the PRC only in proportion to the registered capital that has actually been contributed.

4. Taxation in the PRC

As the Company is not incorporated in the PRC, the Company should not be subjected to PRC tax on the assumption that the Company is not a PRC tax resident or treated as having permanent establishment ("PE") in China. However, because many of the Company's business operations are intended to be in the PRC and the Company will carry out its business operations through operating subsidiaries and joint ventures organised under PRC law (and due to the residency concept as introduced under the new Enterprise Income Tax Law effective from 1 January 2008), the Company's PRC operations and its operating subsidiaries and joint ventures in the PRC are subject to PRC laws and regulations, which may indirectly affect Shareholders.

4.1 *Dividends from PRC operations*

Under current PRC tax laws, regulations and rulings, dividends paid by the Company's PRC subsidiaries or joint ventures to the Company (including its subsidiaries outside the PRC) are currently exempt from PRC witholding income tax. However, under the new Enterprise Income Tax Law effective from 1 January 2008 the statutory witholding tax rate on dividends is set at 20 per cent. This rate is subject to any reduction/exemption in the Detailed Implementation Rules ("DIR") to be issued by the PRC State Council before the end of 2007. In addition, this rate is also subject to the relevant tax treaty.

4.2 *Dividends the Company pays to Shareholders*

As the Company is not incorporated in the PRC, under current PRC law (even though it has significant operating subsidiaries and joint ventures in the PRC) the distribution of dividends by the Company to Shareholders should not be subject to PRC tax on the assumption that the Company is not a PRC tax resident or treated as having a PE in China.

4.3 ***Transfer or disposition of Shares***

As the Company is not incorporated in the PRC, under current PRC law, any transfer or disposition of the Ordinary Shares by a Shareholder who is not resident in the PRC, is unlikely in most circumstances to trigger any PRC tax liabilities on the assumption that the Company is not PRC tax resident or treated as having a PE in China.

4.4 ***The Company's operations in the PRC***

Any subsidiaries and joint ventures through which the Company intends to conduct its business operations in the PRC will be subject to PRC tax laws and regulation.

Deed tax

Under the PRC Interim Regulation on Deed Tax of 1997 (中华人民共和国契税暂行条例), deed tax is chargeable on transferees of land use rights and/or ownership in real properties within the PRC. These taxable transfers include:

4.4.1 the grant of land use rights of state-owned land;

4.4.2 the sale, gift and exchange of land use rights, other than the transfer of the right to manage rural collective land; and

4.4.3 the sale, gift and exchange of real properties.

The deed tax rate is between three per cent. and five per cent., subject to the determination of local governments at provincial level (in light of the local conditions).

Corporate income tax

Under the Interim Regulation of the PRC on Enterprise Income Tax (中华人民共和国企业所得税暂行条例) of 1993 and the Income Tax Law of the PRC for Foreign Investment Enterprises and Foreign Enterprises (中华人民共和国外商投资企业所得税法和外国企业所得税法) of 1991, any PRC subsidiaries and joint ventures of the Company will generally be subject to 33 per cent. corporate income tax (including three per cent local income tax). However, under the newly enacted PRC Enterprise Income Tax Law to become effective from 1 January 2008, this rate will be reduced to 25 per cent. (except for certain small scale enterprises).

Business tax

Under the PRC Interim Regulation on Business Tax (中华人民共和国营业税暂行条例) of 1994, the provision of services, transfer of intangible assets and the sale of immovable properties in the PRC are subject to business tax. The business tax rate ranges from 3 per cent. to 20 per cent. Sale of real properties and other improvements on the land is subject to a business tax at the rate of five per cent. of the turnover of the seller payable to the relevant local tax authorities. Business tax may be calculated on a net basis if the PRC companies acquired the real property and other improvements on land from another person who has previously paid business tax on gross turnover.

*Land Appreciation Tax ("**LAT**")*

Under the PRC Interim Regulation on Land Appreciation Tax (中华人民共和国土地增值税暂行条例) of 1994 (the "**LAT Regulation**") and its implementing rules (中华人民共和国土地增值税暂行条例实施细则) of 1995, LAT applies to real properties of both domestic and foreign investors in the PRC, irrespective of whether they are corporate entities or individuals. The tax is payable by the owner upon its transfer of land use rights and/or the real property on such land against their appreciated value, which is calculated as sales proceeds less any "deductible items". The deductible items may include the following:

4.4.4 payment made to acquire land use rights;

4.4.5 costs and charges incurred in connection with land development;

4.4.6 construction costs and charges in the case of newly constructed buildings and facilities;

4.4.7 assessed value in the case of old buildings and facilities;

4.4.8 taxes paid or payable in connection with the transfer of the land use rights, buildings or other facilities on such land;

4.4.9 an additional deduction of 20 per cent. of the total value of items 4.4.4 to 4.4.6 for real estate developers; and

4.4.10 other items allowed by the Ministry of Finance.

The tax rate is progressive and ranges from 30 per cent. to 60 per cent. of the appreciated value as compared to the sum of "deductible items" as follows:

Land appreciation value	LAT Tax Rate	Quick Reckoning Percentage
Not exceeding 50% of deductible items	30%	0%
The portion over 50% but not more than 100%	40%	5%
The portion over 100% but not more than 200%	50%	15%
The portion over 200%	60%	35%

LAT payable = (amount of land appreciation value x applicable LAT tax rate) – (allowable deductible items x quick reckoning percentage)

Land appreciation value = sale proceeds – allowable deductible items

According to the LAT Regulation and its implementing rules, an exemption from LAT is available in one of the following circumstances:

(a) taxpayers constructing ordinary residential properties for sale (i.e. residences built in accordance with the local standard for general civilian residential properties, excluding deluxe apartments, villas, resorts etc.), where the appreciation amount does not exceed 20 per cent. of the sum of deductible items;

(b) real estate taken over and repossessed pursuant to PRC law, due to the construction requirements of the State; or

(c) due to relocation of work or improvement of living standard, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence subject to the relevant tax authority's approval.

According to a notice issued by the Ministry of Finance in January 1995, the LAT Regulation does not apply to the following transfers of land use rights:

(a) real estate transfer contracts executed before 1 January 1994; and

(b) first time transfers of land use rights and/or premises and buildings during the five years commencing on 1 January 1994 if the real estate development contract was executed or the development projects approved before 1 January 1994 and the capital has been injected for the development in compliance with the relevant regulations. Where particular real estate projects which are approved by the PRC Government for the development of the whole piece of land or a development involving a longer period are transferred for the first time after the 5 year tax-free period, after having been audited by the local financial and tax authorities and approved by the Ministry of Finance and the State Administration of Taxation, the tax-free period would be appropriated extended.

On 24 December 1999, the Ministry of Finance and the State Taxation Bureau issued a notice that extended the period for the above LAT grand fathering exemption policy until the end of 2000. After the enactment of the LAT Regulation and the implementation rules in 1994 and 1995, respectively, and due to the long period of time typically required for real estate development and transfers, many local tax authorities in implementing these regulations and rules did not require real estate development enterprises to declare and pay the LAT as they did other taxes. Therefore, in order to assist the local tax authorities in collecting the LAT, the Ministry of Finance, the State Taxation Bureau, Ministry of Construction and State Land Administration Bureau, the predecessor of the Ministry of Land and Resources, separately and jointly issued several notices to reiterate that, after the assignments are signed, the tax payers should declare the tax to the local tax authorities where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authorities and within the time period required. For those who fail to acquire proof of the tax paid or obtain a tax exemption from the tax authorities, the real estate administration authority will not process the relevant title transfer procedures, and will not issue the relevant property ownership title certificates.

The State Taxation Bureau issued a further notice in July 2002 and August 2004 to require local tax authorities to improve the advance collection method for the LAT.

To restrain over-speculation in the country's property market, on 28 December 2006, the State Taxation Administration promulgated a Circular on Administration and Settlement of Land Appreciation Tax for Real Estate Development Enterprises, which came into effect on 1 February

2007. According to this newly issued notice, the relevant government agency will formally enforce the collection of LAT upon real estate developers as from 1 February 2007. LAT at a rate of 30-60 per cent. of developers' net gains from property deals will be collected as soon as a single development project is finished or transferred (see details in section 1 of this Part 7, paragraph 4.3). The new policy shows that the government clearly requires the levying of the tax and will continue its macro-control over the real estate sector.

Urban land use tax

According to the Decree of State Council No 483 ("**No. 483**") issued on 31 December 2006, the taxing ambit of Urban Land Use Tax has been expanded to include foreign investment enterprises, foreign enterprises and foreign individuals who have the ownership of land use rights. The No. 483 takes effect from 1 January 2007. The rates of Urban Land Use Tax range from RMB 0.6 to RMB 30 per square metre according to No. 483. The exact Urban Land Use Tax rate will be subject to the detailed implementation rules to be issued by the relevant local government where the real estate properties are situated.

Urban real estate tax

Pursuant to the Circular of the State Council on Certain Issues Concerning the Application of Interim Regulations of Value Added Tax, Consumption Tax, Business Tax Among Others to Foreign Investment Enterprises and Foreign Enterprises (国务院关于外商投资企业和外国企业适用增值税、消费税、营业税等税收暂行条例有关问题的通知) promulgated by the State Council in February 1994, the Interim Regulations of the PRC on Urban Real Estate Tax (中华人民共和国城市房产税暂行条例), which was issued by the State Council in August 1951, shall apply to the foreign investment enterprises for purpose of urban real estate tax. Urban Real Estate Tax is generally levied at 1.2 per cent. on 70 per cent. to 90 per cent. (depending on local practice) of the historical cost of the building. For leased property, Urban Real Estate Tax may be calculated based on the gross rental income subject to the relevant local tax authority's practice.

Stamp duty

Under the Interim Regulations of the PRC on Stamp Duty promulgated by the State Council in August 1988, stamp duty is imposed on all dutiable documents at the time of execution or upon receipt of the taxable documents, computed on the contract amount. The stamp duty rate ranges from 0.005 per cent. to 0.1 per cent. depending on the types of contracts and is payable by all contracting parties.

PART 8

TAXATION

The information below, which relates only to Cayman Islands, Chinese, United Kingdom, United States and Swiss taxation, is applicable to the Company and to persons who are resident, ordinarily resident or carrying on a trade in those jurisdictions (except where indicated) and who hold Ordinary Shares as investments. It is based on existing law and practice and is subject to subsequent changes therein. If you are in any doubt as to your tax position or require more detailed information than the general outline below, you should consult your own professional adviser without delay.

Cayman Islands

The government of the Cayman Islands will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Company or the Shareholders. The Cayman Islands are not party to any double taxation treaties. The Company has applied for and has received an undertaking from the Governor-in-Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, 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, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on the shares, debentures or other obligations of the Company or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by the Company to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Company. Currently no stamp duty will be levied in the Cayman Islands on the issue or transfer of the Ordinary Shares. The only government charge payable by the Company in the Cayman Islands is an annual charge to be calculated on the nominal value of the authorised share capital of the Company. At current rates, this will not exceed $2,400 in any one year.

China

The Company

The Company intends to conduct its affairs such that, for Chinese tax purposes, the Company will not be a PRC tax resident or treated as having a permanent establishment ("PE") in China.

The Company intends to invest in China through special purpose vehicles ("SPVs") established outside China. The SPVs intend to conduct their affairs such that, for Chinese tax purpose, the SPVs will not be PRC tax resident or be treated as having a PE in China. Under the current PRC tax law and regulations, dividends received by the SPV companies from the PRC companies suffer no withholding tax as dividends paid by foreign investment enterprises to foreign investors are exempt from Chinese withholding tax under current PRC tax law. However, under the newly enacted unified enterprise income tax law ("new EIT law") which will become effective from 1 January 2008, such withholding tax exemption may no longer apply. Capital gains derived by the Company from disposal of its shares of PRC companies would be subject to 10 per cent. withholding income tax under the current PRC tax law. However, capital gains would be subject to 20 per cent. withholding income tax under the new EIT law which will become effective from 1 January 2008. This rate may be reduced to 10 per cent. in the DIR to be issued before the end of 2007. In addition, this rate is also subject to the relevant tax treaty.

