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

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

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ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

VERY SUBSTANTIAL ACQUISITION

**IN RELATION TO
THE ACQUISITION AND SUBSCRIPTION OF THE SHARES OF
SUNCO PROPERTY HOLDINGS COMPANY LIMITED
(FORMERLY KNOWN AS SUNCO BINHAI LAND LIMITED)
AS A RESULT OF EXERCISING THE OUTSTANDING SUNCO A OPTIONS;**

CONNECTED TRANSACTION

**IN RELATION TO
THE ELITE RICH AGREEMENT; AND**

DISCLOSEABLE TRANSACTION

**IN RELATION TO THE GRANTING OF
UP TO HK\$800,000,000 LOAN FACILITY**

Financial adviser

Independent financial adviser



CIMB-GK Securities (HK) Limited

A letter from the Independent Board Committee which contains its recommendations to the Independent Shareholders in respect of the Elite Rich Agreement is set out on pages 42 to 43 of this circular. A letter from CIMB-GK Securities (HK) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 44 to 50 of this circular which contains its advice and the principal factors and reasons it has taken into consideration in arriving at its advice with regard to the Elite Rich Agreement.

A notice convening the Special General Meeting to be held at Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 16 July 2007 at 10:30 a.m. is set out on pages N-1 to N-3 of this circular. A form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Company's Hong Kong branch share registrar, Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Special General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting should you so wish.

30 June 2007

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DEFINITIONS

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

“Adjustment Option”	the option to subscribe 5,000 Sunco A Shares for cash at par pursuant to the Sunco A Subscription Agreement (as amended by the Supplemental Agreements (Sunco A Subscription))
“Announcement”	the announcement dated 29 May 2007 of the Company with regard to, <i>inter alia</i> , the Sunco A Acquisitions, the Elite Rich Supplemental Agreement, the Zhang Participation Agreement and the provision of Loan 7
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Sunco 1”	順馳置地(北京)房地產開發有限公司 (Sunco Land (Beijing) Real Estate Development Company Limited*), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Sunco A
“Beijing Sunco 2”	北京順馳置地豐潤房地產開發有限公司 (Beijing Sunco Land Fengrun Real Estate Development Company Limited*), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Sunco A
“Beijing Sunco 3”	北京順馳置地達興房地產開發有限公司 (Beijing Sunco Land Daxing Real Estate Development Company Limited*), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Sunco A
“Board”	the board of Directors
“BVI”	British Virgin Islands
“CIMB-GK”	CIMB-GK Securities (HK) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Elite Rich Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of Road King
“Elite Rich”	Elite Rich Investments Limited, an investment holding company incorporated in the BVI with limited liability and a wholly-owned subsidiary of Wai Kee

DEFINITIONS

“Elite Rich Agreement”	the agreement dated 23 January 2007 entered into between RKI (BJ) and Elite Rich in respect of the assignment of Elite Rich’s portion of Loan 4 and (unless the context otherwise requires) as amended by the Elite Rich Supplemental Agreement
“Elite Rich Supplemental Agreement”	the supplemental agreement dated 26 May 2007 entered into between RKI (BJ) and Elite Rich which amends the Elite Rich Agreement to allow for the satisfaction of payment obligation in respect of an assignment of loan by the transfer to Elite Rich of certain Sunco A Shares which fall to be transferred on exercise of the Sunco A Purchase Option
“Enlarged Group”	the Group as enlarged upon completion of the Sunco A Acquisitions
“GFA”	Gross Floor Area
“Group”	Road King and its subsidiaries
“Guarantors”	the guarantors of Sunco A Subscription Agreement and the Supplemental Agreements (Sunco A Subscription), namely Mr. Sun, Sunco China and Sunco Management
“Hebei Sunco”	河北順馳房地產開發有限公司 (Hebei Sunco Real Estate Development Company Limited*), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Sunco A
“Henan Sunco”	河南順馳地產有限公司 (Henan Sunco Property Company Limited*), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Sunco A
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising the three independent non-executive Directors, namely Mr. Chan Hing Chiu, Vincent, Mr. Chow Shiu Kee, Stephen and Mr. Lau Sai Yung, which has been formed for the purpose of advising the Independent Shareholders as to the terms of the Elite Rich Agreement
“Independent Shareholders”	Shareholders other than Wai Kee and its associates
“Independent Third Party(ies)”	person(s), or in the case of companies, their ultimate beneficial owner(s), who are independent of and not connected with Road King and its connected persons or its associates

DEFINITIONS

“Jinan Sunco”	濟南順成房地產開發有限公司 (Jinan Shuncheng Real Estate Development Company Limited*), a company incorporated in the PRC with limited liability and indirectly 70% owned by Sunco A
“Kingsvalue”	Kingsvalue Limited, a company incorporated in the BVI with limited liability and directly wholly-owned by Sunco A
“LAT”	land appreciation tax
“Latest Practicable Date”	26 June 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan 4”	RMB400 million loan facility advanced by RKI (BJ) and Elite Rich to Sunco B
“Loan 5”	HK\$400 million loan facility advanced by RKI (BJ) to Sunco A
“Loan 6”	the one or more loans of HK\$600 million in aggregate advanced by RKI (BJ) to Sunco A pursuant to its first right of refusal to provide further loans to Sunco A
“Loan 7”	the loan facility of up to HK\$800 million granted by RKI (BJ) to Sunco A
“Luoyang Sunco”	洛陽順馳房地產開發有限公司 (Luoyang Sunco Real Estate Development Company Limited*), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Sunco A
“Mr. Sun”	Mr. Sun Hongbin, an Independent Third Party
“Mr. Zhang”	Mr. Zhang Huaqiao, an Independent Third Party
“New Project Companies”	Beijing Sunco 1, Beijing Sunco 3, Tianjin Sunco 2, Tianjin Sunco 3 and Hebei Sunco
“Notes”	the US\$200,000,000 7.625% senior notes due 2014 and the US\$150,000,000 senior floating rate notes due 2012 issued by a wholly-owned subsidiary of the Company in May 2007
“Outstanding Sunco A Options”	the Sunco A Purchase Option, the Sunco A Subscription Option and the Adjustment Option
“PRC”	the People’s Republic of China

DEFINITIONS

“RK Properties”	RK Properties Holdings Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of Road King
“RKI (BJ)”	RK Investment (Beijing) Limited, a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of Road King
“Road King” or the “Company”	Road King Infrastructure Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Sunco”	山東順馳融盛置地有限公司 (Shandong Sunco Rongsheng Land Company Limited*), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Sunco A
“Shanghai Fangcheng”	上海順馳方城置業有限公司 (Shanghai Sunco Fangcheng Land Company Limited*), a company incorporated in the PRC with limited liability and indirectly 31.5%-owned by Sunco A
“Share(s)”	Share(s) of HK\$0.10 each in the capital of Road King
“Shareholder(s)”	holder(s) of the Share(s)
“Special General Meeting”	the special general meeting of Road King to be convened to consider and, if thought fit, to approve (i) the exercise of the Outstanding Sunco A Options and the Zhang Participation Agreement and (ii) the Elite Rich Agreement and the transactions contemplated thereto
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the subscribers of the Sunco A Shares under the Sunco A Subscription Agreement, namely RKI (BJ), Elite Rich and Mr. Zhang
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Sunco A”	Sunco Property Holdings Company Limited (formerly known as Sunco Binhai Land Limited), a company incorporated in the BVI with limited liability and a 49%-owned associated company of Road King
“Sunco A Acquisitions”	the acquisition and subscription of Sunco A Shares as a result of the exercise of the Outstanding Sunco A Options
“Sunco A Group”	Sunco A and its subsidiaries

DEFINITIONS

“Sunco A Purchase Option”	an option granted by Sunco China and Sunco Management, whereby RKI (BJ) has the right to require Sunco China and Sunco Management to sell to RKI (BJ) (or such other persons as it may designate) a total of 3,184 Sunco A Shares under the Sunco A Purchase Option Agreement
“Sunco A Purchase Option Agreement”	the agreement dated 23 January 2007 entered into between RKI (BJ), Sunco China, Sunco Management and Mr. Sun as guarantor in relation to the Sunco A Purchase Option
“Sunco A Shares”	Shares of US\$0.01 each in the capital of Sunco A
“Sunco A Subscription Agreement”	the agreement dated 17 October 2006 (as amended by the Supplemental Agreements (Sunco A Subscription)) entered into between the Subscribers, Sunco A and the Guarantors with regard to the Subscribers subscribing 55% of the enlarged issued share capital of Sunco A
“Sunco A Subscription Option”	an option granted by Sunco A, whereby RKI (BJ) has the right to require Sunco A to issue to RKI (BJ) (or such other persons as it may designate) 10,000 new Sunco A Shares under the Sunco A Subscription Option Agreement
“Sunco A Subscription Option Agreement”	the agreement dated 23 January 2007 entered into between RKI (BJ) and Sunco A in relation to the Sunco A Subscription Option
“Sunco A WFOE”	天津順馳濱海置地有限公司 (Tianjin Sunco Binhai Land Co., Ltd.), a wholly-foreign owned entity incorporated in the PRC with limited liability and directly wholly-owned by Sunco A
“Sunco A WFOE 2”	天津順馳濱海不動產投資管理有限公司 (Tianjin Sunco Binhai Real Estate Investment Management Limited), a wholly-foreign owned entity incorporated in the PRC with limited liability and directly wholly-owned by Sunco A
“Sunco B”	Sunco Real Estate Investment Limited, a company incorporated in the BVI with limited liability and beneficially wholly-owned by Mr. Sun
“Sunco B WFOE”	天津順馳地產有限公司 (Tianjin Sunco Real Estate Co., Ltd.), a wholly-foreign owned entity incorporated in the PRC with limited liability and wholly-owned by Sunco B
“Sunco China”	Sunco China Holdings Limited, an investment holding company incorporated in the Cayman Islands with limited liability and wholly-owned by Mr. Sun
“Sunco Management”	Sunco Management Holdings Limited, an investment holding company incorporated in the BVI with limited liability and wholly-owned by Mr. Sun

DEFINITIONS

“Supplemental Agreements (Sunco A Subscription)”	the agreements dated 1 December 2006 and 23 January 2007 entered into between the Subscribers, Sunco A and the Guarantors to supplement and amend the Sunco A Subscription Agreement
“Suzhou Industrial Park Sunco”	蘇州工業園區順馳置地有限公司 (Suzhou Industrial Park Sunco Land Company Limited*), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Sunco A
“Tianjin Sunco 2”	天津順馳新地置業有限公司 (Tianjin Sunco Xindi Property Company Limited*), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Sunco A
“Tianjin Sunco 3”	天津順馳融信置地有限公司 (Tianjin Sunco Rongxin Land Company Limited*), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Sunco A
“Wai Kee”	Wai Kee Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange and is the controlling shareholder of Road King
“Wuhan Sunco”	武漢能達實業發展有限公司 (Wuhan Nengda Enterprise Development Company Limited*), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Sunco A
“Zhang Participation Agreement”	the agreement dated 26 May 2007 entered into between RKI (BJ) and Mr. Zhang with regard to Zhang’s participation in the subscription of Sunco A Shares which fall to be issued pursuant to the Sunco A Subscription Option Agreement
“Zhengzhou Keshu”	鄭州客屬房地產有限公司 (Zhengzhou Keshu Real Estate Co. Ltd.), a company incorporated in the PRC with limited liability and indirectly wholly-owned by Sunco A
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar, the lawful currency of the United States of America
“sq.m.”	square metres
“%”	per cent.