On the assumption that the SPVs are Hong Kong tax residents and they do not have PE in China, benefits can be gained under the China-Hong Kong double tax arrangement ("DTA") for interest and dividends paid from the PRC companies to the SPVs. Interest received by the SPVs from the PRC companies will be subject to a reduced withholding tax rate of seven per cent. under the China-Hong Kong DTA. The interest may also be subject to five per cent. business tax under the current PRC tax law (Business Tax is not covered under the China-Hong Kong DTA). Under the terms of the current China-Hong Kong DTA, the withholding tax rate on dividends will be reduced to five per cent. if the beneficial owner of the dividend is a company directly owning at least 25 per cent. of the capital of the PRC companies paying the dividend.

The Company will be subject to stamp duty at a rate of 0.05 per cent. on the sale or transfer of any unlisted shares/equity interest.

The current prevailing stamp duty regulations do not provide guidance regarding the application of stamp duty on the sale or transfer of debt securities, such as bonds, warrants or convertible bonds. In practice, stamp duty is not imposed on the sale or transfer of debt securities.

PRC companies

Under the current PRC tax law, PRC companies will in general be subject to foreign enterprise income tax ("FEIT") at 33 per cent. (including three per cent. local income tax). However, under the new EIT law, which will become effective from 1 January 2008, this rate will be reduced to 25 per cent. (except for certain small-scale enterprises). Gains from the disposal of real estate properties and/or rental income in relation to real estate properties, after allowable deductions (e.g. depreciation expenses, interest expenses, property management fee, etc.), would be subject to FEIT. The deductibility of costs and expenses for income tax purposes, such as funding cost (i.e. interest expense) of the PRC companies, would depend on whether such expenses are incurred in connection with their respective business operations. However, under the new EIT law which will become effective from 1 January 2008, the deductibility of interest expense will be further restricted in view of the introduction of thin capitalisation rules. Details on the thin capitalisation rules will be known once the detailed implementation rules are issued by the State Council of the PRC. In addition, as the financing transactions between the SPVs and the PRC companies are related party transactions, the interest charge should be determined on an arm's length basis from a transfer-pricing perspective.

Business tax is imposed on any provision of taxable services, transfer of intangible assets and the sale of immovable properties in the PRC. The business tax rate ranges from 3 per cent. to 20 per cent. Sale of real properties and other improvements on land by the seller are subject to business tax at the rate of 5 per cent. of the turnover payable to the relevant local tax authorities (Business Tax may be calculated on a net basis if the PRC companies acquired the real property and other improvements on land from another person who had previously paid Business Tax on gross turnover).

Land Appreciation Tax ("LAT") will be levied on the taxable gain ("appreciated value") at progressive rates ranging from 30 per cent. to 60 per cent. realised from the transfer of land, building and associated structure, which is calculated on "the sales proceeds less allowable deductible items". Where pre-sales of property are made, a provisional LAT liability is due, calculated based on a provisional percentage of the pre-sales proceeds received (with no deductions). The provisional percentage varies depending on the location and type of the property. The provisional LAT liability is subject to a final settlement when the project is completed and any over- or under-payment of actual LAT liabilities should be refunded or made up.

According to the Decree of State Council No. 483 ("No. 483") issued on 31 December 2006, the taxing ambit of Urban Land Use Tax has been expanded to include foreign investment enterprises, foreign enterprises and foreign individuals who have the ownership of land use rights. No. 483 took effect on 1 January 2007 and the annual tax rates of Urban Land Use Tax range from RMB 0.6 to RMB 30 per square meter depending on location and type of usage of the land.

According to the Urban Real Estate Tax ("URET") regulations, URET is levied on the owner/landlord of real estate properties. However, owners of construction in progress (i.e. unfinished real estate properties) are not subject to URET. URET is generally levied at 1.2 per cent. on 70 per cent. to 90 per cent. (depending on local practice) of the historical cost of the building. For leased properties, URET may be calculated based on the gross rental income subject to the in charge local tax authority's practice.

Stamp duty is imposed on all dutiable documents at the time of execution or upon receipt of the taxable documents, computed on the contract amount. The stamp duty rate ranges from 0.005 per cent. to 0.1 per cent. depending on the types of contracts and is payable by all contracting parties. For building property transfer instruments, the stamp duty rate is 0.05 per cent.

Deed tax will be imposed on the PRC companies where they are the transferees in connection with the transfer of land use right and/or building ownership right. The deed tax liability is computed based on the total contract amount and the deed tax rate ranges from 3 per cent. to 5 per cent. depending on the locality of the property.

United Kingdom

The Company

The Company intends to conduct its affairs so that, for United Kingdom corporation tax purposes, it will not be regarded as resident within the United Kingdom nor as carrying on a trade through a permanent establishment located in the United Kingdom. On that basis and on the assumption that it has no United Kingdom source income the Company will have no liability in respect of United Kingdom corporation tax on its income or capital gains.

United Kingdom Resident Investors

Shareholders who are resident in the United Kingdom may be liable to United Kingdom income tax or corporation tax in respect of dividend income received from the Company and to United Kingdom capital gains tax or corporation tax on chargeable gains in respect of capital gains realised on a disposal of Ordinary Shares.

(a) *Taxation of dividends*

A distribution by the Company with respect to the Ordinary Shares in the form of a dividend may give rise to income chargeable in the United Kingdom to either income tax or corporation tax on income. In the case of a dividend, individuals domiciled and ordinarily resident for tax purposes in the United Kingdom who are liable to income tax at the starting or basic rate will be taxed at the ordinary rate (10 per cent.). An individual who is a higher rate tax payer will be chargeable to tax at the upper rate (32.5 per cent.). Non-taxpayers will have no liability to income tax. United Kingdom resident corporate shareholders will normally be liable for corporation tax on any dividends paid by the Company. No withholding tax will be deducted from dividends paid by the Company.

The United Kingdom government has announced its intention to introduce legislation to grant a non-payable tax credit (subject to certain financial limits) to United Kingdom resident or ordinarily resident individuals who are in receipt of dividends from non-United Kingdom resident companies. If such legislation is enacted, it would bring the taxation of dividends received from the Company by individual Shareholders who are resident or ordinarily resident in the United Kingdom more closely into line with the taxation of dividends received from United Kingdom resident companies by such Shareholders, in that the effect of the tax credit would be to reduce the effective rate of income tax payable in respect of such dividends down from 32.5 per cent. of the dividend received to 25 per cent. of the dividend received. However, there can be no guarantee that these proposals will be enacted, and even if they are enacted the current proposals are only for the tax credit to be available for dividends paid after 5 April 2008.

(b) *Taxation of capital gains*

The Company will not be a collective investment scheme for the purposes of the United Kingdom offshore funds legislation. Accordingly, any gain realised by a United Kingdom resident holder of Ordinary Shares or a holder of Ordinary Shares who carries on a trade in the United Kingdom through a permanent establishment with which their investment in the Company is connected on a sale or other disposal (including from liquidation or dissolution of the Company) of their Ordinary Shares may, depending on their circumstances and subject as mentioned below, be subject to United Kingdom capital gains tax or corporation tax on chargeable gains. The amount of the gain will be the difference between the acquisition cost of the Ordinary Shares and the disposal proceeds.

On a disposal of Ordinary Shares by an individual investor on or before 5 April 2008 who is resident or ordinarily resident in the United Kingdom for tax purposes, the Ordinary Shares may attract taper relief which reduces the amount of chargeable gain according to how long, measured in years, the Ordinary Shares have been held. The United Kingdom government has announced that in respect of disposals on or after 6 April 2008 taper relief will be withdrawn and instead a flat rate of capital gains tax of 18 per cent. will be payable in relation to chargeable gains realised by individuals, trustees and personal representatives who are resident or ordinarily resident in the United Kingdom. An investor which is a body corporate resident in the United Kingdom for tax purposes will benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the retail prices index.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No United Kingdom stamp duty or SDRT will arise on the issue of Ordinary Shares. Generally, no United Kingdom stamp duty or SDRT is payable on a transfer of or agreement to transfer Ordinary Shares executed outside of the United Kingdom.

Transfer of Assets Abroad

Individual investors ordinarily resident in the UK for tax purposes should note that Chapter II of Part III of the Income Tax Act 2007 may render them liable to income tax in respect of undistributed income or profits of the Company. These provisions are aimed at preventing the avoidance of income tax by individuals through a transaction resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad. However, these provisions will not apply if the investor can satisfy HM Revenue and Customs that either:

(1) the purpose of avoiding liability to United Kingdom taxation was not the purpose or one of the purposes of his investment in the Company; or

(2) the investment was a bona fide commercial transaction and was not designed for the purpose of avoiding United Kingdom taxation.

Controlled Foreign Companies Legislation

The attention of companies resident in the United Kingdom is drawn to the fact that the "controlled foreign companies" provisions contained in Sections 747 to 756 of the Income and Corporation Taxes Act 1988 could be material to any company so resident that has an interest in the Company such that 25 per cent. or more of the Company's profits for an accounting period could be apportioned to them, if at the same time the Company is controlled by companies or other persons who are resident in the United Kingdom for taxation purposes. The effect of such provisions could be to render such companies liable to United Kingdom corporation tax in respect of their share of the undistributed income and profits of the Company.

Section 13 Taxation of Chargeable Gains Act 1992 ("TCGA")

The attention of United Kingdom investors resident or ordinarily resident and, if an individual, domiciled in the United Kingdom is drawn to the provisions of Section 13 TCGA under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to an investor who holds, alone or together with associated persons, more than 10 per cent. of the Ordinary Shares. The capital gains attributed to the investor may (in certain circumstances) be liable to United Kingdom tax on capital gains in the hands of the investor.

Individual Savings Accounts (ISAs) and Personal Equity Plans (PEPs)

Ordinary Shares will be eligible to be held in the stocks and shares component of an ISA or an existing PEP subject to applicable subscription limits, and provided that the ISA or PEP manager has acquired them through the secondary market following Admission. Ordinary Shares which are acquired pursuant to the Placing will not be eligible for inclusion in an ISA or PEP.

Material United States Federal Income Tax Considerations

General

This discussion is based upon United States federal income tax laws as in effect on the date of this document, including the Internal Revenue Code of 1986, as amended ("the Code"), administrative pronouncements, judicial decisions, and existing and proposed Treasury regulations, all of which are subject to change, possibly with retroactive effect. This discussion is primarily directed to prospective investors who would be United States holders, including citizens or residents of the United States; corporations, partnerships, or other entities created or organised in or under the laws of the United States or any political subdivision thereof, and estates or trusts, the income of which is subject to United States federal income tax regardless of source. A "resident" of the United States includes an individual that (i) is lawfully admitted for permanent residence in the United States, (ii) is present in the United States for 183 days or more during a calendar year; or (iii) (a) is present in the United States for 31 days or more during a calendar year, (b) is present in the United States for an aggregate of 183 days or more, on a weighted basis, over a 3-year period ending in such calendar year, and (c) does not have a closer connection to a "tax home" that is located outside the United States. This summary does not discuss aspects of United States taxation other than United States federal income taxation, and does not address all aspects of United States federal income taxation that may apply to holders who are subject to special rules under the Code, including, without limitation, rules that apply to financial institutions, broker dealers, investors that would own their Ordinary Shares through a partnership or other entity treated as a partnership for United States federal income tax purposes, certain United States expatriates, and insurance companies. In addition, the tax consequences described here do not address any state, local, estate or foreign tax consequences of an investment in the Company. Prospective investors should consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Ordinary Shares, including the effect of any state or local tax laws or the laws of any jurisdiction other than the United States. It is particularly important for investors who are United States holders to consult their own tax advisers as to the application of the rules summarised below with respect to passive foreign investment companies.

UNITED STATES TREASURY REGULATIONS REQUIRE US TO DISCLOSE THE FOLLOWING: (1) NOTHING INCLUDED IN THIS DISCUSSION WAS INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAX PENALTIES; (2) THIS DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF ORDINARY SHARES; AND (3) PROSPECTIVE INVESTORS SHOULD SEEK TAX ADVICE BASED ON THEIR OWN PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The Company

The Ordinary Shares will be properly characterised as equity interests in (as opposed to indebtedness of) the Company, and the Company will so characterise all Ordinary Shares for all United States federal income tax purposes. This characterisation by the Company will be binding on every holder, unless the holder discloses its inconsistent characterisation on such holder's United States federal income tax return. The United States Internal Revenue Service (the "Service") will not be bound by the characterisation of the Ordinary Shares by the Company or the holders. The Company will be classified as a "corporation" for all United States federal income tax purposes. The Company intends to conduct its affairs so that, for United States federal income tax purposes, it will not be engaged in a trade or business within the United States. So long as the Company is not so engaged, it will not be subject to United States federal income tax, apart from certain withholding taxes, and the Company does not intend to invest in securities that would produce income subject to the United States federal withholding tax. Notwithstanding that the Placing price for Ordinary Shares and the determination of Net Asset Value will be in US dollars, because the Company plans to maintain a substantial portion of its investment portfolio, incur significant expenses and maintain its books and records in Chinese Reminbi, and although the matter is not free from doubt, it is the view of the United States counsel to the Company that the functional currency of the Company for United States federal income tax purposes will be the Chinese Reminbi. The Company intends to report as a Chinese Reminbi functional currency taxpayer to the extent relevant for United States federal income tax purposes.

Investors – United States Holders

Special rules apply to an investment by a United States holder in a corporation that is a passive foreign investment company ("PFIC") or a controlled foreign corporation ("CFC") under the Code. See the discussion below, under the headings "Passive Foreign Investment Company Rules" and "Controlled Foreign Corporation Rules," for the consequences to a United States holder if the Company is a passive foreign investment company or a controlled foreign corporation.

(a) *General taxation of dividends and capital gains*

If the Company is not a PFIC or a CFC, then United States holders of Ordinary Shares generally will be required to include dividends on Ordinary Shares in their United States federal taxable gross income only in the year such dividends are paid. Dividends paid in Euros, or any currency other than the US dollar, will be translated into US dollars at the spot rate on the date the dividends are paid to a United States holder, regardless of whether the dividends are in fact converted on that date. A distribution by the Company with respect to the Ordinary Shares, including a pro rata redemption of Ordinary Shares pursuant to the Buyback Programme, will be treated first as a dividend to the extent of the current or accumulated earnings and profits of the Company as determined under the United States federal income tax principles, then as a tax-free return of basis in the Ordinary Shares, with the balance of the distribution, if any, treated as a gain realised by the United States holder from the sale or disposition of the Ordinary Shares. Dividends from the Company will not be "qualified dividends" eligible for the special reduced 15 per cent. rate of tax currently applicable to dividends received by non-corporate stockholders in United States corporations and certain "qualified foreign corporations." Instead, dividends from the Company will be taxable to United States holders at ordinary graduated income tax rates, currently a maximum of 35 per cent. The dividends paid by the Company will not be eligible for the dividends received deduction otherwise allowed to corporations under the Code. For purposes of the United States foreign tax credit limitation, dividends paid by the Company generally will constitute foreign source "passive income" (or, in the case of a holder who is a "financial services entity" as defined in regulations under the Code, "financial services income").

All non-corporate United States holders, and all United States holders that are corporations and which own less than 10 per cent. of the voting stock of the Company, will not be entitled to claim a foreign tax credit for any taxes paid by the Company. Gain or loss realised by a United States holder on the sale or other disposition of an Ordinary Share (including upon liquidation or dissolution of the Company or as a result of non-pro rata redemption of Ordinary Shares) will be subject to United States federal income tax, as a capital gain or loss, in an amount equal to the difference between such United States holder's adjusted tax basis in the Ordinary Share and the amount realised on its deposition. The United States holder's adjusted tax basis in an Ordinary Share will generally be equal to the US dollar cost of acquiring the Ordinary Share reduced (but not below zero) by the US dollar value of any distribution that is treated as a tax-free return of basis. Any capital gain or loss recognised upon the sale or other disposition of an Ordinary Share will be either short-term or, if held for more than one year, long-term. For non-corporate United States holders, the United States income tax rate applicable to the net long-term capital gain recognised for a year currently will not exceed 15 per cent. The deductibility of a capital loss is subject to limitations. For purposes of the United States foreign tax credit limitation, a gain realised on the disposition of an Ordinary Share will be United States source gain. There is a substantial risk, however, that a loss will be allocated against foreign source income by reference to the source of income received under the Ordinary Share.

(b) *Passive Foreign Investment Company Rules*

Special United States federal income tax rules apply to holders of equity interests in a "passive foreign investment company" ("PFIC"). The Company will constitute a PFIC for United States federal income tax purposes if 75 per cent. or more of its gross income were to consist of passive income, or 50 per cent. or more of its average assets were to consist of passive assets, during any taxable year. Passive assets generally are defined as assets that give rise, or that reasonably could give rise during the reasonably foreseeable future, to passive income. Passive income includes (i) dividends, including dividends on stock held in an investee entity in which the Company directly or indirectly owns less than 25 per cent. of its value; (ii) interest, including interest on loans to an investee entity; (iii) rents and royalties not derived in the active conduct of a trade or business; (iv) net gains from the sale of property that generates passive income; and (v) the Company's pro rata share of the passive income of a corporation of which the Company directly or indirectly owns 25 per cent. or more of its value. Cash and assets readily convertible into cash, bonds, and holdings of less than 25 per cent. of the stock in corporations, generally are all considered passive assets. However, gain from the sale of land used in the active conduct of a trade or business at the time of the sale is not passive income.

If the Company purchases existing investment properties or new properties for development, the rental income and ultimate sale gain realised by the Company from such properties is expected to be treated as passive income, rather than income derived from the active conduct of a trade or business, and such properties are likely to be considered passive assets. The Company may take positions of 25 per cent. or more of the stock in certain investee companies; if a significant portion of the Company's income or assets derive from such 25-per-cent positions, and if such investee companies do not hold significant passive assets or generate significant passive income, it is possible that the Company would not be a PFIC for United States federal tax purposes. On balance, the Company believes that it is likely to be a PFIC for such purposes.

Taxable United States holders

If the Company is or becomes a PFIC, then unless a United States holder makes one of the special elections described below, such holder generally will be subject to a penalty tax when it disposes of an Ordinary Share or receives certain large dividends from the Company. Generally, the penalty tax is equivalent to United States federal income tax at the highest ordinary income tax rates in effect for each year the United States holder holds Ordinary Shares, plus an interest charge on taxes that are deemed due during that same period of ownership. More specifically, a United States holder who does not make either a qualified electing fund ("QEF") election or a mark-to-market election (each as described below) will be required to allocate to each day in its holding period with respect to the Ordinary Shares a pro rata portion of any "excess distribution" received, or deemed received under certain attribution rules, from the Company. Generally, an excess distribution is any distribution (including the portion of the proceeds from a redemption of Ordinary Shares that is treated as a dividend) from the Company that exceeds 125 per cent. of the average annual amount distributed (as measured in the currency of such distribution) by the Company during the three preceding years (or such shorter period as the United States holder may have held the Ordinary Shares). In addition, the full amount of any gain recognised on a disposition or deemed disposition of Ordinary Shares in the Company will be treated as an excess distribution. The excess distribution amount is allocated rateably over the United States holder's entire holding period. The amount allocated to the current taxable year is taxed as ordinary income. Any amount of the excess distribution allocable to a prior taxable year will be subject to a deferred United States federal income tax charge, calculated as the sum of the amount of tax imposed on the allocable excess distribution at the highest applicable rate in effect for each year plus the accumulated interest on the determined amount of tax. Given the Company's distribution and investment policies, there is a substantial risk that a United States holder will receive an amount treated as an excess distribution with respect to the Ordinary Shares if the Company is or becomes a PFIC. A United States holder must file Internal Revenue Service Form 8621 for each taxable year in which the United States holder owns Ordinary Shares and for which the Company is a PFIC. Because the Company is a newly formed company and has no operating history, it cannot be concluded that it will not be a PFIC in any year. The potential adverse tax consequences of these PFIC rules may be mitigated if a United States holder could make, and so made, a QEF election or a mark-to-market election.

QEF Election

If a United States holder makes a QEF election, and if the Company is or becomes a PFIC and the Company complies with certain reporting requirements, the United States holder will be required to include in its annual gross income its pro rata portion of the Company's ordinary income (including net foreign currency gains in excess of losses) and net realised capital gains, whether or not such amounts are distributed to the United States holder. Such amounts will be calculated in units of Euros translated into US dollars at the average exchange rate for such taxable year of the Company. In the event that any undistributed amounts previously taken into income by an electing holder are subsequently distributed by the Company, such subsequent distribution would not be taken into income in such subsequent taxable year (except as discussed below) and would not be subject to a deferred United States federal income tax charge. However, the difference between the US dollar value of that subsequent distribution and the US dollar value of the attributable earnings previously included in the United States holder's income will be treated as foreign source ordinary income or loss, as appropriate, that will be taken into account by the holder in the year of receipt of the distribution. There can be no assurance that the Company will distribute an amount for a year equal to a United States holder's annual inclusion amount if the Company is or becomes a PFIC and a QEF election with respect to the Company is made by the holder. Some of the investee entities may be characterised, for United States federal income tax purposes, as partnerships rather than as corporations.With respect to any investee entity that is characterised as a partnership, the Company will recognise, for United States federal income tax purposes, its pro rata share of such entity's profit or loss, regardless of whether that entity

makes actual distributions to the Company. To the extent that such profit exceeds actual distributions, the Company will be considered to earn for United States federal income tax purposes an amount greater than the amount distributed to it by the investee entity. To the extent that an investee entity incurs a loss, the Company would recognise its distributive Ordinary Share of such loss for United States federal income tax purposes. These computations will directly affect the amount of income recognised by a United States holder that has made a QEF election. Additionally, for the purpose of the PFIC rules, under certain circumstances, Ordinary Shares held by a "non-United States holder" may be attributed to a United States holder owning an interest, directly or indirectly, in that non-United States holder. In such event, dividends and other transactions in respect of the Ordinary Shares held by the non-United States holder would be attributed to such United States holder for purpose of applying the above PFIC rules.

Mark-to-Market Election

Although the Company is not currently registered or traded on any exchange or market, the Company anticipates registering with the Alternative Investment Market, or AIM, of the London Stock Exchange. If the Company does register Ordinary Shares to be traded on the AIM market, and for U.S. federal income tax purposes the Ordinary Shares are considered to be "regularly traded on a qualified exchange" then United States holders may be permitted to make a market-to-market election with regard to their Ordinary Shares. If a United States holder makes a market-to-market election, and if the Company is or becomes a PFIC, the United States holder will be required to include in its annual gross income the excess of the fair market value of the Ordinary Shares at year-end over such holder's adjusted tax basis in the Ordinary Shares. Such amounts will be taxable to the United States holder as ordinary income, and will increase the holder's tax basis in the Ordinary Shares. If, in any year, a United States holder's tax basis exceeds the fair market value of the Ordinary Shares at year-end, then the holder generally may take an ordinary loss deduction to the extent of the aggregate amount of ordinary income inclusions for prior years not previously recovered through loss deductions. Any loss deductions taken will reduce the holder's tax basis in the Ordinary Shares. Gain recognised on a disposition of Ordinary Shares with respect to which the holder has made a mark-to-market election is ordinary income, and loss recognised on a disposition is ordinary loss to the extent of previously unrecovered ordinary income inclusions. Special rules apply to a United States holder who makes a mark-to-market election after the year during which the Ordinary Shares are acquired, unless such holder had previously made a QEF election with respect to its Ordinary Shares.