DEFINITIONS

For the purpose of this circular, the amounts in RMB as recorded in the historical financial information as contained in Appendices I to V of this circular are translated into HK\$ at the prevailing rate(s) as set out based on the accounting policies of the Company in accordance with relevant standard, guidelines, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants from time to time, otherwise, amounts in RMB have been translated into RMB1 = HK\$1. Such conversion shall not be construed as representations that amounts in RMB were or may have been converted into HK\$ at such rates or any other exchange rates.

** For identification purposes only*

LETTER FROM THE BOARD



ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

Executive Directors

Zen Wei Pao, William (*Chairman*)
Ko Yuk Bing (*Managing Director & CEO*)
Chan Kam Hung (*Chief Operating Officer*)
Fong Shiu Leung, Keter (*Finance Director*)
Zen Wei Peu, Derek

Non-executive Directors

Hu Aimin
Zhang Yijun

Independent Non-executive Directors

Chan Hing Chiu, Vincent
Chow Shiu Kee, Stephen
Lau Sai Yung

Registered office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong*

Suite 501, 5th Floor
Tower 6, The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Hong Kong

30 June 2007

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION

**IN RELATION TO
THE ACQUISITION AND SUBSCRIPTION OF THE SHARES OF
SUNCO PROPERTY HOLDINGS COMPANY LIMITED
(FORMERLY KNOWN AS SUNCO BINHAI LAND LIMITED)
AS A RESULT OF EXERCISING THE OUTSTANDING SUNCO A OPTIONS;**

CONNECTED TRANSACTION

**IN RELATION TO
THE ELITE RICH AGREEMENT; AND**

DISCLOSEABLE TRANSACTION

**IN RELATION TO THE GRANTING OF
UP TO HK\$800,000,000 LOAN FACILITY**

LETTER FROM THE BOARD

1. BACKGROUND

1.1 Introduction

Road King has recently issued the following documents which relate to its investment and proposed investment in the Sunco A Group:

- the announcement and circular issued by Road King on 29 November 2006 and 5 December 2006 respectively with regard to, inter alia, Loan 4 and the subscription of 49% of the then enlarged share capital of Sunco A by RKI (BJ) for the total subscription money of approximately RMB445.5 million;
- the announcement and circular issued by Road King on 25 January 2007 and 15 February 2007 respectively with regard to, inter alia, (i) the Outstanding Sunco A Options; (ii) Loan 5; and (iii) Loan 6;
- the announcement and circular issued by Road King on 8 March 2007 and 16 April 2007 respectively with regard to the provision of Loan 6 to Sunco A; and
- the Announcement.

1.2 Loan 4

On 28 November 2006, RKI (BJ) and Elite Rich through separate loan agreements agreed to provide loan advances of a total of RMB400 million in HK\$ equivalent (RMB363,636,364 in HK\$ equivalent provided by RKI (BJ) and RMB36,363,636 in HK\$ equivalent provided by Elite Rich) to Sunco B as its general working capital. Loan 4 carries interest at the rate of 12% per annum and will mature on 16 March 2008.

1.3 Sunco A Purchase Option Agreement

Pursuant to the Sunco A Purchase Option Agreement, Sunco China and Sunco Management have granted to RKI (BJ) the right to require Sunco China and Sunco Management to sell to RKI (BJ) (or such other persons as it may designate) a total of 3,184 Sunco A Shares (as to 3,027 Sunco A Shares to be sold by Sunco China and 157 Sunco A Shares to be sold by Sunco Management) at a price of HK\$100,000 per Sunco A Share. This price was determined after arm's length negotiations between the parties back in January 2007 on the assumption that the Outstanding Sunco A Options are all exercised and completed simultaneously. This Sunco A Purchase Option may be exercised during the period from the date of the Sunco A Purchase Option Agreement up to 31 October 2007 (or such later date to be agreed by the parties thereto).

1.4 Sunco A Subscription Option Agreement

Pursuant to the Sunco A Subscription Option Agreement, Sunco A has granted RKI (BJ) the right to require Sunco A to issue to RKI (BJ) (or such other persons as it may designate) 10,000 new Sunco A Shares at a price of HK\$100,000 per Sunco A Share in cash or by setting off any outstanding balance(s) of Loan 5 and/or Loan 6 on completion. This price was determined after arm's length

LETTER FROM THE BOARD

negotiations between the parties back in January 2007 on the assumption that the Outstanding Sunco A Options are all exercised and completed simultaneously. The Sunco A Subscription Option may be exercised during the period from the date of the Sunco A Subscription Option Agreement up to 31 October 2007 (or such later date to be agreed by the parties thereto).

1.5 Adjustment Option

Pursuant to the Sunco A Subscription Agreement (as amended by the Supplemental Agreements (Sunco A Subscription)), Sunco A granted an option in favour of RKI (BJ), Elite Rich and Mr. Zhang to subscribe for an additional 5,000 new Sunco A Shares, in aggregate, for cash at par. This price was determined after arm's length negotiations between the parties back in December 2006.

1.6 Loan 5

On 23 January 2007, RKI (BJ) entered into a loan agreement with Sunco A, pursuant to which RKI (BJ) agreed to provide Sunco A a term loan facility of HK\$400 million at an interest rate of 6% per annum and repayable on demand but in any event by 31 October 2007. Sunco A has applied the proceeds of such loan advance for funding the acquisition of direct or indirect interest in development land or property development projects in the PRC.

1.7 Loan 6

On 24 January 2007, RKI (BJ) entered into an agreement with Sunco A pursuant to which Sunco A (in consideration of HK\$1) granted to RKI (BJ) a first right of refusal to provide Sunco A one or more further loan(s).

On 7 March 2007, Sunco A notified RKI (BJ) that it wished to borrow a further loan of HK\$600 million for funding the acquisition of direct or indirect interest in development land or property development projects in the PRC (including, where necessary, the provision of preliminary financing to facilitate such acquisition(s)). On the same date, RKI (BJ) exercised its right of first refusal and agreed conditionally to provide such loan, which carried interest at the rate of 6% per annum and is repayable on demand and in any event by 31 October 2007. The provision of Loan 6 was approved by the then independent shareholders of Road King at a special general meeting held on 7 May 2007. RKI (BJ) subsequently advanced Loan 6 to Sunco A.

2. THE SUNCO A ACQUISITIONS

2.1 Intention to exercise the Outstanding Sunco A Options

On 26 May 2007, the Directors have resolved that (subject to the approval of the independent Shareholders being obtained at the Special General Meeting) RKI (BJ) shall exercise (i) the Sunco A Purchase Option to require Sunco China and Sunco Management to sell 3,184 existing Sunco A Shares to RKI (BJ) or such other persons as it may designate; (ii) the Sunco A Subscription Option to require Sunco A to issue 10,000 new Sunco A Shares to RKI (BJ) or such other persons as it may designate; and (iii) the Adjustment Option to require Sunco A to issue 4,455, 455 and 90 new Sunco A Shares to RKI (BJ), Elite Rich and Mr. Zhang, respectively.

LETTER FROM THE BOARD

RKI (BJ), Elite Rich, Mr. Zhang, Sunco China and Sunco Management are respectively interested in 49%, 5%, 1%, 40% and 5% of the existing issued share capital of Sunco A. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, apart from them being shareholders of Sunco A together with RKI (BJ) and Elite Rich, each of Sunco A, Mr. Zhang, Sunco China (and its ultimate beneficial owner) and Sunco Management (and its ultimate beneficial owner) are Independent Third Parties.

Assuming that all requisite approvals from the respective independent Shareholders are obtained by Road King at the Special General Meeting, immediately after completion of the exercise of the Outstanding Sunco A Options, the Elite Rich Agreement and the Zhang Participation Agreement, Sunco A will be held as to 88.46% (22,115 Sunco A Shares) by RKI (BJ), 5.28% (1,319 Sunco A Shares) by Elite Rich, 1.00% (250 Sunco A Shares) by Mr. Zhang, 3.89% (973 Sunco A Shares) by Sunco China and 1.37% (343 Sunco A Shares) by Sunco Management. Details of the shareholding structure of Sunco A are set out in the section headed "6. Effects on the shareholding structure of Sunco A" below.

2.2 The Elite Rich Agreement and the Elite Rich Supplemental Agreement

RKI (BJ) and Elite Rich have on 26 May 2007 agreed under the Elite Rich Supplemental Agreement that, instead of RKI (BJ) paying Elite Rich wholly in cash for the assignment of its portion of Loan 4 (RMB36,363,636) together with all accrued and unpaid interest to facilitate completion of the exercise of the Sunco A Purchase Option as contemplated under the Elite Rich Agreement, RKI (BJ) will direct Sunco China and Sunco Management under the Sunco A Purchase Option Agreement to transfer a total of 364 existing Sunco A Shares to Elite Rich to satisfy RMB36,363,636 of the assignment price and pay the balance in cash, on completion of the exercise of the Sunco A Purchase Option. If implemented, this arrangement will result in RKI (BJ) taking up only 2,820 existing Sunco A Shares pursuant to the Sunco A Purchase Option, with the remaining 364 existing Sunco A Shares being taken up by Elite Rich. The transaction under the Elite Rich Agreement will be subject to the approval of the Independent Shareholders at the Special General Meeting. The exercise of the Sunco A Purchase Option will not be conditional on the approval of the Elite Rich Agreement by the Independent Shareholders.