If the Company is or becomes a PFIC, and either a QEF election or mark-to-market election is not or cannot be made, an investment in Ordinary Shares by a United States holder would subject the holder to the substantial adverse United States federal income tax consequences described above. Prospective United States holders should consult their own tax advisers regarding the potential application of the current PFIC rules and about the impact of any legislation, proposed or enacted, that could affect the PFIC rules.

Tax Exempt United States holders

If the Shareholder of a PFIC is an organisation exempt from tax under the Code (a "TEO"), the PFIC rules will apply to such Ordinary Shareholder only if the Ordinary Shares held by such organisation constitute debt-financed property. Thus, provided that a TEO Ordinary Shareholder does not incur acquisition indebtedness, neither a dividend from the Company nor any gain derived from the disposition of Ordinary Shares will be subject to United States federal income taxation generally or under the PFIC rules. If the Company is or becomes a PFIC, a TEO Ordinary Shareholder whose Ordinary Shares are debt-financed property will be subject to United States federal income taxation under the PFIC rules. It is unclear, however, whether such a TEO Ordinary Shareholder may choose to make a QEF election with respect to its interest in the Company in such case. If the QEF election is available and is made, the TEO Ordinary Shareholder would be subject to taxation under the QEF rules, which requires the electing Ordinary Shareholder to currently include in gross income its pro rata Ordinary Share of the Company's ordinary earnings and net capital gain. Although no authority on the point exists, it is likely that some or all of such items would be treated as unrelated business taxable income of a TEO Ordinary Shareholder due to the application of the debt-financed property rules.

Registered Investment Companies

If the Company is or becomes a PFIC, a registered investment company ("RIC") that owns Ordinary Shares would be taxed at the entity level on the deferred tax amount attributed to excess distributions made by the Company that are not allocable to the current year. Such liability may not be eliminated by means of a corresponding distribution (and dividends paid deduction) by the RIC. Therefore, if the Company is or become a PFIC, there is a risk that RIC Ordinary Shareholders of the Company will have income inclusions attributable to excess distributions with respect to Ordinary Shares. Accordingly, in order to avoid the RIC-level tax, such holders may choose to make a QEF election or mark-to-market election with respect to the Company.

A RIC Ordinary Shareholder that makes a QEF election will be required to take into account its pro rata Ordinary Share of the annual ordinary earnings and net capital gain of the Company in computing the holder's investment company taxable income and net capital gain irrespective of actual distributions made by the Company. By distributing all of its investment company taxable income and net capital gain (inclusive of its pro rata Ordinary Share of ordinary earnings and net capital gain attributable to the Company), the RIC Ordinary Shareholder will not be liable for any federal income tax. In addition, a RIC Ordinary Shareholders' pro rata Ordinary Share of the Company's ordinary earnings and net capital gain will not qualify as dividends for the purpose of the 75 per cent. gross income test as described in Section 851(b)(2) of the Code, to the extent that corresponding distributions are not made by the Company in the same taxable year.

A RIC Ordinary Shareholder may make a mark-to-market election regardless of whether Ordinary Shares are traded on the AIM market or are considered to be "regularly traded on a qualified exchange", if the RIC (a) offers for sale, or has outstanding, shares that the RIC issued and that are redeemable at net asset value, or (b) "publishes net asset valuations at least annually." As for any other United States holder that makes a mark-to-market election, special rules apply to a RIC that makes a mark-to-market election after the year during which its Ordinary Shares are acquired, unless such RIC had previously made a QEF election with respect to its Ordinary Shares.

(c) *Controlled Foreign Corporation Rules.*

The Company would be a controlled foreign corporation ("CFC") only if at least 50 per cent. of its stock (by vote or value) is owned by United States holders, each of which owns at least 10 per cent. of the Company's voting stock. If the Company were a CFC, then each United States holder that owns at least 10 per cent. of the Company's stock would be required to report and pay tax annually on its share of the Company's earnings and profits, whether or not the company makes any distributions. Additionally, each United States holder that owns at least 10 per cent. of the Company's stock would be required to treat a portion of any gain recognised on a sale or redemption of Ordinary Shares as a dividend taxable at ordinary income rates. A TEO Ordinary Shareholder that owns at least 10 per cent. of the Company's stock should be taxable on its share of the Company's income each year only if the Ordinary Shares held by such organisation constitute debt-financed property. The Company believes that it is unlikely to be or become a CFC. If the Company is or becomes a CFC, it undertakes to make good faith efforts to comply with all accounting, record keeping and reporting requirements necessary for United States holders to comply with their obligations under the CFC rules.

Investors-Non-United States Holders

Generally a holder of Ordinary Shares other than a United States holder (a "non-United States holder") will not be subject to United States federal income or withholding tax on income derived by the Company, dividends paid to a holder by the Company, or gains realised on the sale of Ordinary Shares, provided that (i) such income items are not effectively connected with the conduct by the non-United States holder of a trade or business within the United States, (ii) the non-United States holder is not or was not present in, or does not have or did not have a permanent establishment in, the United States, (iii) there has not been a present or former connection between the non-United States holder and the United States, including, without limitation, such non-United States holder's status as a citizen or former citizen thereof or resident or former resident thereof, or (iv) in the case of a gain from the sale or disposition of Ordinary Shares, the non-United States holder is not present in the United States for 183 days or more during the taxable year of the sale or certain other conditions are met.

United States Backup Withholding Tax

Generally, dividends paid on Ordinary Shares are not subject to United States backup withholding tax. However, dividends paid on Ordinary Shares held through United States brokers and the proceeds of sales of the Ordinary Shares holders through United States brokers would be subject to the 28 per cent. United States backup withholding requirements if certain information reporting requirements are not satisfied. United States holders can avoid the imposition of backup withholding tax by reporting their taxpayer identification number to their broker or paying agent on Internal Revenue Service Form W-9. Non-United States holders can avoid the imposition of backup withholding tax by providing a duly completed Internal Revenue Service Form W-8BEN to their broker or paying agent. Any amounts withheld under the backup withholding tax rules from a payment to a holder will be allowed as a refund or a credit against such holder's United States federal income tax, provided that the required information is furnished to the Service.

Other United States Reporting Obligations

A United States holder that purchases Ordinary Shares from the Company will likely be required to report the transfer to the Service if (a) immediately after the transfer, such United States holder holds (directly, indirectly or by attribution) at least 10 per cent. of the total voting power or total value of the Company or (b) the amount of cash transferred by such United States holder (or any related person) to the Company to purchase the Ordinary Shares during any twelve-month period exceeds $100,000. Additionally, a United States holder that owns 10 per cent. or more (taking certain attribution rules into account) of the total vote or value of the stock of the Company will likely be required to file an information return with the Service containing certain disclosure concerning the filing shareholder, other United States holders and the Company.The Company has not committed to provide all of the information needed to complete such return. Prospective United States holders are urged to consult their own tax advisers concerning these and any other reporting requirements.

ERISA Considerations

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code set forth certain restrictions on (a) employee benefit plans (as defined in section 3(3)) of ERISA), (b) plans described in Section 4975(e)(1) of the Code, including individual retirement accounts and Keogh plans, (c) any entity whose underlying assets include plan assets by reason of a plan's investment in such entity (each of (a), (b), and (c) herein after referred to as a "Plan" or "Benefit Plan") and (d) persons who have certain specified relationships to such Plans ("parties in interest" under ERISA and "disqualified persons" under the Code). ERISA also imposes specific requirements on fiduciaries of Plans subject to ERISA, namely, that they make prudent investments, that they diversify investments, and that they make investments in accordance with Plan documents and in the best interests of participants and their beneficiaries. In addition, assets of a Plan subject to ERISA must at all times comply with the "indicia of ownership" rules set forth in Section 404(b) of ERISA. Further, a party in interest under ERISA and a disqualified person under the Code are prohibited from engaging in certain transactions with respect to Plans or their assets (a "Prohibited Transaction"). A violation of these Prohibited Transaction rules may result in a breach of fiduciary duty under ERISA and the imposition of an excise tax or other penalties and liabilities under ERISA and/or the Code for such persons. A Prohibited Transaction could occur upon the Placing for, acquisition or holding of Ordinary Shares by a Benefit Plan if the Investment Manager, a co-investor, the Company, a Director, or any of their respective affiliates, were a party in interest or a disqualified person with respect to such Plan. However, both ERISA and the Code provide for certain statutory and administrative exemptions from the Prohibited Transaction rules which could apply in this case. Further, the US Department of Labour has issued a number of class exemptions that may apply to otherwise Prohibited Transactions arising from the acquisition or holding of Ordinary Shares, including: Class Exemption 75-1 (Transactions Involving Employee Benefit Plans and Certain Broker-Dealers, Reporting Dealers and Banks), Class Exemption 84-14 (Transactions Effected by Qualified Professional Asset Managers), Class Exemption 90-1 (Transactions involving Insurance Company Pooled Separate Accounts), Class Exemption 91-38 (Transactions Involving Bank Collective Investment Funds), Class Exemption 95-60 (Transactions Involving Insurance Company General Accounts) and Class Exemption 96-23 (Transactions Effected by In-House Asset Managers). The availability of each of these statutory, administrative and class exemptions is subject to a number of important conditions which each Benefit Plan's fiduciary must consider in determining whether such exemption applies. A Plan fiduciary should consider whether a Plan investing in the Ordinary Shares could be deemed to own also an undivided interest in the underlying assets of the Company under relevant US Department of Labor "Plan Asset" regulations. If the assets of the Company are deemed to be assets of such Plan, then any person who (i) exercises authority or control over the management of the Company or the disposition of the Company's assets, (ii) renders investment advice with respect to the Company's assets, or (iii) has any discretionary authority or discretionary responsibility in the administration of the Plan, could be held to be a "fiduciary" under ERISA and the Code, and all of the ERISA and Code fiduciary and Prohibited Transaction rules would apply to the structure and operation of the Company and the investment or other disposition of the Company's assets.

The US department of Labor "Plan Asset" regulations provide, however, that the underlying assets of the Company will not be considered "Plan Assets" if investment by "benefit plan investors" in the Company is less than 25 per cent. of the value of each class of equity interest of the Company. The Directors intend to use commercially reasonable efforts to prevent Benefit Plan Investors from owning 25 per cent. or more of each equity class of interest of the Company. For the purpose of the "Plan assets" rules, a "benefit plan investor" is any of the following: (i) any "employee benefit plan" defined in Section 3(3) of ERISA; (ii) any Plan described in Section 4975(e)(1) of the Code; and (iii) any entity whose underlying assets include Plan Assets by reason of a Plan's investment in the entity. Pursuant to the Pension Protection Act of 2006, the definition of "benefit plan investor" for purposes of the "Plan assets" rules, no longer includes foreign plans, government plans, and certain church plans. Any purchaser or other transferee of the Ordinary Shares will be required to certify whether or not it is a "benefit plan investor" and whether or not it is subject to ERISA and/or Code Section 4975. The purchase by or transfer of the Ordinary Shares by any Plan will be subject to the consent of the Directors. Fiduciaries of Plans who are considering an investment of Plan assets in the Ordinary Shares should consult with their own counsel regarding compliance with these rules. Any potential investor considering an investment in shares that is, or is acting on behalf of, a plan (or a governmental plan subject to laws similar to ERISA and/or Section 4975 of the Code) is strongly urged to consult its own legal, tax and ERISA advisers regarding the consequences of such an investment and the ability to make the representations described above.

Switzerland

The following summary is based on the tax laws of Switzerland in effect on the date of this document, which may be subject to change at any time. Furthermore, this summary does not purport to be a comprehensive description of all Swiss tax aspects to be taken into consideration for the decision to purchase, own or dispose of Ordinary Shares and also does not purport to deal with the tax consequences applicable to all categories of prospective investors. Prospective investors should therefore consult their own tax advisers as to the Swiss cantonal and federal tax law consequences of the purchase, ownership and disposition of Ordinary Shares. It is particularly important for investors who are in Switzerland to check on the cantonal tax laws of their canton of residence, as no specific views regarding cantonal and municipal taxes are expressed herein.