2.3 The Zhang Participation Agreement

On 26 May 2007, RKI (BJ) has agreed pursuant to the Zhang Participation Agreement to grant Mr. Zhang participation in the Sunco A Subscription Option, whereby RKI (BJ) will, if and when it exercises the Sunco A Subscription Option, direct Sunco A to issue 60 of the 10,000 new Sunco A Shares to Mr. Zhang instead of RKI (BJ) and will apply the HK\$6 million that the Group has received already from Mr. Zhang for the payment of the aggregate subscription price of those shares on completion of the exercise of the Sunco A Subscription Option. Accordingly, RKI (BJ) will only take up 9,940 new Sunco A Shares pursuant to the Sunco A Subscription Option Agreement, and the remaining 60 new Sunco A Shares will be taken up by Mr. Zhang. The Zhang Participation Agreement will only be implemented if the Outstanding Sunco A Options are exercised and completed. Accordingly, a single resolution will be proposed at the Special General Meeting for the approval of both the exercise of the Outstanding Sunco A Options and the Zhang Participation Agreement. By approving the proposed exercise of the Outstanding Sunco A Options, the Shareholders (other than Wai Kee and its associates and Mr. Zhang) will also have approved the Zhang Participation Agreement.

LETTER FROM THE BOARD

Mr. Zhang, an Independent Third Party, is an executive director of Shenzhen Investment Limited. Shenzhen Investment Limited, whose shares are listed on the Stock Exchange, was as at the Latest Practicable Date interested in 175,776,142 Shares (representing approximately 23.60% of the then issued share capital of Road King). As at the Latest Practicable Date, Mr. Zhang was interested in 200,000 Shares, representing approximately 0.027% of the then issued share capital of Road King.

2.4 Listing Rules implications

Upon completion of the proposed acquisition and subscription of Sunco A Shares under the Sunco A Purchase Option, the Sunco A Subscription Option and the Adjustment Option (with or without the arrangements with Elite Rich and Mr. Zhang), Sunco A will become a subsidiary of Road King. Since some of the relevant percentage ratios under Rule 14.07 of the Listing Rules will exceed 100%, the acquisition and subscription of the Sunco A Shares on the exercise of the Outstanding Sunco A Options would constitute a very substantial acquisition for Road King and therefore such exercise of the Outstanding Sunco A Options is subject to reporting, announcement and independent Shareholders' approval (in this case being Shareholders other than Wai Kee and its associates and Mr. Zhang) requirements under Chapter 14 of the Listing Rules.

As Mr. Zhang is a grantee of the Adjustment Option and Mr. Zhang was a Shareholder as at the Latest Practicable Date, Mr. Zhang will abstain from voting on the resolution to be proposed at the Special General Meeting to consider and approve the exercise of the Outstanding Sunco A Options.

As at the Latest Practicable Date, Wai Kee and its associates held 281,542,428 Shares, representing approximately 37.81% of the issued share capital of Road King. As Elite Rich, a wholly-owned subsidiary of Wai Kee, owns 5% interest in Sunco A and is interested in the Adjustment Option and indirectly (through the Elite Rich Agreement) in the Sunco A Purchase Option, Wai Kee and its associates are required under Rule 14.46 of the Listing Rules to abstain from voting (which is to be taken by poll) for the resolution to be proposed at the Special General Meeting to consider and approve, as appropriate, the exercise of the Outstanding Sunco A Options.

Since Wai Kee (which wholly-owns Elite Rich) is a substantial shareholder of Road King, the arrangement with Elite Rich contemplated under the Elite Rich Agreement would constitute a connected transaction for Road King and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Wai Kee and its associates are required under Rule 14A.18 of the Listing Rules to abstain from voting (which will be taken by poll) at the Special General Meeting to consider and, if thought fit, to approve the Elite Rich Agreement. An independent board committee comprising the independent non-executive Directors has been established to consider and advise the Independent Shareholders as to whether the terms of the Elite Rich Agreement and the arrangement with Elite Rich as contemplated under the Elite Rich Agreement are fair and reasonable and in the interests of Road King and the Shareholders as a whole and to advise the Independent Shareholders on how to vote on the resolution to approve the Elite Rich Agreement.

LETTER FROM THE BOARD

3. SETTLEMENT OF LOAN 4, LOAN 5 AND LOAN 6

Upon completion of the exercise of the Sunco A Subscription Option, the aggregate of Loan 5 and Loan 6 (i.e. HK\$1,000 million) would be set-off against the subscription monies payable under the Sunco A Subscription Option Agreement so that the loans are effectively capitalised. Assuming Independent Shareholders' approval of the Elite Rich Agreement is obtained, on completion of the exercise of the Sunco A Purchase Option, the whole of Elite Rich's portion of Loan 4 and part of RKI (BJ)'s portion of Loan 4 including interest accrued and unpaid thereunder would be applied against HK\$318.4 million consideration payable under the Sunco A Purchase Option Agreement. The remaining outstanding balance of Loan 4 is to be repaid in cash by Sunco B. For illustration purposes only, assuming completion of (i) the exercise of the Outstanding Sunco A Options and (ii) the transaction contemplated under Elite Rich Supplemental Agreement takes place in mid July 2007, the interest to be accrued under Loan 4 will amount to approximately RMB29.8 million (in the proportion of RKI (BJ) of approximately RMB27.1 million and Elite Rich of approximately RMB2.7 million) which shall be repaid in cash by Sunco B.

Save for the loan advance under Loan 4, there is no relationship between the Group and Sunco B.

4. LOAN 7 - ADDITIONAL LOAN ADVANCE

4.1 Provision of Loan 7

On 26 May 2007, RKI (BJ) entered into a loan agreement with Sunco A, pursuant to which RKI (BJ) has agreed to provide Sunco A a loan facility of up to HK\$800 million at an interest rate of 8.0% per annum. Such loan advance will be repayable on demand and in any event by 31 December 2008. According to Sunco A, the proceeds of such loan facility will be applied for (i) funding the acquisition of direct or indirect interests in development land or property development projects in the PRC (including, where necessary, the provision of preliminary financing to facilitate such acquisition(s)) or (ii) payment of outstanding land premium for the land located in the PRC or (iii) its general working capital purposes.

4.2 Listing Rules implication

Taking into account the aggregate of (i) Loan 5; (ii) Loan 6; and (iii) Loan 7, all of which are advanced to Sunco A within 12 months, some of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the aggregate of the aforesaid financial assistance granted to Sunco A under Loan 5, Loan 6 and Loan 7 exceed 5% but below 25%. Accordingly, Loan 7 would constitute a discloseable transaction for Road King and the granting of Loan 7 is therefore subject to the reporting and disclosure requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

4.3 Funding for Loan 7

Road King has sufficient internal resources to fund the provision of the entire amount of Loan 7.

5. CONDITION AND COMPLETION

Shareholders are reminded that (i) the exercise of the Outstanding Sunco A Options and (ii) the transaction contemplated under Elite Rich Agreement are subject to the respective independent Shareholders' approval at the Special General Meeting.

If the independent Shareholders (being Shareholders other than Wai Kee and its associates and Mr. Zhang) approve the exercise of the Outstanding Sunco A Options and the independent Shareholders (being Shareholders other than Wai Kee and its associates) approve transaction contemplated under the Elite Rich Agreement at the Special General Meeting, Road King intends to require RKI (BJ) to exercise all the Outstanding Sunco A Options and give directions for the delivery of the Sunco A Shares to Elite Rich and Mr. Zhang as contemplated under the Elite Rich Agreement and the Zhang Participation Agreement, respectively. Completion of the Sunco A Acquisitions will take place on a date specified by RKI (BJ) provided that the date falls before the date on which those options expire. Road King currently expects that the completion date be fixed at a date which falls within three (3) days after the date of the notice of exercise of the relevant options.

If the exercise of the Outstanding Sunco A Options is not approved at the Special General Meeting, RKI (BJ) will not immediately exercise the Outstanding Sunco A Options and the outstanding amounts under Loan 4, loan 5 and Loan 6 will fall due on their maturity. However, that would not affect the continued subsistence of those Outstanding Sunco A Options until their expiry. Furthermore, the transaction contemplated under the Elite Rich Agreement will not take place as RKI (BJ) will not require Elite Rich to assign its portion of Loan 4 and the transactions contemplated under the Zhang Participation Agreement will lapse on 31 August 2007. The obligation of Mr. Zhang to take up and pay for the Sunco A Shares pursuant to the Zhang Participation Agreement will become revocable and Mr. Zhang will be entitled to demand repayment of the subscription monies in the amount of HK\$6,000,000 already deposited with the Group at any time after 31 August 2007 (or such later date as may be agreed between RKI (BJ) and Mr. Zhang).

In the event that the exercise of the Outstanding Sunco A Option is approved but the Elite Rich Agreement is not approved at the Special General Meeting, the Elite Rich Agreement will lapse on 31 July 2007. However, RKI (BJ) will still give effect to the Zhang Participation Agreement and allocate Sunco A Shares under the Sunco A Subscription Option to Mr. Zhang and the whole of Elite Rich's portion of Loan 4 including interest accrued will have to be repaid in cash by Sunco B.