The Company

The Directors intend to manage and conduct the affairs of the Company so that for Swiss corporate tax purposes the Company does not become resident within Switzerland for Swiss tax purposes nor will it carry on a trade or a business through a permanent establishment ("*établissement stable*") located in Switzerland. On that basis and on the assumption that it has no Swiss source income the Company will have no liability in respect of either Swiss corporation tax or income tax.

Investors

Federal Stamp Taxes

Under the Federal Swiss Stamp Tax Act of 27 June 1973 ("STA"), the issuance of Ordinary Shares by the Company is not subject to the Swiss federal issuance stamp tax, provided that the Company is at all times resident and effectively managed outside of Switzerland. However, the dealing (sale or purchase) in Ordinary Shares of the Company or of other securities issued by the Company may be subject to the Swiss

Federal Stamp Tax Act (at the rate of 0.3 per cent.) on the transfer of securities if a Swiss bank or a Swiss securities dealer (as defined in the Article 13, paragraph 3 STA as amended) is involved as an intermediary or as a counterparty in such a transaction.

Federal Withholding Tax

The payment of dividends by the Company will not be subject to Swiss withholding tax (the statutory rate of which is 35 per cent.), provided the Company is at all times resident and effectively managed outside of Switzerland.

Federal Income Taxes

A Shareholder who is not resident in Switzerland and who has not during the taxable year engaged in trade or business through a permanent establishment or a fixed place of business in Switzerland and who is not subject to Swiss federal income tax for any other reason shall not be subject to federal income taxes on dividends paid by the Company or on the gain realised on the sale of shares. The same rules normally apply for Swiss cantonal and municipal income taxes.

Taxation of dividends

Individuals residing outside of Switzerland, but holding Ordinary Shares through a permanent establishment or a fixed place of business in Switzerland, as well as Swiss individuals holding Ordinary Shares, who are resident or deemed resident in Switzerland in the sense of Swiss tax legislation are liable to federal income tax in respect of any dividend income received from the Company (including stock dividends, liquidation surpluses and proceeds from the redemption of its own shares by the Company). Under the Swiss Federal Direct Tax Act, and unless otherwise provided under tax treaties, a natural person who stays in Switzerland without any substantial interruption for 30 days at least while performing a remunerated activity or for 90 days at least when he/she does not perform any remunerated activity is liable to taxation in Switzerland.

Corporate holders of Ordinary Shares who are resident or deemed resident in Switzerland in the sense of Swiss tax legislation or who hold Ordinary Shares through a permanent establishment in Switzerland are liable to federal profit tax in respect of any dividend income received from the Company. Under certain conditions, corporate shareholders may benefit from a "participation reduction" on dividend income if derived from shares having a fair market value of at least CHF 2,000,000 or representing a stake of at least 20 per cent. of the share capital of the Company. The same rules normally apply for cantonal and municipal income taxes.

Taxation of Capital Gains

Swiss resident individuals acting as private investors and holding the Ordinary Shares as private assets are not taxed on private capital gains realised on the sale of Ordinary Shares. Swiss resident individuals engaged in a business activity or deemed to manage their assets in a professional way for tax purposes are subject to federal income tax on capital gains realised on the sale of Ordinary Shares. Swiss resident corporate investors holding Ordinary Shares are taxed on capital gains realised on the sale of Ordinary Shares. Under certain conditions, corporate shareholders may benefit from a "participation reduction" on capital gains if derived from the disposition of shares representing a stake of at least 20 per cent. of the share capital of the Company and which have been held for at least one year. The same rules normally apply for cantonal and municipal income taxes.

Cantonal Wealth Tax

The cantonal tax laws provide for an annual net wealth tax levied on the fair market value of the Ordinary Shares held by Swiss resident individuals.

Switzerland – EU Savings Taxation Bilateral Agreement

In accordance with the above agreement, EU citizens may, subject to the conditions set forth by the said agreement, be subject to a withholding savings tax on "interest" as defined in the agreement, to be withheld by the Swiss paying agent. The above does not purport to provide exhaustive legal advice on the possible tax consequences of the acquisition, transfer or disposal of Ordinary Shares and is to be used as mere guidelines.

Other jurisdictions

Prospective purchasers of Ordinary Shares that are resident in jurisdictions other than the Cayman Islands, China, the United States, the United Kingdom and Switzerland should consult their own professional tax advisers as to the tax consequences of the purchase, ownership and disposition of Ordinary Shares. **Any person who is in any doubt as to his tax position should consult his professional advisers.**

PART 9

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 6 of this document, accept responsibility for all the information contained in this document including individual and collective responsibility for compliance with the AIM Rules for Companies and the CISX Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

2.1 The Company was incorporated with limited liability and registered in the Cayman Islands as an exempted company under the Companies Law on 5 September 2007 with registered number MC-194556 under the name Pacific Alliance China Land Limited.

2.2 The Company operates under the Companies Law and regulations made thereunder.

2.3 The Company's main activity is that of an investment company. As a closed-end investment company, the Company is not regulated as a mutual fund in the Cayman Islands and is not otherwise subject to regulatory review in its place of incorporation. As a company whose Ordinary Shares will be admitted to trading to AIM and the CISX, the Company will be subject to the AIM Rules for Companies and the CISX Rules.

2.4 The registered office of the Company is at PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands (telephone number +1 345 949 8066). The statutory books of the Company are kept at its registered office.

2.5 The liability of the Shareholders of the Company is limited.

2.6 Save for its entry into the material contracts summarised in paragraph 7 of this Part 9 since its incorporation, the Company has not carried on business and, other than the financial information set out in this document, no accounts of the Company have been made up.

3. Share capital

3.1 The Company's capital structure comprises a single class of Ordinary Shares which will be admitted to trading on AIM and listing and trading on the CISX. The authorised share capital and issued share capital of the Company (i) as at the date of this document and (ii) as it will be immediately following Admission (all of which will be fully paid-up) is set out below:

	Authorised number of Ordinary Shares	$ nominal	Issued number of Ordinary Shares	$ nominal
(i)	10,000,000,000	100,000,000	1	0.01
(ii)	10,000,000,000	100,000,000	400,000,000	4,000,000

3.2 The Ordinary Shares have been created pursuant to the Companies Law. The Company was incorporated with an authorised share capital of $100,000,000 divided into 10,000,000,000 Ordinary Shares of $0.01 each, of which one subscriber share was issued to the subscriber to the Company's Memorandum of Association (and subsequently transferred to Pacific Alliance Investment Management Limited) and is in issue prior to Admission. Subject to Admission, the issued subscriber share will be repurchased by the Company at par value and cancelled.

3.3 On 20 November 2007, the Placing Shares were allotted by resolution of the Board, at a subscription price of $1.00 per Ordinary Share, conditionally upon Admission.

3.4 The Ordinary Shares have been assigned ISIN KYG6846Y1035 and CUSIP G684GY 103.

3.5 Save as referred to in paragraphs 3.2 and 3.3 above, since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration.

3.6 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

3.7 Any unallotted Ordinary Shares will remain authorised but unissued.

4. Constitutional documents and other relevant laws and regulations

4.1 ***Memorandum of Association***

The Memorandum of Association of the Company provides that the objects of the Company are unrestricted and the Company shall have full power to carry out any object not prohibited by the Companies Law. The Companies Law does not prohibit the Company from acting as an investment company.

4.2 ***Articles of Association***

The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:

4.2.1 *Voting rights*

Subject to any rights or restrictions attached to any shares, on a show of hands every Shareholder who (being an individual) is present in person or by proxy or, if a corporation or other non-natural person is present by its duly authorised representative, shall have one vote and on a poll every Shareholder who (being an individual) is present in person or by proxy or, if a corporation or other non-natural person is present by its duly authorised representative, shall have one vote for every Share of which he is the holder.

4.2.2 *Dividends*

(i) Subject to the Companies Law and this paragraph (i), the Directors may declare dividends and distributions on shares in issue and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor. No dividend or distribution shall be paid except out of the realised or unrealised profits of the Company, or out of the share premium account or as otherwise permitted by the Companies Law. There is no fixed dates on which the entitlement to dividends arises. All dividend payments shall be non-cumulative.

(ii) Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the par value of the shares that a Shareholder holds. If any Share is issued on terms providing that it shall rank for dividend as from a particular date, that Share shall rank for dividend accordingly.

(iii) The Directors may deduct from any dividend or distribution payable to any Shareholder all sums of money (if any) then payable by him to the Company on account of calls or otherwise.

(iv) The Directors may declare that any dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and may determine that cash payments shall be made to any Shareholders upon the basis of the value so fixed in order to adjust the rights of all Shareholders and may vest any such specific assets in trustees as may seem expedient to the Directors.

(v) Any dividend, distribution, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through by post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the Register of Shareholders or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses, or other monies payable in respect of the share held by them as joint holders.

(vi) No dividend or distribution shall bear interest against the Company.

(vii) Any dividend which cannot be paid to a Shareholder and/or which remains unclaimed after six months from the date of declaration of such dividend may, in the discretion of the Directors, be paid into a separate account in the Company's name, provided that the Company shall not be constituted as a trustee in respect of that account and the dividend shall remain as a debt due to the Shareholder. Any dividend which remains unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

4.2.3 *Winding-up*

(i) If the Company shall be wound up, and the assets available for distribution amongst the Shareholders shall be insufficient to repay the, whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Shareholders in proportion to the par value of the shares held by them. If in a winding up the assets available for distribution amongst the Shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Shareholders in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This paragraph (i) is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

(ii) If the Company shall be wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the Shareholders in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Shareholders as the liquidator, with the like sanction, shall think fit, but so that no Shareholder shall be compelled to accept any asset upon which there is a liability.

4.2.4 *Transfers*

(i) Shares are freely transferable subject as hereinafter provided. The Directors may, in their absolute discretion, decline to register any transfer of a share (not being a fully-paid share), provided that such discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis and subject to the AIM Rules for Companies and the CISX Rules. The Directors may also decline to register the transfer of any shares in respect of which the Company has a lien. Shares are not transferable to natural persons under the age of 18. The Directors shall not exercise such discretion if to do so would cause a contravention of any applicable Clearstream and/or Euroclear rule or regulation.

(ii) If at any time the holding or beneficial ownership of any shares in the Company by any person (whether on its own or taken with other shares), in the opinion of the Directors (a) would cause the assets of the Company to be considered "plan assets" within the meaning of the plan assets regulation (29 C.F.R. 2510.3-101) adopted by the United States Department of Labor under the Employee Retirement Income Security Act of 1974 ("ERISA") or section 4975 of the Internal Revenue Code of 1986, as amended or such similar United States acts and regulations as determined by the Directors from time to time, (b) may give rise to a breach of any applicable law or requirement in any jurisdiction; or (c) would or might result in the Company being required to register or qualify under the United States Investment Company Act 1940; or (d) would or might result in any investment manager engaged by the Company being required to register or qualify under the United States Investment Advisers Act 1940; or (e) contravene the criteria for eligibility for investing in the Company determined by the Directors from time to time, then any shares which the Directors decide are shares which are so held or beneficially owned ("Prohibited Shares") must be dealt with in accordance with paragraph (iii) below. The Directors may at any time give notice in writing to the holder of a share requiring him to make a declaration as to whether or not the share is a Prohibited Share.

(iii) The Directors shall give written notice to the holder of any share which appears to them to be a Prohibited Share requiring him within 21 days (or such extended time as the Directors consider reasonable) to transfer (and/or procure the disposal of interests in) such share to another person so that it will cease to be a Prohibited Share. From the date of such notice until registration for such a transfer or a transfer arranged by the Directors as referred to below, the share will not confer any right on the holder to receive notice of or to attend and vote at a general meetings of the Company and of any class of shareholders) and those rights will vest in the Chairman of any such meeting, who may exercise or refrain from exercising them entirely at his discretion). If the notice is not complied with within 21 days to the satisfaction of the Directors, the Directors shall arrange for the Company to sell the share at the best price reasonably obtainable to any other person so that the share will cease to be a Prohibited Share. The net proceeds of sale (with interest at such rate as the Directors consider appropriate) shall be paid over by the Company to the former holder upon surrender by him of the relevant share certificate (if applicable).