LETTER FROM THE BOARD

6. EFFECTS ON THE SHAREHOLDING STRUCTURE OF SUNCO A

Set out below is a table illustrating the effects on the shareholding of Sunco A following the exercise of the Outstanding Sunco A Options and assuming that the transactions contemplated under the Elite Rich Agreement and the Zhang Participation Agreement are given effect:

Name of shareholders of Sunco A	Existing shareholding		Shareholding following the exercise of the Outstanding Sunco A Options and assuming completion of Zhang Participation Agreement given that the Elite Rich Agreement is not approved by the Independent Shareholders		Shareholding following the exercise of the Outstanding Sunco A Options and assuming completion of the transactions contemplated under the Elite Rich Agreement and the Zhang Participation Agreement	
	<i>Sunco A</i>		<i>Sunco A</i>		<i>Sunco A</i>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
RKI (BJ)	4,900	49.00	22,479	89.92	22,115	88.46
Elite Rich	500	5.00	955	3.82	1,319	5.28
Mr. Zhang	100	1.00	250	1.00	250	1.00
Sunco China	4,000	40.00	973	3.89	973	3.89
Sunco Management	500	5.00	343	1.37	343	1.37
Total	<u>10,000</u>	<u>100.00</u>	<u>25,000</u>	<u>100.00</u>	<u>25,000</u>	<u>100.00</u>

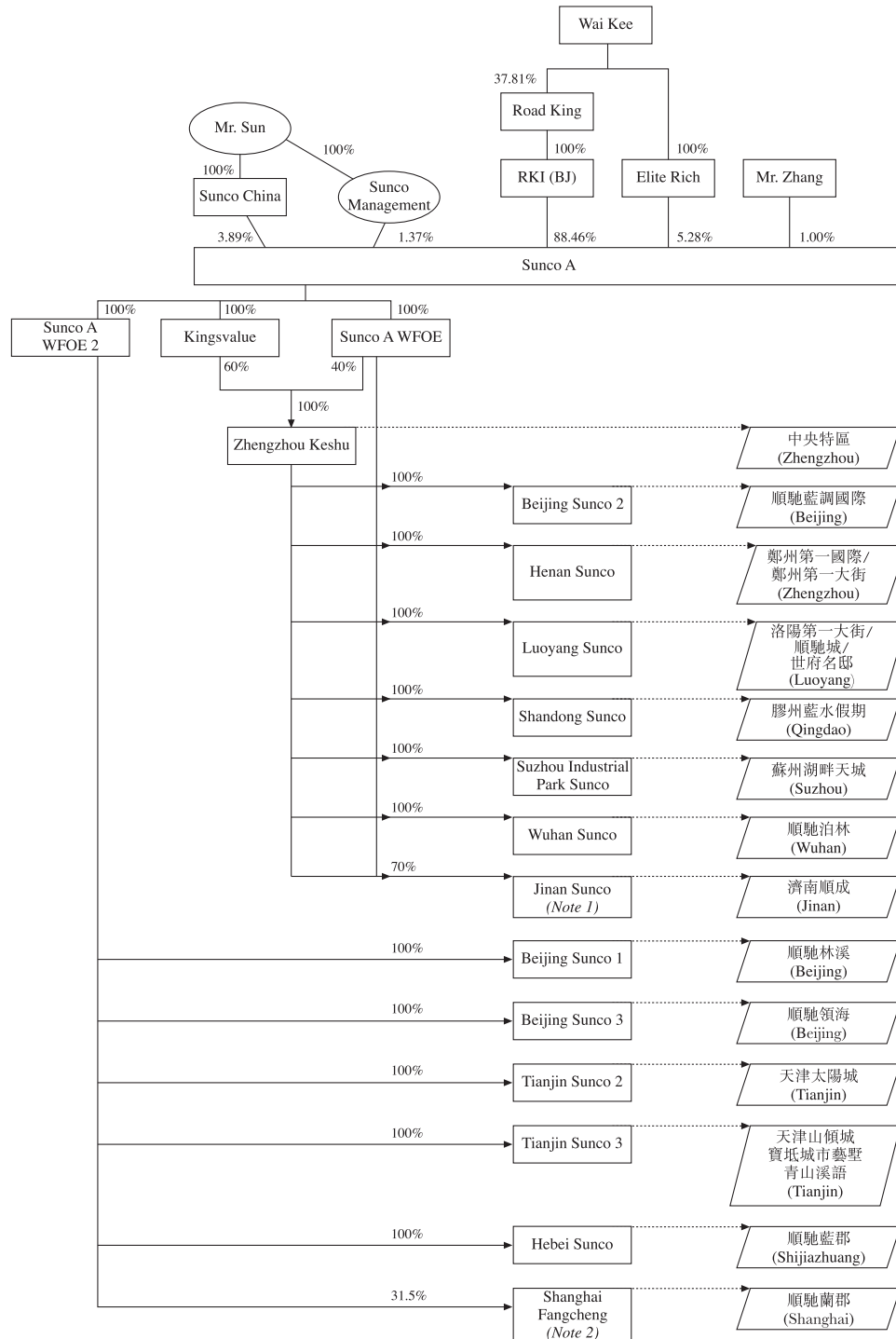
7. INFORMATION OF THE SUNCO A GROUP

Sunco A Group is a well-established property developer in the PRC and the Sunco A Group's revenue is primarily derived from the sales of properties units to buyers.

LETTER FROM THE BOARD

7.1 The corporate structure

Set out below is a corporate chart of the Sunco A Group (assuming completion of the Sunco A Acquisitions and the transactions contemplated under the Elite Rich Agreement and the Zhang Participation Agreement are given effect) and the related property projects and locations.



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Notes:

1. The remaining 30% of Jinan Sunco is held as to 20% by 山東志成投資建設股份有限公司 (Shandong Zhicheng Investment Construction Limited*) (“Shandong Zhicheng”) and as to 10% by Mr. Sun Shun, both being Independent Third Parties. This 30% interest is to be transferred to Sunco A WFOE and Zhengzhou Keshu pursuant to a series of agreements described in details in the valuation report set out in Appendix VII to this circular in respect of property numbered 19 in that report.
2. The remaining 68.5% of Shanghai Fangcheng is held as to 35% by 上海國際汽車城產業發展有限公司 (Shanghai International Motor City Industry Development Company Limited*), as to 17.5% by 上海同濟企業管理中心 (Shanghai Tongji Corporate Management Centre*) and as to 16% by 上海外岡房地產經營有限公司 (Shanghai Waigang Real Estate Management Company Limited*). All of them are Independent Third Parties.

* *for identification purposes only*

7.2 The historical financial information

The audited financial information of the Sunco A Group based on general accepted accounting principles adopted in Hong Kong for the three years ended 31 December 2006 and as at 31 December 2006 as disclosed below does not include the financial information of the New Project Companies (which will be accounted for as indirect subsidiaries of the Group upon completion of the Sunco A Acquisitions) and Shanghai Fangcheng which were acquired by Sunco A in May 2007 and would be accounted for using purchase method of accounting.

	For the year ended 31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	365,559	491,866	1,348,084
Loss before taxation	80,877	354,167	34,267
Loss after taxation	100,776	363,373	16,996
			As at
			31 December
			2006
			RMB'000
			(audited)
Net liabilities			391,538

The audited financial information of the Sunco A Group for the three years ended 31 December 2006 is set out in Appendix II to this circular. The following sets out a brief description and analysis of such results.

Revenue

Sunco A Group is one of the well-established property developers in the PRC and the Sunco A Group's revenue is primarily derived from the sales of properties units to buyers.

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During the three years ended 31 December 2006, the Sunco A Group recorded revenue (being sales of completed properties which have been delivered to buyers) of approximately RMB365.6 million, RMB491.9 million and RMB1,348.1 million, respectively.

The directors of Sunco A noted the increase in revenue during the track record period under review is due to the increase in (i) the number of property development projects completed and sold; and (ii) the scale and the value of property development projects completed and sold.

Gross profit

Sunco A Group's gross profit increased from approximately RMB76.6 million for the year ended 31 December 2004 to approximately RMB84.4 million for the year ended 31 December 2005, representing an increase of approximately 10.2%. Gross profit further increased to approximately RMB190.2 million for the year ended 31 December 2006, representing an increase of more than 1.2 times over the previous year.

Sunco A Group's gross profit margin was approximately 20.9%, 17.2% and 14.1%, respectively for the three years ended 31 December 2006. The fluctuation of the gross profit margin during the years was due to (i) the value of property development projects launched; and (ii) expenses charged by different contractors varied from project to project.

In particular, the substantial decline in gross profit margin for the year ended 31 December 2006 as compared to previous years was mainly due to the gross loss suffered by Suzhou Industrial Park Sunco as a result of the change in market situation such as the tightening policies introduced by the PRC Government to curtail property development and to fulfill its financial requirement for land acquisition and property development. Accordingly, Suzhou Industrial Park Sunco reduced the selling price of its properties to accelerate their sales.

Expenses

Sunco A Group's overhead cost comprised mainly selling expenses and administration expenses.

Selling expenses increased from approximately RMB77.7 million for the year ended 31 December 2004 to approximately RMB158.5 million for the year ended 31 December 2005, representing an increase of more than 100%. It decreased to approximately RMB105.6 million for the year ended 31 December 2006, representing a decrease of approximately 33.4% as compared to the year ended 31 December 2005.

The substantial increase for the year ended 31 December 2005 corresponded to the increase in turnover as well as increase in the advertising and promotional plans for pre-sales of properties units launched, including publication of brochures and construction of show flats.

The decrease for the year ended 31 December 2006 was due to the implementation of stringent cost control.

LETTER FROM THE BOARD

Administration expenses included mainly staff costs, motor vehicles expenditure, travel and entertainment expenses and finance and bank charges. For the three years ended 31 December 2006, the administration expenses amounted to approximately RMB55.6 million, RMB99.8 million and RMB110.3 million, respectively. Since 2004, the Sunco Group initiated its nation-wide expansion plan with significant increase in both headcount and number of offices. Such expansion led to a substantive increase in staff cost and other administration expenses year-on-year for the three years ended 31 December 2006. In addition, the administration expenses in 2006 was accelerated by additional finance and bank charges incurred for obtaining additional funding to support the development of property projects.

Penalty/reversal of penalty charge on overdue payments of land premium

For the two years ended 31 December 2006, the Sunco A Group made provisions on penalty on overdue payments of land premium of approximately RMB125.9 million and RMB59.4 million, respectively as the Sunco A Group failed to pay the land premium under the relevant sale and purchase agreements for certain pieces of land.

For the year ended 31 December 2006, due to the settlement of land premium for certain projects, provisions on penalty on overdue payments of land premium of approximately RMB74.2 million made in 2005 were reversed. The PRC legal advisers have advised that based on their experience, to the extent that overdue land premiums have been paid in full and related land use rights certificates have been issued without any indication by the relevant land authority at or before such issue that a penalty for late payment will be charged, the relevant grantee of the relevant land use rights will not subsequently be required to pay any such penalty. As at the Latest Practicable Date, the Company had not received any notice that the relevant land authority had demanded payment of penalty for the late payment of premium in respect of which penalty provisions had been reversed.

So far as the Directors are aware, the relevant land premiums were settled and the State-owned Land Use Right Certificates were issued by 31 December 2006. Accordingly, as advised by the Company's PRC legal adviser, the penalty (if any) will not have any impact on the land use rights of the properties that the Sunco A Group has obtained. In addition, the penalty on late delivery has been fully provided for in the financial statements for the year ended 31 December 2005. Accordingly, the Directors do not consider that the late payment of land premium will have any material adverse impact to the financial position of the Group.

Penalty on late delivery of completed properties held for sale

For the year ended 31 December 2005, the Sunco A Group incurred a penalty on late delivery of completed properties of approximately RMB57.6 million as the Sunco A Group was under funding constraints and had not been able to promptly settle payments due to the construction contractors, which in turn had led to delay in the construction process and in turn failed to deliver the completed properties units to buyers pursuant to the relevant sale and purchase agreements.

LETTER FROM THE BOARD

Finance costs

The finance costs were mainly interest on bank borrowings.

For the year ended 31 December 2004, the finance costs amounted to approximately RMB26.6 million, which was mainly attributed to the interest on borrowings and interest on payable for acquisition of lands. The finance costs for the year ended 31 December 2005 decreased to approximately RMB14.1 million, despite the overall increase in interest on borrowings during the year, such amount was largely offset due to the capitalisation of certain finance costs on properties under development for sale. For the year ended 31 December 2006, the finance costs amounted to approximately RMB22.8 million, which was mainly due to the overall increase in interest on borrowings and interest on payable for acquisition of lands.

During the three years ended 31 December 2006, part of the finance costs, amounted to approximately RMB29.8 million, RMB45.5 million and RMB101.3 million respectively, had been capitalised, representing interest on specific borrowings identifiable for the qualifying expenditure on properties under development for sales.

Loss for the year

Although the Sunco A Group recorded gross profit for each of the three years ended 31 December 2006, taking into account the expenses, namely the selling expenses, administration expenses, finance costs and penalties (in some cases), the Sunco A Group incurred net losses of approximately RMB100.8 million, RMB363.4 million and RMB17.0 million, respectively.

Financial position

Current fund and financial resources

As at 31 December 2004, 2005 and 2006, the cash and cash equivalents of the Sunco A Group were approximately RMB408.5 million, RMB153.7 million and RMB150.3 million, respectively.

Borrowings

The Sunco A Group's borrowings are denominated in RMB which is the same as the functional currency of Sunco A. As at 31 December 2004, 2005 and 2006, the Sunco A Group had total borrowings of approximately RMB276.1 million, RMB609.3 million and RMB1,065.6 million, respectively.

The gearing ratio (defined as the aggregate of borrowings to the net assets of the Sunco A Group) was approximately 102.8% as at 31 December 2004. As at 31 December 2005 and 2006, the net liabilities of the Sunco A Group were approximately RMB130.8 million and RMB391.5 million, respectively.

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Cash flows

For each of the three years ended 31 December 2006, the Sunco A Group recorded net cash (used in) from operating activities of approximately (RMB451.6 million), RMB234.6 million and (RMB288.8 million), respectively.

Contingent liabilities

As described in note 28 to the Accountants' Report for the Sunco A Group set out in Appendix II to this circular, Sunco A has arranged mortgage loan facilities with certain banks for certain purchasers of property units and provided guarantees to banks to secure obligations of such purchasers for repayment. The outstanding guarantees amounted to approximately RMB376.7 million, RMB1,280.6 million and RMB1,557.8 million as at 31 December 2004, 2005 and 2006, respectively.

Shareholders and potential investors of the Shares should note that in the course of the financial due diligence review on the Sunco A Group carried out by the Company back in September 2006, there exists limitation of work which has arisen from the unavailability of proper books and records. Due to the aforesaid limitations with regard to preparing the financial information (in particular, for the two years ended 31 December 2005) and, in turn, to form an opinion on the financial information, the audited financial report of the Sunco A Group for the three years ended 31 December 2006 prepared in accordance with the HKFRSs and audited by Deloitte Touche Tohmatsu, the independent auditors appointed by Road King, contained a number of qualifications. Details of the audit qualifications (totalling five audit qualifications) on the Sunco A Group are set out in Appendix II to this circular.

With regard to each particular qualification, the management of Road King took the following view:

1. Financial statement has not been prepared in accordance with Hong Kong Accounting Standard 27 "Consolidated and separate financial statement"

Following completion of the Sunco A Subscription Agreement in January 2007, Road King has acquired interest in 49% of the shareholding of Sunco A. Those unconsolidated subsidiaries of Sunco A during the three years ended 31 December 2006 were either transferred to Sunco B WFOE upon completion of a corporate restructuring within Sunco A in October 2006 or disposed of to entities controlled by Mr. Sun at their carrying amount during the year ended 31 December 2005 or 2006, respectively. Hence, such qualification had no effect on the net assets positions of the Sunco A Group as at 31 December 2006.

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2. No evidence of the recoverability of deposits paid for the acquisition of certain piece of land

The reporting accountants have included an audit qualification as to the recoverability of certain deposits paid by Jinan Sunco to 山東志成投資建設股份有限公司 (“Shangdong Zhicheng Investment Construction Limited*”) (“Shandong Zhicheng”) in connection with the acquisition by Jinan Sunco of certain pieces of land from Shandong Zhicheng, on the basis that Shandong Zhicheng has not yet obtained the land use rights certificate for the land for transfer to Jinan Sunco and no evidence of the recoverability of the deposits paid by Jinan Sunco (which has been applied by Shandong Zhicheng in and towards settlement of land premium) should Shandong Zhicheng fail to deliver title to Jinan Sunco and become obliged to refund the deposits. In December 2004, Shandong Zhicheng had agreed to transfer its interest in a piece of land having a developable gross floor area of 191,615 square metres to Jinan Sunco. The consideration was initially agreed in December 2004 among the parties with Jinan Sunco at approximately RMB354.7 million. Pursuant to an agreement on 18 September 2006, the consideration was revised to approximately RMB373.4 million.

According to the transfer agreement entered into in December 2004, a deposit of RMB30 million, RMB25 million and RMB3 million have been paid by Jinan Sunco to Shandong Zhicheng during the three years ended 31 December 2004, 2005 and 2006, respectively. In addition, an amount of RMB166.6 million has been paid on behalf of Shandong Zhicheng by the Sunco A Group to 山東省濟南市財政局 (“Finance Bureau of Jinan, Shandong Province”). According to the aforesaid agreement, once the Jinan Sunco has made pre-agreed payments in accordance with the the pre-set payment schedule of the agreement, Shandong Zhicheng is responsible for completing all the legal procedures necessary for obtaining the legal title of the land within 60 days.

As mentioned above, the payment to Shandong Zhicheng is currently on schedule and such deposits would be refunded if the legal title of land cannot be obtained. Given that (i) most of the consideration paid by Jinan Sunco (i.e. approximately 83% of the total consideration) were on schedule, (ii) Shandong Zhicheng has used such deposits to pay the land premium for the underlying land use rights and (iii) once the land premium has been fully paid, Shandong Zhicheng is to obtain the land use right certificate and to procure transfer of title of that land to Jinan Sunco. Based on the current plans, it is expected that the land premium will be fully paid, Shandong Zhicheng will obtain the land use right certificate of the land and have the name of the registered owner specified on it changed to Jinan Sunco in or around August 2007. On delivery of the land use rights to Jinan Sunco, there will no longer be any question of recoverability of deposits paid. In such circumstances, the audit qualification that has arisen in connection with such recoverability is not expected to apply to the audited financial statements of the Group for the year ending 31 December 2007.

** for identification purposes only*

LETTER FROM THE BOARD

3. Unable to obtain sufficient information or explanation for certain items under other receivables and other payables

As described in items (2) and (3) of note 29 to the Accountants' Report for the Sunco A Group set out in Appendix II to this circular, and as all the qualified balance of receivables or amounts due from related parties have been set-off in full, there are no further balances between the subsidiaries and the other debtors and creditors in question after completion of the set-off agreements dated 21 July 2006. Hence, such qualification did not affect the net assets position of the Sunco A Group as at 31 December 2006.

4. Unable to obtain sufficient information or explanation for amounts due from/to related parties

As described in items (1) and (3) of note 29 to the Accountants' Report for the Sunco A Group set out in Appendix II to this circular, and as all the qualified balance of receivables or amounts due from related parties have been set-off in full, there are no further balances between the subsidiaries and the other debtors and creditors after completion of the set-off agreements dated 21 July 2006. Hence, such qualification did not affect the net assets position of the Sunco A Group as at 31 December 2006.

5. Unable to obtain sufficient information of the investment in the associate to enable the assessment of whether any impairment loss should be recognised

As described in note 13 to the Accountants' Report for the Sunco A Group set out in Appendix II to this circular, the said associate was disposed of in 2005. Accordingly, such qualification did not affect the audited financial statements of the Sunco A Group for the year ended 31 December 2006.

As far as the Company was aware, the internal control issues of Sunco A which led to the audit qualifications were as follows:

- the qualification of Sunco A's accounting staff (prior to completion of the Sunco A Subscription Agreement) was not strong enough;
- frequent staff movement (prior to completion of the Sunco A Subscription Agreement) due to the rapid expansion of the Sunco A Group; and
- documents were not filed properly (prior to completion of the Sunco A Subscription Agreement), which led to difficulty on retrieving information per auditors' request.

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Following completion of the Sunco A Subscription Agreement, Road King has assisted the management of the Sunco A Group to strengthen its corporate governance and internal control measures. Such measures include:

- (i) Sunco A's board of directors has established a management committee in January 2007. The Chief Executive Officer of Road King is the chairman of the management committee. All major decisions must be discussed and approved by the management committee.
- (ii) The board of directors of Sunco A currently comprises of nine members, five of whom are appointed by RKI (BJ)/Elite Rich. The board of directors of Sunco A is chaired by Mr. William Zen, who is also the chairman of Wai Kee and Road King.
- (iii) An operations and procedures manual, covering matters including accounting, financial control and operating procedures, has been prepared by the management of Sunco A and came into effect on 1 January 2007. Such manual will be reviewed by the management committee from time to time.
- (iv) The accounting and financial department of Sunco A is closely monitored by the staff of Road King.
- (v) The operations and procedures manual requires all transactions to be supported by full documentation and approval before it is booked on day-to-day basis.
- (vi) The operations and procedures manual requires monthly accounts prepared by the General Manager of Sunco A Group to be reviewed and approved by the directors of Sunco A to identify any major issues.
- (vii) An internal audit department headed by staff members nominated by Road King has been established, which has commenced to carry out internal audit on each project company. This internal audit function may be supplemented by external auditors, including PRC and Hong Kong auditors to meet PRC statutory audit requirements and IFRS reporting requirements.