(iv) The instrument of transfer of any share held in certificated form shall be in any usual or common form for use in the Cayman Islands or in any other form approved by the Directors and shall be executed by or on behalf of the transferor (and, in the case of a transfer of any share that is nil-paid or partly-paid, signed by the transferee). The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the Register of Shareholders.

4.2.5 *Variation of Share Capital*

The Company may by Ordinary Resolution:

(i) increase the share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(iii) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(iv) cancel any shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

4.2.6 *Variation of Rights*

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of at least three-quarters in par value of the issued shares of that class, or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

4.2.7 *General meetings*

(i) The Company may hold an annual general meeting, but shall not (unless required by the Companies Law) be obliged to hold an annual general meeting.

(ii) The Directors may call general meetings, and they shall on a Shareholders requisition forthwith proceed to convene an extraordinary general meeting of the Company.

(iii) A Shareholders requisition is a requisition of Shareholders of the Company holding at the date of deposit of the requisition not less than 10 per cent. in par value of the capital of the Company as at that date carries the right of voting at general meetings of the Company.

(iv) At least fourteen days' notice shall be given of any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all the Shareholders (or their proxies) entitled to attend and vote thereat; and

(b) in the case of an extraordinary general meeting, by a majority in number of the Shareholders (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in par value of the shares giving that right.

(v) No business shall be transacted at any general meeting unless a quorum is present. Two Shareholders being individuals present in person or by proxy or if a corporation or other non-natural person by its duly authorised representative shall be a quorum unless the Company has only one Shareholder entitled to vote at such general meeting in which case the quorum shall be that one Shareholder present in person or by proxy or (in the case of a corporation or other non-natural person) by a duly authorised representative.

(vi) A resolution (including a special resolution) in writing (in one or more counterparts) signed by all Shareholders for the time being entitled to receive notice of and to attend and vote at general meetings (or, being corporations, signed by their duly authorised representatives) shall be as valid and effective as if the resolution had been passed at a general meeting of the Company duly convened and held.

(vii) If a quorum is not present within half an hour from the time appointed for the meeting or if during such a meeting a quorum ceases to be present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved and in any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day, time or such other place as the Directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the Shareholders present shall be a quorum.

(viii) The chairman may, with the consent of a meeting at which a quorum is present, (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a general meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Otherwise it shall not be necessary to give any such notice.

(ix) A resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands, the chairman demands a poll, or any other Shareholder or Shareholders collectively present in person or by proxy and holding at least ten per cent. par value of the shares giving a right to attend and vote at the meeting demand a poll.

4.2.8 *Directors*

(i) The Company may by ordinary resolution appoint any person to be a Director or may by ordinary resolution remove any Director.

(ii) The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles as the maximum number of Directors.

(iii) Subject to the provisions of the Companies Law, the Memorandum and the Articles and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company.

(iv) The quorum for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be two if there are two or more Directors, and shall be one if there is only one Director.

(v) Subject to the provisions of the Articles, the Directors may regulate their proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote. A Director who is also an alternate Director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.

(vi) A resolution in writing (in one or more counterparts) signed by all the Directors or all the members of a committee of Directors (an alternate Director being entitled to sign such a resolution on behalf of his appointor) shall be as valid and effectual as if it had been passed at a meeting of the Directors, or committee of Directors as the case may be, duly convened and held.

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine provided that the aggregate remuneration paid to all Directors shall not exceed $300,000 (or such higher amount as may be approved by the Company in general meeting) in respect of any 12-month period. The Directors shall also be entitled to be paid all travelling, hotel and other expense properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company, or to receive a fixed allowance in respect thereof an may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his widow or dependents and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

(vii) A Director of the Company who is present at a meeting of the board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

(viii) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.

(ix) A Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director or alternate Director.

(x) A Director or alternate Director of the Company may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director or alternate Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company.

(xi) No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. A Director (or his alternate Director in his absence) shall be at liberty to vote in respect of any contract or transaction in which he is interested provided that the nature of the interest of any Director or alternate Director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon.

(xii) A general notice that a Director or alternate Director is a shareholder, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure for the purposes of voting on a resolution in respect of a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

4.2.9 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

4.2.10 *Issue of Shares*

Subject to the provisions, if any, in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper.

4.2.11 *Pre-emption rights*

There is no provision of Cayman Islands law or the Articles which confer rights of pre-emption upon the issue or sale of any shares in the Company.

4.2.12 *Corporate governance*

There is no applicable regime of corporate governance to which directors of a Cayman Islands company must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Cayman Islands law.

4.2.13 *Minority Purchase Rights*

The Ordinary Shares are subject to the compulsory acquisition provisions set out in section 88 of the Companies Law. Under these provisions where an offeror makes a takeover offer and within four months of making the offer it has been approved by the holders of not less than 90 per cent. in value of the shares to which the offer relates, that offeror is entitled to acquire compulsorily from dissenting shareholders those shares which have not been acquired or contracted to be acquired on the same terms as under the offer.

4.2.14 *Change in Control*

There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company except as may arise under paragraph 4.2.4 above.

4.2.15 *Untraced members*

The Company shall be entitled to sell (in such a manner and for such a price as the Directors think fit) the Ordinary Shares of a member or the Ordinary Shares to which a person is entitled by virtue of transmission on death or bankruptcy if and provided that the following conditions are satisfied:

(i) for a period of twelve years, being a period during which at least three dividends in respect of the Ordinary Shares in question have become payable, no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the member or to the person entitled by transmission to the Ordinary Share, stock or debenture or loan stock at his address on the Register of Shareholders or the last known address given by the member or the person entitled by transmission to which cheques and warrants are to be sent has been cashed and no communication has been received by the Company from the member or the person entitled by transmission;

(ii) the Company has at the expiration of the said period of twelve years given notice by advertisement in both a United Kingdom national newspaper and in a newspaper circulating in the area in which the address referred to above is located of its intention to sell such Ordinary Share, stock or debenture or loan stock;

(iii) the advertisements, if not published on the same day, shall have been published within 30 days of each other;

(iv) the Company has not during the further period of three months following the publication of the said advertisements or following the later publication if the two advertisements are published on different dates and prior to the exercise of the power of sale received any communication from the member or person entitled by transmission; and

(v) if so required by the rules of the London Stock Exchange, the Company has given notice in writing to the London Stock Exchange of its intention to sell such Ordinary Share, stock, or debenture or loan stock.

To give effect to any such sale the Company may appoint any person to execute as transferor an instrument of transfer of such Shares or any of them and such instrument of transfer shall be as effective as it has been executed by the registered holder or any person entitled by transmission to such Ordinary Shares and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings relating thereto. The Company shall be obliged to account to the former member or such other person previously entitled for the net proceeds of sale by carrying such proceeds in a separate account which shall be a permanent debt of the Company and the Company shall be deemed to be a debtor for such amount and not a trustee in respect to the debt for such former member or person and shall enter the name of such former member or other person it the books of the Company as a creditor for such amount. Not trust shall be created in respect of the debt, no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments (other than Ordinary Shares of the Company or its holding company if any) as the Directors may from time to time think fit.

4.3 ***The Disclosure and Transparency Rules***

The Articles require that, from Admission and for so long as the Company has any of its share capital admitted to trading on AIM, or any successor market or any other market operated by the London Stock Exchange and/or the CISX or any successor market or any other market operated by the CISX, every Shareholder must comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules Sourcebook (as amended and varied from time to time) of the FSA Handbook as if the Company were classified as a "issuer" whose "Home State" is the United Kingdom.

Under the Disclosure and Transparency Rules, a Shareholder is required to notify the Company of the percentage of its voting rights if the percentage of voting rights which he holds (directly or indirectly) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. The notification must be made within four trading days of the Shareholder learning of the acquisition or disposal leading to the increase or decrease in his shareholding.

Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make the required disclosure to the Company may result in disenfranchisement.

5. Directors and other interests

5.1 The interests of the Directors in the Ordinary Shares as at Admission will be as follows:

Name	Number of Ordinary Shares at Admission	%
Horst Geicke	1,000,000	0.25
Margaret Brooke	80,000	0.02
Christopher Gradel	1,000,000	0.25
Paul Cheng*	300,000	0.08

* Mr. Cheng's Ordinary Shares are held in the name of TJC Services Limited, a trust of which he is a beneficiary

Unless otherwise stated all such Ordinary Shares have been subscribed for pursuant to the Placing and are beneficially held.

5.2 Save as set out above, none of the Directors has any interests, beneficial or otherwise, in the, share capital of the Company nor does (so far as is known to, or could with reasonable diligence be ascertained by, the Directors) any person connected with the Directors have any interests in such share capital, in each case whether or not held through another party.

5.3 In addition to their directorships of the Company, the Directors held or have held the following directorships, and are or were members of the following partnerships, within the past five years:

Name	Current directorships, partnerships and affiliations	Previous directorships and partnerships
Horst Geicke	AA Corporation ACL Holdings Limited ACM Landholdings, Inc. ARC Capital Holdings Limited ARC Capital Partners Limited Beyond Holdings Limited Chi Shung Assets Limited Compagnie Hoteliere de I'Opera CRF Holdings Limited DFJ VinaCapital Limited Etechnology Holdings Limited First Shanghai Child Products Limited G-Baby Holdings Limited Geicke HK Ltd. Geoby Children's Products, Inc. Geoby International Holdings Limited Goodbaby Child Products Co., Limited Goodbaby (Hong Kong) Limited Ho Chi Minh City International School Hoteliere de L'Opera Kunshun Goodbaby Tommee Tippee Child Products Co., Limited Metropolitan Real Estate N.Y. Inc. Montrose Food & Wine HK Ltd Ningbo Goodbaby Child Products Co., Limited Pacific Alliance Asia Opportunity Fund Limited Pacific Alliance Asset Management Limited Pacific Alliance Group Limited – Cayman Pacific Alliance Group Limited – Hong Kong Pacific Alliance Investment Management Limited Pacific Alliance Land Limited Pacific Alliance Real Estate Limited Shanghai Goodbaby Fashion Co., Limited Shanghai Goodbaby Online Co., Limited Societe a Responsibilite Limitee Compagnie Sofitel Metropole Hotel Hanoi Thang Loi Textiles & Garment Joint Stock Co. Top Star International Ltd. Traffex Technologies Pte Ltd. Vietnam Infrastructure Limited Vietnam Opportunity Fund Limited VinaCapital Group Limited VinaCapital Strategic Holdings Ltd. VinaLand Limited Wellfounded Development Limited	A-1 International (Vietnam) Corporation Limited International Gaming and Lottery Technologies Limited Pacific Century Resources Limited RG Global Lifestyles, Inc.
Margaret Brooke	Professional Property Services Limited RB Enterprises Inc. CNB & Associates Limited DB (2005) Limited PPS Ventures Limited SOS Asia Limited Heritage Hong Kong Foundation Limited Heritage Hong Kong Limited Mercuri Global Holdings Limited MG Hotels (HK) Ltd.	Insignia Brooke (Hong Kong) Limited