Taking into account the information about the background leading to the audit qualifications for the enlarged Sunco A Group, the views of the Directors and the corporate governance and internal control measures taken by the Sunco A Group to avoid the recurrence of those issues which have been identified by the external auditors, the Directors (including the independent non-executive Directors) are of the view that following completion of the Sunco A Subscription Agreement in January 2007, the operational risk of the Sunco A Group has either been reduced or contained and the financial position of the Sunco A Group has improved.

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Taking into account the following factors:

- (i) the reasons for and benefits of the Sunco A Acquisitions set out in the paragraph headed “9. Reasons for and benefits of (I) the Sunco A Acquisitions; (II) implementing the Elite Rich Agreement; and (III) providing Loan 7”;
- (ii) the factors taken into account by the Board in determining the consideration payable under the Sunco A Acquisitions set out in the paragraph headed “7.2 The historical financial information”;
- (iii) the practice of certain PRC banks which require the Sunco A Group to guarantee its customers’ mortgage loans (which is a commercial risk inevitably faced by companies engaged in property development in the PRC) as described in the paragraph headed “The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng guarantees mortgage loans of its customers and may become liable to mortgagee banks upon customers’ default” in Appendix IX to this circular;
- (iv) the estimated total valuation of the underlying properties of the Sunco A Group and the New Project Companies of approximately RMB9,887 million as at 31 March 2007 substantially exceeding the aggregate of the related land cost, the estimated cost and related expenses of each project of Sunco A Group and the New Project Companies as at 31 December 2006 by approximately RMB3,483 million; and
- (v) the amount of default for each of the three years ended 31 December 2006 were nil, RMB400,000 and RMB1,664,000, representing nil, approximately 0.03% and approximately 0.11% of the Sunco A Group’s outstanding guarantees in respect of its customers’ mortgage loans as at 31 December 2004, 2005 and 2006,

the Directors (including the independent non-executive Directors) are of the view the terms of the Sunco A Acquisitions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In addition, in determining the consideration payable under the Sunco A Acquisitions, the Board has taken into account the following factors, including but not limited to the following:

- (i) the Directors’ assessment of the future business potential of the Sunco A Group, and in this context they have not given great weight to the historical performances of each of the companies comprising the Sunco A Group, the New Project Companies and Shanghai Fangcheng (in particular, having regard to the nature of the audit qualifications contained in the accountants reports for the Sunco A Group, the New Project Companies and Shanghai Fangcheng and the steps which have been or are proposed to be taken with a view to removing same qualifications in future financial statements, the net current liabilities of those companies which the Directors believe can post acquisition be managed to a more acceptable level having regard to the nature

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of the property development industry, the absence of proper legal title as at 31 March 2007 of certain property interests held by those companies which have been ascribed no commercial value in Appendices VII and VIII to this circular are principally due to land premium or purchase prices not having been paid in full);

- (ii) the abovementioned issues which have given rise to audit qualifications of the historical financial statements of the individual companies comprising the Sunco A Group, the New Project Companies and Shanghai Fangcheng have either been or are expected to be resolved (as explained above) prior to or shortly after completion of the Sunco A Acquisitions;
- (iii) following completion of the Sunco A Subscription Agreement and subsequently completion of the Sunco A Acquisitions, the closing balance of each items in the accounts of the enlarged Sunco A Group (which have been audited up to the year ended 31 December 2006) should be identifiable with proper books and records to support, whereby the issue concerning limitation of scope of work would be removed;
- (iv) Road King's internal estimates of the operating assets and/or the underlying property assets held by companies comprising the enlarged Sunco A Group as at 31 March 2007 was made with reference to a property valuation prepared by RHL Appraisal Limited;
- (v) the losses incurred by the Sunco A Group, the New Project Companies and Shanghai Fangcheng during the three consecutive financial years which are the subject of accountants report whilst relevant, are outweighed by the overriding reasons and benefits of the Sunco A Acquisitions described above; and
- (vi) through the provision of the loans and the subscription under the Sunco A Subscription Agreement and the Sunco A Acquisitions, the Sunco A Group has been provided with additional cash liquidity which are dealt with under the internal control procedures being implemented on Road King's requirements which has helped or is expected to help to improve the financial position of the Sunco A Group, and completion of Sunco A Subscription Agreement and Sunco A Acquisitions both of which involved or contemplated capitalisation and repayment of loans would be expected to result in the improvements to the net liability position of the Sunco A Group (including the New Project Companies and Shanghai Fangcheng) as a whole,

Based on all of the above, the Board is of the view that the consideration payable under the Sunco A Acquisitions is fair and reasonable.

Taking into account the information about the background leading to the audit qualifications for the Sunco A Group and the New Project Companies, the views of the Directors and the corporate governance and internal control measures taken by the enlarged Sunco A Group to avoid the recurrence of those issues which have been identified by the external auditors, the

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Directors (including the independent non-executive Directors) are of the view that Shareholders have been given sufficient information to make a decision on the resolution with regard to consider, if appropriate, to approve, the Sunco A Acquisitions and Road King has complied with Rule 2.13 of the Listing Rules.

The historical audited combined financial information of the New Project Companies based on general accepted accounting principles adopted in Hong Kong for the three years ended 31 December 2006 and as at 31 December 2006 is set out below:

	For the year ended 31 December		
	2004	2005	2006
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Revenue	762,361	910,504	1,055,699
Loss before taxation	217,537	401,573	225,048
Loss after taxation	197,629	326,456	193,933
			As at
			31 December
			2006
			<i>RMB'000</i>
			<i>(audited)</i>
Net liabilities			285,490

The audited financial information of the New Project Companies for the three years ended 31 December 2006 is set out in Appendix III to this circular. The following sets out a brief description and analysis of such results.

Revenue

The New Project Companies, comprising Beijing Sunco 1, Beijing Sunco 2, Beijing Sunco 3, Tianjin Sunco 2, Tianjin Sunco 3, Hebei Sunco and Jinan Sunco for the two years ended 31 December 2005, and Beijing Sunco 1, Beijing Sunco 3, Tianjin Sunco 2, Tianjin Sunco 3 and Hebei Sunco as at 31 December 2006, are engaged in property development in the PRC and the revenue of New Project Companies is primarily derived from the sales of properties units to buyers.

During the three years ended 31 December 2006, the New Project Companies recorded revenue (being sales of completed properties which have been delivered to buyers) of approximately RMB762.4 million, RMB910.5 million and RMB1,055.7 million, respectively.

The increase in revenue during the track record period under review is due to the increase in (i) the number of property development projects completed and sold; and (ii) the scale and the value of property development projects completed and sold.

LETTER FROM THE BOARD

Gross profit (loss)

The gross profit of the New Project Companies was approximately RMB30.0 million for the year ended 31 December 2004 and decrease to approximately RMB5.5 million for the year ended 31 December 2005, representing a decrease of approximately 81.7%. The decline was mainly due to (i) the gross loss suffered by Beijing Sunco 3, and (ii) substantial decrease in revenue generated from Tianjin Sunco in 2005. Gross loss of approximately RMB14.3 million was recorded for the year ended 31 December 2006. The decline was mainly due to the gross losses suffered by Beijing Sunco 3 and Tianjin Sunco 3. Beijing Sunco 3 reduced the selling price of its properties to accelerate sales in order to improve cashflow to meet financial obligations.

New Project Companies' gross profit margin was approximately 3.9% and 0.6% respectively for the two years ended 31 December 2005. The substantial decrease in gross margin during the years was due to the change in market situation and the New Project Companies reduced the selling price to accelerate the sales of its properties.

Expenses

New Project Companies' overhead cost comprised mainly selling expenses and administration expenses.

Selling expenses increased from approximately RMB122.6 million for the year ended 31 December 2004 to approximately RMB203.7 million for the year ended 31 December 2005, representing an increase of approximately 66.2%. Selling expenses decreased to approximately RMB67.0 million for the year ended 31 December 2006, representing a decrease of approximately 67.1% as compared to the year ended 31 December 2005.

The substantial increase for the year ended 31 December 2005 corresponded to the increase in turnover as well as increase in the advertising and promotional plans for pre-sales of properties units launched, including publication of brochures and construction of show flats.

The decrease for the year ended 31 December 2006 was due to the implementation of stringent cost control.

Administration expenses included mainly staff costs, motor vehicles expenditure, travel and entertainment expenses. For the three years ended 31 December 2006, administration expenses amounted to approximately RMB81.2 million, RMB122.2 million and RMB102.8 million respectively. Since 2004, the New Project Companies initiated its nation-wide expansion plan with significant increase in both headcount and number of offices. Such expansion led to a substantive increase in staff cost and other administration expenses year-on-year for the three years ended 31 December 2004. The decrease in administration expenses for the year ended 31 December 2006 was due to the cost control by the New Project Companies, in particular, the reduction of staff cost due to the restructuring of staff mix.

LETTER FROM THE BOARD

Penalty on overdue payments of land premium

For the three years ended 31 December 2006, the New Project Companies made provisions on penalty on overdue payments of land premium of approximately RMB44.1 million, RMB28.5 million and RMB45.1 million, respectively as the New Project Companies failed to pay the land premium under the relevant sale and purchase agreement for certain pieces of land.

The PRC legal advisers have advised that based on its experience, to the extent that overdue land premiums have been paid in full and related land use rights certificates have been issued without any indication by the relevant land authority at or before such issue that a penalty for late payment will be charged, the relevant grantee of the relevant land use rights will not subsequently be required to pay any such penalty. As at the Latest Practicable Date, the Company had not received any notice that the relevant land authority had demanded payment of penalty for the late payment of premium in respect of which penalty provisions had been reversed.

So far as the Directors are aware, the relevant land premiums were settled and the State-owned Land Use Rights Certificates were issued by 31 December 2006. Accordingly, as advised by the Company's PRC legal adviser, the penalty will not have any impact on the land use rights of properties to be obtained. Hence, the Directors do not consider that the late payment of land premiums will have any material adverse impact to the financial position of the Group.

Penalty on late delivery of completed properties held for sale

For the year ended 31 December 2005, the New Project Companies incurred a penalty on late delivery of completed properties of approximately RMB57.6 million as the New Project Companies was under funding constraints and had not been able to promptly settle payments due to the construction contractors, which in turn had led to delay in the construction process and in turn failed to deliver the completed properties units to buyers pursuant to the relevant sale and purchase agreements. So far as the Directors are aware, the properties will be delivered to the buyers in late 2007. The penalty was accrued up to December 2007 and payment was made to the buyers on a monthly basis.

Finance costs

The finance costs were mainly incurred for the interest on payable for acquisition of land and interest on bank borrowings.

For the year ended 31 December 2006, finance costs amounted to approximately RMB14.1 million, which was mainly attributed to the interest on borrowings.

During the three years ended 31 December 2006, part of the finance costs, amounted to approximately RMB33.5 million, RMB55.4 million and RMB43.7 million, respectively, had been capitalised representing interest on specific borrowings identifiable for the qualifying expenditure on properties under development for sales.

LETTER FROM THE BOARD

Loss for the year

The New Project Companies incurred net losses of approximately RMB197.6 million, RMB326.5 million and RMB193.9 million, respectively.

Financial position

Current fund and financial resources

As at 31 December 2004, 2005 and 2006, the cash and cash equivalents of the New Project Companies were approximately RMB168.3 million, RMB71.5 million and RMB8.6 million, respectively.

Borrowings

The New Project Companies' borrowings are denominated in RMB which is the same as the functional currency of the New Project Companies. As at 31 December 2004, 2005 and 2006, the New Project Companies had total borrowings of approximately RMB590.8 million, RMB762.2 million and RMB754.0 million, respectively.

The gearing ratio (defined as the aggregate of borrowings to the net assets of the New Project Companies) as at 31 December 2004 was approximately 2,465.8% as the New Project Companies had to finance their property projects mainly through debts. As at 31 December 2005 and 2006, the New Project Companies had net liabilities of approximately RMB236.5 million and RMB285.5 million, respectively.

Cash flows

For the each of the three years ended 31 December 2006, the New Project Companies recorded net cash used in operating activities of approximately RMB537.8 million, RMB232.5 million and RMB60.9 million, respectively.

Contingent liabilities

As described in note 26 to the Accountants' Report for New Project Companies set out in Appendix III to this circular, the New Project Companies has arranged mortgage loan facilities with certain banks for certain purchasers of property units and provided guarantee to banks to secure obligations of such purchasers for repayment. The outstanding guarantees amounted to approximately RMB1,068.9 million, RMB1,417.8 million and RMB2,031.6 million as at 31 December 2004, 2005 and 2006, respectively.

Shareholders and potential investors of the Shares should note that in the course of the financial due diligence review on the New Project Companies carried out by the Company, there exists limitation of work which has arisen from the unavailability of proper books and records. Due to the aforesaid limitations with regard to preparing the financial information and, in turn, to form an opinion on the financial information, the audited financial report of the New Project

LETTER FROM THE BOARD

Companies for the three years ended 31 December 2006 prepared in accordance with the HKFRSs and audited by Deloitte Touche Tohmatsu, the independent auditors appointed by Road King, contained a number of qualifications. Details of the audit qualifications (totalling five audit qualifications) on the New Project Companies are set out in Appendix III to this circular.

With regard to each particular qualification, the management of Road King took the following view:

1. Financial Statement has not been prepared in accordance with Hong Kong Accounting Standard 27 “Consolidated and separate financial statement”

On 26 May 2007, Sunco A, through its subsidiary, acquired the entire equity interests in the New Project Companies from certain entities controlled by Mr. Sun and became the holding company of the New Project Companies. The unconsolidated subsidiaries of New Project Companies which are subject of the qualification are in the progress of being transferred to other entities controlled by Mr. Sun. Hence, the Directors are of the view that this qualification will have no effect on the audited financial statements of the Group for the year ending 31 December 2007.

2. Unable to obtain sufficient information or explanation for certain items under other receivables and other payables

As described in item (2) of note 31 to the Accountants’ Report for the New Project Companies set out in Appendix III to this circular, the other receivables and certain other payables as at 31 December 2006 were transferred to Sunco B WFOE at the their carrying amount pursuant to the set-off agreements. Hence, such qualification will not affect the audit opinion of the consolidated financial statements of the Group for the year ending 31 December 2007.

3. Unable to obtain sufficient information or explanation for amounts due from/to related parties

As described in item (1) of note 31 to the Accountants’ Report for the New Project Companies set out in Appendix III to this circular, all amounts due from/to related parties as at 31 December 2006 were transferred to Sunco B WFOE at the their carrying amount pursuant to the set-off agreements. Hence, such qualification will not affect the audit opinion of the consolidated financial statements of the Group for the year ending 31 December 2007.

4. Unable to obtain sufficient information of the investment in the associate to enable the assessment of whether any impairment loss should be recognised

Subsequent to 31 December 2006, the associated companies of the New Project Companies during the track record period are in the progress of being transferred to

LETTER FROM THE BOARD

other entities controlled by Mr. Sun and/or third parties. Hence, the Directors are of the view that this qualification will have no effect on the audit opinion in relation to the consolidated financial statements of the Group for the year ending 31 December 2007.

5. No evidence of the recoverability of deposits for the acquisition of land use rights

The audit qualification relates to deposits for the acquisition of land use rights from the minority shareholders of Jinan Sunco (who are Independent Third Parties). The consideration was initially agreed in December 2004 among the parties with Jinan Sunco at RMB354.68 million. Pursuant to an agreement of 18 September 2006, the consideration was revised to RMB373.42 million.

Since the 70% equity interest of Jinan Sunco was transferred to the Sunco A Group prior to 31 December 2006, this audit qualification did not have any impact to the net assets position of the New Project Companies as at 31 December 2006.

Accordingly, the Directors do not expect such qualification for the two years ended 31 December 2004 and 2005 to affect the audit opinion in relation to the financial statements of the New Project Companies for the year ending 31 December 2007.

As far as the Company is aware, the internal control issues of the New Project Companies which led to the audit qualifications were as follows:

- the qualification of the accounting staff of the New Project Companies was not strong enough;
- frequent staff movement of the New Project Companies due to the rapid expansion of the Sunco Group; and
- documents of the New Project Companies were not filed properly, which led to difficulty on retrieving information per auditor's request.

After Sunco A took control of the New Project Companies in May 2007, the same corporate governance and internal control measures as mentioned above in the context of the Sunco A Group have been applied to the New Project Companies. Accordingly, the Directors are of the view that the operational risk of the New Project Companies have since been contained or reduced.

LETTER FROM THE BOARD

The financial information of Shanghai Fangcheng is prepared based on general accepted accounting principles adopted in Hong Kong for the period from 16 June 2005 (date of establishment) to 31 December 2006 and as at 31 December 2006.

	16.6.2005 to 31.12.2005	1.1.2006 to 31.12.2006
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	—	—
Loss before taxation	1,054	5,312
Loss after taxation	1,054	5,312
		As at
		31 December 2006
		<i>RMB'000</i>
		<i>(audited)</i>
Net assets		43,634

The audited financial information of Shanghai Fangcheng (which will be accounted for as joint venture upon completion of the Sunco A Acquisitions) for the period from 16 June 2005 (date of establishment) to 31 December 2006 is set out in Appendix IV to this circular. The following sets out a brief description and analysis of such results.

Revenue and gross results

Shanghai Fangcheng was established in 2005 for the development of properties in Shanghai, the PRC. Since the property is under the initial developing stage, neither revenue nor gross results were recorded since the date of establishment of Shanghai Fangcheng.

Expenses

The overhead cost of Shanghai Fangcheng comprised mainly selling and administration expenses.

Selling expenses increased from approximately RMB0.1 million for the period ended 31 December 2005 to approximately RMB1.6 million for the year ended 31 December 2006 while administration expenses, including mainly staff costs, motor vehicles expenditure, travel and rental expenses, increased from approximately RMB1.0 million for the period ended 31 December 2005 to RMB3.8 million for the year ended 31 December 2006. The increase was mainly due to the fact that Shanghai Fangcheng was newly established in 2005 and only minimal activities were carried out in the said period.

LETTER FROM THE BOARD

Loss for the period/year

The loss of Shanghai Fangcheng increased from approximately RMB1.1 million for the period ended 31 December 2005 to approximately RMB5.3 million for the year ended 31 December 2006. The minimal loss incurred for the period ended 31 December 2005 represented mainly the half year operation and minimal activities since establishment of Shanghai Fangcheng.

Financial position

Current fund and financial resources

As at 31 December 2005 and 2006, the cash and cash equivalents of Shanghai Fangcheng were approximately RMB36.0 million and RMB16.5 million, respectively.

Borrowings

Shanghai Fangcheng's borrowings are denominated in RMB which is the same as the functional currency of Shanghai Fangcheng. As at 31 December 2005 and 2006, Shanghai Fangcheng had total borrowings of nil and approximately RMB310.0 million, respectively.

The gearing ratio (defined as the aggregate of borrowings to the net assets of Shanghai Fangcheng) as at 31 December 2005 and 2006 were nil and approximately 710.5%, respectively as Shanghai Fangcheng had to finance its property project mainly through debts.

Cash flows

Shanghai Fangcheng recorded net cash used in operating activities of approximately RMB2.4 million and RMB339.6 million for the period ended 31 December 2005 and for the year ended 31 December 2006, respectively.

Shareholders should note that in the course of the financial due diligence review on Shanghai Fangcheng carried out by the Company since September 2006, there exists limitation of work which has arisen from the unavailability of proper books and records. Due to the aforesaid limitations on the opening balance as at 31 December 2005, the audited financial report of Shanghai Fangcheng for the year ended 31 December 2005 prepared in accordance with the HKFRSs and audited by Deloitte Touche Tohmatsu, the independent auditors appointed by Road King, did not contain the auditors' true and fair view on its state of affairs as at 31 December 2005 and of the results and cash flows for the period from 16 June 2005 (date of establishment) to 31 December 2006. However, as a result of the audit carried out for the year ended 31 December 2006, it contained the true and fair view on Shanghai Fangcheng's state of affairs as at 31 December 2006. The Directors are of the view that the subsequent audits to be carried out by the auditors of Shanghai Fangcheng will not face the aforesaid limitations on the opening balance.

LETTER FROM THE BOARD

7.3 Brief description of the underlying projects held by the enlarged Sunco A Group

Set out below are the brief description of the property projects namely, the approximate site area, the total planned saleable GFA and the unsold GFA as at 31 March 2007 held by the relevant companies comprising the enlarged Sunco A Group (which includes the Sunco A Group, the New Project Companies and Shanghai Fangcheng) as at 31 March 2007.