Name	Current directorships, partnerships and affiliations	Previous directorships and partnerships
Paul Cheng	Esprit Holdings Limited Kingboard Chemical Holdings Limited Vietnam Infrastructure Limited	Chevalier International Holdings Limited Eco-Tek Holdings Limited Hop Kin Holdings Limited Hutchinson Global Communications Holdings Limited Hutchinson Harbour Ring Limited Lamex Tading Co. Limited MFI Furniture Group plc New World Mobile Holdings Limited Sino Hotels (Holdings) Limited Sino Land Co., Limited Spirent plc The Hong Kong Jockey Club The Hong Kong Jockey Club (Charities) Limited The Jockey Club Kau Sai Chau Public Golf Course Limited The Jockey Club Membership Services Limited The Link Management Limited The Wharf (Holdings) Limited Tsim Sha Tsui Properties Limited
Christopher Gradel	Africa Opportunity Fund Limited Africa Opportunity Fund (GP) Limited ARC Capital Holdings Limited Beyond Holdings Limited Chi Shung Assets Limited CRF Holdings Limited Etechnology Holdings Limited First Shanghai Child Products Limited G-Baby Holdings Limited Geoby Children's Products, Inc. Geoby International Holdings Limited Goodbaby Child Products Co., Limited Kerry Oriental Investments Company Limited Kunshan Goodbaby Tommee Tippee Child Products Co., Ltd. Ningbo Goodbaby Child Products Co., Limited Pacific Alliance Asia Opportunity Fund Limited Pacific Alliance Group Asset Management Limited Pacific Alliance Group Limited – Cayman Pacific Alliance Group Limited – Hong Kong Pacific Alliance Investment Management (HK) Limited Pacific Alliance Investment Management Limited Pacific Alliance Real Estate Limited Shanghai Goodbaby Child Products Co., Limited Shanghai Goodbaby Fashion Co., Limited Shanghai Goodbaby Online Co., Limited VinaCapital Group Limited VinaCapital Strategic Holdings Limited	ARC Capital Partners Limited Asia Value Catalyst Limited China Alliance Enterprise Limited China Natural Energy Limited China Oasis Enterprise Limited Cornway Developments Limited Greenland Property Development Limited Neutron Assets Limited PA Enterprise Opportunity Limited PA Financial Enterprise Limited PA Financial Investment Limited PA Financial Opportunity Limited PA Investment Opportunity Limited VinaCapital Real Estate Limited

Name	Current directorships, partnerships and affiliations	Previous directorships and partnerships
Ming Mei	ProLogis Project Management and Consulting (Shanghai) Company Limited Beijing ProLogis Park Majuqiao Logistics Development Company Limited Shanghai ProLogis Chapu Development Company Limited ProLogis Park Puyun Development Company Limited Shanghai Lingang ProLogis International Logistics Development Company Limited ProLogis Park Guangzhou Bonded Development Company Limited ProLogis SITIC Park Longgang Development Company Limited Shenzhen ProLogis –Yantian Port Logistics Park Company Limited ProLogis (Guangzhou) Baopu Development Company Limited ProLogis Park (Tianjin) Development Company Limited ProLogis Beijing Airport Logistics Development Company Limited ProLogis Park Foshan Development Company Limited ProLogis Park Hangzhou Logistics Development Company Limited ProLogis Park Jiading Logistics Development Company Limited Shanghai Minhang ProLogis Development Company Limited ProLogis Park Songjiang Development Company Limited ProLogis(Qingdao) Qianwan Harbor International Logistics Development Company Limited ProLogis (Qingdao) Airport International Logistics Development Company Limited ProLogis (Qingdao) Jiaonan International Logistic Development Company Limited ProLogis (Wuhan) Dongxihu Logistics Park Development Company Limited Shanghai Lingang ProLogis Warehousing & Logistics Development Company Limited ProLogis Nangjing Jiangning Development Company Limited ProLogis Park Chongqing Development Company Limited ProLogis Park Wuxi Logistics Development Company Limited Prologis Park Jiaxing Development Company Limited ProLogis Park Fengmin Development Company Limited ProLogis Park Fengsong Development Company Limited ProLogis Park Fengjia Development Company Limited ProLogis (Tianjin) Industry Development Company Limited Dalian ProLogis-Jifa Development Company Limited Shen Yang ProLogis Jifa Logistic Development Company Limited	Owens Corning Holding Company Owens Corning Fibreglass (Shanghai), Ltd. Co. Owens Corning Fibreglass (Guangzhou), Ltd. Co. Owens Corning Fibreglass (Aushan), Ltd. Co.

Name	Current directorships, partnerships and affiliations	Previous directorships and partnerships
Ming Mei (*continued*)	ProLogis Park Xujing Logistics Company Limited ProLogis (Chengdu) Industry Development Company Limited Suzhou ProLogis Wangting Park Development Company Limited Pushun Logistics Park Development Company Limited ProLogis Park Changsha Develoment Company Limited Ningbo Gangrui Warehousing Company Limited Ningbo Haichuang Logistics Company Limited ProLogis Park Shuangyi Logistics Development Company Limited	
Kennedy Wong	Asia Investment Capital Partners Limited AXA Asia Pacific Holdings Limited AXA China Region Insurance Company (Bermuda) Limited AXA China Region Insurance Company Limited AXA (Hong Kong) Life Insurance Company Limited AXA Wealth Management (HK) Limited Best of Best Company Limited Bohai Industrial Investment Fund Management Company Limited Cheung Fung Technology (Holdings) Limited China Association (H.K.) for Science and Society, Limited China Champ Industrial Holdings Limited China Champ (Holdings) Limited China Overseas Land & Investment Limited The Chinese General Chamber of Commerce City Best Limited College View Company Limited Communication and You Holdings Co. Limited Computime Limited Computime Group Limited Daily Fair (S) Pte Limited Delight International Limited Far Eastern Polychem Industries Limited Fragrant City Limited Friends of Hong Kong Association Limited Giant Target Investment Limited Goldlion Holdings Limited Great Wall Technology Company Limited HKFEW Wong Cho Bau School Limited Ho Kit Man Inc. Honour Skill Company Limited Hong Kong Airlines Limited	Capinfo Company Limited Central Textiles (Weaving) Limited Goldbox Enterprises Limited Good Nature Company Limited Hang Seng Insurance Company Limited HSBC Life (International) Limited iSteelAsia Holdings Limited Jade Shine Enterprise (S) Pte Limited Onring (S) Pte Limited Progress Wisdom (S) Pte Limited Qin Jia Yuan (Overseas) Co. Limited Qin Jia Yuan Publishing Company Limited Raymond Industrial Limited The Hong Kong Chinese Importers' and Exporters' Association Treasure Creation Company Limited Victory Bay Limited

Name	Current directorships, partnerships and affiliations	Previous directorships and partnerships
Kennedy Wong *(continued)*	Hong Kong Sichuan Friendship Association Company, Limited Hong Kong - Taiwan Youth Exchange Promotion Association Limited Hong Kong United Youth Association Limited H.K. United Youth Exchange Foundation Limited Hong Kong Young Legal Professionals Association Limited International Financial Network Holdings Ltd. Kingstyle Limited Limin Corporation New Century Forum Limited Pacific Alliance Asia Opportunity Fund Limited Perfect Ace Investments Limited Philip K. H. Wong Foundation Philip (Nominees) Limited Qin Jia Yuan Media Services Company Limited Shanghai Grand Sunfire Property Development Company Limited Sichuan Glass Company Limited Sichuan Investment Company Pte. Limited Sichuan Jinfeng Paper Company Limited Sinotime Assets Management Limited Sunfire Enterprises Limited Tai Tseun Enterprises Limited The Future Star Foundation Limited The National Mutual Life Association of Australasia Limited Victory Will Limited Winner City Limited Ying Ho (Nominees) Limited	

5.4 Mr. Wong was a director of Raymond Industrial Limited ("RIL"), a Hong Kong Stock Exchange ("HKSE") listed company when the HKSE took disciplinary action against RIL for a technical breach of Practice Note 19 ("PN19") by RIL during the period from July to October 2002. The proposed sanction against RIL was a public statement criticising RIL and two of its directors, one of whom was Mr. Wong. RIL did not dispute the breach of PN19, but applied for a review of the decisions to sanction the two directors. At a Disciplinary Review Hearing held on 27 September 2005, the Review Committee determined that the two directors had not breached their respective director's undertaking to use their best endeavours to procure compliance with the HKSE Listing Rules and decided not to impose any sanction on the parties concerned in relation to this matter.

5.5 Mr. Wong also served as an independent non-executive director of Great Wall Cybertech Limited ("Great Wall"), a company listed on the HKSE and resigned as a director on 2 July 2002. Winding-up proceedings commenced on 25 March 2003 and liquidators were appointed for Great Wall pursuant to a court order dated 21 June 2003 for the company's failure to pay it's debts totalling HK$100 million to a bank creditor.

5.6 Save as set out in paragraphs 5.4 and 5.5 above, at the date of this document, none of the Directors:

(i) has any unspent convictions in relation to indictable offences; or

(ii) has been bankrupt or entered into an individual voluntary arrangement; or

(iii) was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

(iv) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

(v) has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or

(vi) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

5.7 Horst Geicke and Christopher Gradel will have an interest in arrangements between the Company and the Investment Manager by virtue of being a Director and/or by virtue of being indirectly interested in the shares of the Investment Manager, further details of which are set out in Part 3 of this document. Save as set out in this paragraph 5.7 and as otherwise set out in this document, none of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

5.8 No loan or guarantee has been granted or provided by the Company to any Director.

5.9 The services of each of Horst Geicke, Christopher Gradel, Margaret Brooke, Paul Cheng, Ming Mei and Kennedy Wong as non-executive Directors are provided under the terms of letters of appointment between each of them and the Company dated 20 November 2007 subject to termination upon at least three months' notice at an initial fee of $30,000 per annum. Each Director who is a member of any committee of the Company will receive an additional fee of $5,000 per annum whereas each Director who is the chairperson of any committee of the Company will receive an additional fee of $10,000 per annum. Messrs. Geicke and Gradel have agreed to waive their Director's fees for so long as they are interested in the Investment Manager.

5.10 Save as set out in paragraph 5.9 above, there are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries providing for benefits upon termination of employment.

5.11 Details of the length of time in which the Directors who are currently in office and the period of their term of office are set out below:

Name	**Commencement of period of office**	**Date of expiration of term of office**
Horst Geicke	29 October 2007	Until removed
Margaret Brooke	29 October 2007	Until removed
Paul Cheng	29 October 2007	Until removed
Christopher Gradel	29 October 2007	Until removed
Ming Mei	29 October 2007	Until removed
Kennedy Wong	29 October 2007	Until removed

6. Share interests

6.1 As at 19 November 2007 (the latest practicable date prior to publication of this document), the Company was not aware of any persons who, immediately following Admission, could, directly or indirectly, jointly or severally, exercise control over the Company.

6.2 Save as set out below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company or who will be interested in three per cent. or more of the issued share capital of the Company immediately following Admission:

Name	Number of Ordinary Shares	%
The Carrousel Fund Ltd	37,000,000	9.25
QVT Fund LP	27,091,000	6.77
Drawbridge Global Macro Master Fund Ltd	20,000,000	5.00
MLP Investments S.A.R.L	17,500,000	4.38
Metage Funds Ltd	15,000,000	3.75
Metage Special Emerging Markets Fund Ltd	15,000,000	3.75
IPC Management	13,600,000	3.40
The Carrousel Fund II Ltd	13,000,000	3.25
The Tudor BVI Global Portfolio LP	12,400,000	3.10

6.3 None of the Company's major Shareholders have different voting rights to other holders of Ordinary Shares.

7. Material contracts

The following contracts, not being entered into in the ordinary course of business, have been entered into by the Company since incorporation and are, or may be, material:

7.1 An engagement letter dated 5 November 2007 between the Investment Manager and Grant Thornton Corporate Finance, as novated by the deed of novation dated 20 November 2007 between the Company, the Investment Manager and Grant Thornton Corporate Finance, pursuant to which Grant Thornton Corporate Finance has been appointed to act as nominated adviser to the Company. The agreement contains certain undertakings and indemnities from the Company and is terminable on 30 days notice in writing by either party.

7.2 A broker agreement dated 20 November 2007 between the Company, LCF Edmond de Rothschild Securities Limited and the Investment Manager pursuant to which the Company has appointed LCF Edmond de Rothschild Securities Limited as broker to the Company for the purposes of AIM, commencing on the date of the agreement and terminable by either party on not less than three months' notice in writing. In the agreement, the Company and the Investment Manager have given indemnities to LCF Edmond de Rothschild Securities Limited. The Company has agreed to pay LCF Edmond de Rothschild Securities Limited an annual retainer of £20,000.

7.3 A Placing Agreement dated 20 November 2007 between the Company, Grant Thornton UK LLP, LCF Edmond de Rothschild Securities Limited, LCF Edmond de Rothschild (C.I.) Limited, the Investment Manager, Pacific Alliance Investment Management Limited and the Directors pursuant to which PAIM has been appointed as the agent of the Company for the purpose of managing the Placing and has agreed to use reasonable endeavours to procure placees to subscribe for the Placing Shares at the Placing Price. Pursuant to the Placing Agreement the Company, the Investment Manager, PAIM and the Directors have given certain warranties to Grant Thornton UK LLP, LCF Edmond de Rothschild Securities Limited and LCF Edmond de Rothschild (C.I.) Limited concerning, *inter alia*, the accuracy of the information in this document. The Investment Manager and PAIM have separately given certain warranties to the Company in connection with the conduct of the Placing. In addition, the Company, the Investment Manager and PAIM have given indemnities to Grant Thornton UK LLP and LCF Edmond de Rothschild Securities Limited. The Placing Agreement is conditional, *inter alia*, on Admission occurring not later than 8:00 a.m. on 29 November 2007 and the Company and the Directors complying with certain obligations under the Placing Agreement. The Placing Agreement may be terminated by PAIM, Grant Thornton UK LLP and/or LCF Edmond de Rothschild Securities Limited prior to Admission in certain circumstances, including if there has been a material breach of any of the warranties or if, before Admission, there shall have occurred certain *force majeure* events which, will or may be materially prejudicial to the Company or to Admission.

7.4 The Investment Management Agreement dated 20 November 2007 between the Company and the Investment Manager pursuant to which the Investment Manager was appointed to manage the Company's investments in accordance with the investment policies from time to time approved by the Directors. Under the terms of the agreement, subject to the overall supervision and authorisation of the Directors and/or the Investment Committee (as appropriate), the Investment Manager has authority to manage the assets of the Company. The Investment Manager is entitled to receive a management fee equal to one quarter of two per cent. of each quarterly Net Asset Value which fee shall be payable in US Dollars quarterly in advance on the first Business Day of each quarter based upon the last preceding published quarterly Net Asset Value. The management fee shall initially be paid based upon the last preceding published Net Asset Value current at the date of payment ("Current NAV"). Where an updated Net Asset Value is published part way through a quarter ("Updated NAV") then (i) where such Updated NAV is higher than the Current NAV the Investment Manager shall be paid a further balancing payment for that quarter necessary to provide the Investment Manager with the same economic benefit as if the management fee for that quarter been calculated on the basis of the Updated NAV; and (ii) where such Updated NAV is lower than the Current NAV the succeeding quarterly payments of the management fee shall be reduced to take account of any overpayment made in relation to the management fee in previous quarters.

The Investment Manager is also entitled to receive a performance fee in the event that the year end Net Asset Value is equal to or greater than the higher of (i) the Net Asset Value on Admission increased by a non-compounded annual hurdle rate of eight per cent. (the "Hurdle") and (ii) the year end Net Asset Value for the last year in relation to which a performance fee became payable ("the High Water Mark"). In the event that this condition is satisfied the Investment Manager shall be entitled to a performance fee equivalent to 20 per cent. of the increased Net Asset Value to be paid as follows:

- 0 per cent. of the increased Net Asset Value at or below the Hurdle
- 100 per cent. of the increased Net Asset Value above the Hurdle but up to a non-compounded annual rate of 10 per cent. (the "Catch-up"); and
- 20 per cent. of all increased Net Asset Value above the Catch-up.

The performance fee shall be based on the reported Net Asset Value as determined by the Board and payable as soon as practicable after, but in no event later than the 5th Business Day following, the completion of the audit as of the relevant calculation date in each year. The performance fee shall be calculated in US Dollars and paid (i) 25 per cent. in Ordinary Shares issued at the higher of (1) the prevailing Net Asset Value per Share and (2) equivalent Fair Market Value, and (ii) 75 per cent. in cash. "Fair Market Value" means the average of the closing middle market quotations for Ordinary Shares on AIM for the five (5) prior trading days.

The Investment Manager is required to devote its time and attention to the affairs of the Company and not to establish other investment funds or investment companies which have a similar investment focus to the Company until such time as 70 per cent. of the net proceeds of the Placing are contractually committed to investments. After this level of capital is committed, the Investment Manager will be free to establish other investment funds or investment companies that might have an investment focus that is competitive with that of the Company.

The Investment Management Agreement contains an indemnity in favour of the Investment Manager against claims by third parties except to the extent that the claim is due to the negligence, wilful default or fraud of the Investment Manager or any party to whom the Investment Manager has delegated any of its functions. In addition, the Company has given certain warranties to the Investment Manager. The Investment Management Agreement may be terminated by either party giving to the other not less than twelve months' notice expiring on or at any time after the fourth anniversary of the commencement date of the agreement or otherwise, in circumstances, *inter alia*, where one of the parties has a receiver appointed over its assets or if an order is made or an effective resolution passed for the winding-up of one of the parties.

7.5 The Administration, Custodian and Registrar Agreement dated 20 November 2007 between the Company and Sanne Trust Company Limited whereby the Administrator is appointed as administrator, custodian and registrar to the Company. The Company will pay the Administrator an initial fee of £30,000. The Company will then pay a fee for administration, custodian and registrar services to the Administrator at an annual rate of 5 basis points of Net Asset Value for the first $500,000,000 of Net Asset Value and then 2 basis points of Net Asset Value for the next $500,000,000 of Net Asset Value subject to a minimum annual fee of $130,000. The agreement contains an indemnity in favour of the Administrator and its employees against claims by third parties except to the extent that the claim is due to fraud, wilful default or negligence of the Administrator. The agreement may be terminated by either party giving not less that three months' written notice to the other or in circumstances where either party becomes insolvent or goes into liquidation or if one party commits a material breach of the agreement and, if such breach is capable of remedy, such breach is not remedied within thirty days of the other party notifying the breaching party to remedy such breach.

7.6 Lock-in undertakings dated 20 November 2007 entered into between the Company and each of the Directors pursuant to the terms of which the Directors have covenanted pursuant to Rule 7 of the

AIM Rules for Companies not to dispose of any of the Ordinary Shares held by them at Admission or subsequently acquired for a period of 12 months from Admission except in limited circumstances (being a sale pursuant to a court order, death or acceptance of a takeover offer which is open to all Shareholders).

7.7 Subscription Agreements dated on or around 20 November 2007 entered into between the Company and each of the placees under the Placing pursuant to the terms of which the placees have given certain warranties and representations in connection with their subscription for Placing Shares together with entering into lock-in undertakings. Pursuant to the terms of these lock-in undertakings, placees holding ten per cent. or more of the Ordinary Shares at Admission have undertaken for the purposes of Rule 7 of the AIM Rules for Companies not to dispose of any of the Ordinary Shares held by them at Admission or subsequently acquired by them for a period of 12 months following Admission except in limited circumstances (being a sale pursuant to a court order, death or acceptance of a takeover offer which is open to all Shareholders).

7.8 The CISX Sponsorship Agreement dated 5 November 2007 between the Company and LCF Edmond de Rothschild (C.I.) Limited pursuant to which the Company appoints LCF Edmond de Rothschild (C.I.) Limited to act as the Company's CISX Listing Sponsor. The Company has given certain warranties and provided certain indemnities to the CISX Listing Sponsor. The agreement may be terminated on not less than 60 days' notice in writing provided that termination will be immediate where: (i) either party breaches the terms of the agreement and such breach is incapable of remedy within 15 days; or (ii) either party commences liquidation proceedings.

7.9 Save as itemised above, as at the date of this document there are no other contracts (not being contracts entered into in the ordinary course of business) entered into by the Company since its incorporation which are or may be material or which contain any provision under which the Company has any obligation or entitlement which is material to it as at the date hereof.

8. Working capital

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Company will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

9. General

9.1 There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

9.2 The costs and expenses of, and incidental to, Admission will be borne by the Company and will be approximately $13.03 million.

9.3 The Investment Manager was incorporated as a Business Company in the British Virgin Islands on 25 July 2007 with registered number 1421021. The Investment Manager operates under the BVI Business Companies Act 2004. The registered office of the Investment Manager is at Commence Chambers, Road Town, Tortola, British Virgin Islands (telephone number +852 2918 0088). The Investment Manager is not regulated in the British Virgin Islands or elsewhere.

9.4 The Administrator, Custodian and Registrar was incorporated in Jersey on 11 August 1988 with registered number 41570. It operates under the Companies (Jersey) Law 1991 and its registered office is at PO Box 539, 13 Castle Street, St. Helier, Jersey JE4 5UT.

9.5 Save as set in paragraph 9.6 below and as otherwise set out in this document and except for fees payable to the professional advisers whose names are set out on pages 6 and 7 of this document, no person has received fees, securities in the Company or other benefit to a value of £10,000 (or its currency equivalent) whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.

9.6 LCF Edmond de Rothschild Securities Limited is acting as sub-placing agent to PAIM in connection with the Placing and is entitled to receive part of the placing commission receivable by PAIM under the terms of the Placing Agreement.

9.7 The Company is not and has not since incorporation been involved in any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

9.8 There has been no significant change in the financial and trading position of the Company since 31 October 2007.

9.9 Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

9.10 Grant Thornton Corporate Finance, LCF Edmond de Rothschild Securities Limited, LCF Edmond de Rothschild (C.I.) Limited, the Investment Manager and PAIM have each given and not withdrawn their written consent to the issue of this document with the references to their respective names in the form and context in which they appear.

9.11 Grant Thornton UK LLP of The Explorer Building, Fleming Way, Manor Royal, Crawley RH10 9GT United Kingdom have given and not withdrawn their written consent to the inclusion in this document of their Accountants' Report in Part 5A of this document and the references to such reports and to their names in the form and context in which it appears. Except for this information in this document, no other information has been audited or reviewed by auditors.

9.12 CB Richard Ellis have given and not withdrawn their written consent to the inclusion in this document of their report in Part 6 of this document and the references to such report and to their name in the form and context in which they appear.

9.13 The Company's auditors are PricewaterhouseCoopers, 22nd Floor, Prince's Building, Central, Hong Kong. PricewaterhouseCoopers was appointed as auditors on 20 November 2007 and is a member of the Hong Kong Institute of Certified Public Accountants.

9.14 The Company has not, nor has it had since its incorporation, any employees and does not own any premises.

9.15 The Directors undertake to propose a resolution for the winding-up of the Company if no investments have been made within two years of Admission.

9.16 PAIM is or may be a promoter of the Company and will receive remuneration under the Placing Agreement summarised in paragraph 7.3 above.

9.17 All related parties and applicable employees (as these terms are defined in the AIM Rules for Companies) have agreed pursuant to Rule 7 of the AIM Rules for Companies not to dispose of any interests in any of the Ordinary Shares for a period of 12 months from Admission.

9.18 The Directors have applied for the Ordinary Shares to be admitted to Euroclear and Clearstream with effect from Admission. Accordingly, it is expected that the Ordinary Shares will be enabled for settlement in Euroclear and Clearstream following Admission.

10. Availability of documents

10.1 Copies of this document are available for collection free of charge during normal business hours on any weekday (Saturdays and relevant public holidays excepted) from the offices of Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP and at the offices of the CISX Listing Sponsor for a period of one month from the date of Admission.

10.2 Copies of the following documents will be available for inspection at the offices of the CISX Listing Sponsor, LCF Edmond de Rothschild (C.I.) Limited at Suite D, Hirzel Court, St Peter Port, Guernsey during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document for 14 days:

10.2.1 the Memorandum and Articles of Association of the Company;

10.2.2. the material contracts referred to in paragraph 7 of Part 9 of this document;

10.2.3 the financial information as set out in Part 5 of this document and the report on the PRC property market as set out in Part 6 of this document; and

10.2.4 this document.

20 November 2007