	Company	Project	Site area	Total planned saleable GFA	Unsold GFA (Note 1)
			<i>sq.m.</i>	<i>sq.m.</i>	<i>sq.m.</i>
Projects under Sunco A upon Completion of Sunco A Subscription Agreement	Beijing Sunco 2	順馳藍調國際 Blues International Apartments	80,000	219,000	50,000
	Zhengzhou Keshu	中央特區 Central Special Zone	219,000	517,000	372,000
	Henan Sunco	鄭州第一大街 Zhengzhou 1st Street	236,000	251,000	4,000
		鄭州第一國際 International No. 1	4,000	48,000	27,000
	Luoyang Sunco	洛陽第一大街 Luoyang 1st Street	130,000	153,000	26,000
		世府名邸 The Mansion	76,000	186,000	141,000
		順馳城 Sunco Town	111,000	306,000	251,000
	Jinan Sunco	濟南順成 Shuncheng	192,000	345,000	345,000
	Shandong Sunco	膠州藍水假期 Unusual Landscape	249,000	324,000	248,000
	Suzhou Industrial Park Sunco	蘇州湖畔天城 The Heaven by Lakeside	164,000	300,000	146,000
	Wuhan Sunco	順馳泊林 Palen Villas	172,000	187,000	95,000
	Subtotal		1,633,000	2,836,000	1,705,000

LETTER FROM THE BOARD

	Company	Project	Site area	Total planned saleable GFA	Unsold GFA (Note 1)
			<i>sq.m.</i>	<i>sq.m.</i>	<i>sq.m.</i>
New Project Companies and Shanghai Fangcheng	Beijing Sunco 1	順馳林溪 Forest Creek	361,000	190,000	65,000
	Beijing Sunco 3	順馳領海 Songs & Sea	285,000	462,000	288,000
	Tianjin Sunco 2	天津太陽城 Sun Town	1,073,000	1,379,000	830,000
	Tianjin Sunco 3	天津山傾城 Mountain My Life	327,000	268,000	220,000
		寶坻城市藝墅 (Note 2) The City Art Villa	—	—	1,000
		青山溪語 (Note 2) Foggy Creek	—	—	1,000
	Hebei Sunco	順馳藍郡 Blues County	91,000	160,000	140,000
	Shanghai Fangcheng	順馳蘭郡 The River Side	302,000	221,000	216,000
	Subtotal		2,439,000	2,680,000	1,761,000
Total			4,072,000	5,516,000	3,466,000

Notes:

1. Unsold GFA refers to GFA not yet contracted for sale and can be either undeveloped, under construction or completed.
2. The unsold GFA represents residual unsold units of projects developed and substantially sold by Tianjin Sunco 3, particulars of which have been included in the valuation report set out in Appendix VIII to this circular.

7.4 The valuation of the underlying properties of the Sunco A Group

According to the property valuation as at 31 March 2007 as set out in the reports prepared by RHL Appraisal Limited and set out in this circular, the total market value of the underlying property interests in existing state held by the enlarged Sunco A Group that are yet to be sold and sold but yet to be handovered, and are granted with proper State-owned Land Use Rights Certificates as at 31 March 2007 (excluding property interests held by Shanghai Fangcheng, which is a jointly controlled entity of Sunco A as at the Latest Practicable Date) amounted to approximately RMB9,887 million. Details of the valuation reports with regard to the underlying properties of the Sunco A Group, the New Project Companies and Shanghai Fangcheng are set out in Appendix VII and VIII to this circular.

LETTER FROM THE BOARD

8. INFORMATION OF THE GROUP

Road King is an investment holding company. The principal activities of the Group, including the infrastructure joint ventures, are investment in, development, operation and management of toll roads and expressways and property development projects in the PRC.

In addition to its 49% interest in Sunco A, the Group (in particular, RK Properties) currently has seven property development projects in the PRC, with an aggregate unsold GFA of approximately 2.8 million sq.m. as at 31 March 2007, comprising three projects located in Changzhou, three projects located in Guangzhou and one project located in Suzhou. Most of the residential units for one of the projects located in Guangzhou had been completed and delivered in late 2006. Another two projects in Changzhou and Guangzhou commenced pre-sale in mid-October 2006 and May 2007, respectively, with satisfactory result.

9. REASONS FOR AND BENEFITS OF (I) THE SUNCO A ACQUISITIONS; (II) IMPLEMENTING THE ELITE RICH AGREEMENT; AND (III) PROVIDING LOAN 7

During the due diligence process for the acquisition of the 49% interest in Sunco A under the Sunco A Subscription Agreement by RKI (BJ) and through the Group's participation in the management of Sunco A as 49% shareholder, the Group has gained more understanding of the Sunco A Group as well as a vast amount of information/knowledge on and is optimistic about the property market in the PRC. Accordingly, the Group is willing to exercise the Outstanding Sunco A Options. Elite Rich and Mr. Zhang are initial investors together with the Group in Sunco A. Given their well-established network in the PRC, the Directors considered that further investment by Elite Rich and Mr. Zhang in Sunco A (at the same valuation as Road King) in circumstances where the dilution effect to Road King is not material, to be an affirmation of Road King's strategic decision to expand its property development business through the acquisition of Sunco A. The Directors believe that the continued participation of Elite Rich and Mr. Zhang can also expedite the future expansion of the property development business of the Group. In the meantime, the Group is willing to provide Loan 7 to Sunco A to expedite the settlement of outstanding land premium, and the acquisition of land and/or property development projects in the PRC.

On exercising (with the permission of the independent Shareholders) the Outstanding Sunco A Options and completion of the acquisition and subscription of Sunco A Shares as a result of such exercise, Road King will be able to consolidate control over Sunco A (even after taking into account the transactions contemplated under the Elite Rich Agreement and the Zhang Participation Agreement). Road King proposes thereafter to use Sunco A as one of the principal vehicles through which Road King will manage and operate its property development projects in the PRC. Upon completion of the transactions contemplated under the Sunco A Outstanding Options, there will be no change to the composition of the Board.

The Directors believe that (i) the exercise of the Outstanding Sunco A Options; and (ii) the provision of Loan 7 together would facilitate the Group's expansion in the future, which in turn would enable Road King to achieve, within a short period, a significant and critical mass and considerable scale of investment/participation in the property sector in the PRC.

LETTER FROM THE BOARD

10. POSSIBLE FINANCIAL EFFECTS TO ROAD KING FOLLOWING COMPLETION OF THE SUNCO A ACQUISITIONS; AND IMPLEMENTATION OF THE ELITE RICH AGREEMENT AND THE ZHANG PARTICIPATION AGREEMENT

The pro forma statements are prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of providing investors information on the effect of completion of the Sunco A Acquisitions, the Elite Rich Agreement and the Zhang Participation Agreement to the Group. The statements are prepared for illustrative purpose only and because of their nature, they may not give a true picture of the actual financial performance of the Enlarged Group had either one or both agreements actually been completed as at the relevant dates as set out on the basis stated.

The unaudited pro forma financial information is prepared on the basis stated in Appendix V to this circular and derived according to a number of adjustments. Although reasonable care has been exercised in preparing the said information, Shareholders and prospective investors who read the information should bear in mind that these figures are for illustrative purpose only and are inherently subject to adjustments and because of its nature, it may not give a complete picture of the actual financial performance of the Group had either one or both agreements actually been completed as at the relevant dates as set out in the basis stated.

Set out below is a summary of the pro forma financial effects on Road King following the completion of the proposed transactions contemplated under the Sunco A Acquisitions, the Elite Rich Agreement and the Zhang Participation Agreement.

	The financial position as at 31 December 2006 (i.e. the latest published financial information of the Group before completion of the transactions contemplated under the Sunco A Acquisitions; the Elite Rich Agreement and the Zhang Participation Agreement) <i>HK\$'000</i>	Pro forma financial position of the Enlarged Group as at 31 December 2006 assuming completion of the Sunco A Acquisitions and the Elite Rich Agreement and the Zhang Participation Agreement <i>HK\$'000</i>
Total assets	10,961,828	23,952,869
Total liabilities	4,184,260	15,197,289
Net assets	6,777,568	6,779,547
Earnings (<i>Note 1</i>)	701,723	637,656
Gearing ratio (<i>Note 2</i>)	46.4%	65.6%
Cash and cash equivalent	1,113,374	269,947

Notes:

1. The earnings are based on the audited consolidated income statement for the year ended 31 December 2006.

LETTER FROM THE BOARD

2. Gearing ratio means total borrowings to net assets.

Set out below is a description of the pro forma financial effects on Road King following completion of the Sunco A Acquisitions, the Elite Rich Agreement and Zhang Participation Agreement.

Total assets

Based on the unaudited pro forma combined balance sheet of the Enlarged Group (as set out in Appendix V to this circular), the unaudited pro forma total assets of the Enlarged Group would be approximately HK\$23,952.9 million.

The substantial increase in pro forma total assets of the Enlarged Group was primarily attributable to the inclusion of the developing and developed properties, currently held by the Sunco A Group and New Project Companies, after completion of the Sunco A Acquisitions.

Total liabilities

Based on the unaudited pro forma combined balance sheet of the Enlarged Group (as set out in Appendix V to this circular), the unaudited pro forma total liabilities of the Enlarged Group would be approximately HK\$15,197.3 million.

The increase in pro forma total liabilities of the Enlarged Group was mainly due to the inclusion of substantial amount of constructions payables, deposits from pre-sale of properties, amounts due to related companies as well as bank borrowings incurred by the Sunco A Group and the New Project Companies.

Net assets

Based on the unaudited pro forma combined balance sheet of the Enlarged Group (as set out in Appendix V to this circular), the unaudited pro forma net assets of the Enlarged Group would be approximately HK\$6,779.5 million.

Earnings

Based on the unaudited pro forma combined income statement of Enlarged Group, the unaudited pro forma earnings would decrease to approximately HK\$637.7 million.

The decrease in pro forma earnings of the Enlarged Group was mainly attributable to the loss incurred by the Sunco A Group and the New Project Companies in their 2006 operations.

Gearing

Based on the unaudited pro forma total bank and other borrowings of the Enlarged Group of approximately HK\$4,447.8 million and the unaudited pro forma net assets of approximately HK\$6,779.5 million, the pro forma gearing ratio of the Enlarged Group as at 31 December 2006 was approximately 65.6%.

LETTER FROM THE BOARD

The increase in pro forma gearing of the Enlarged Group was mainly attributable to the inclusion of bank and other borrowings of the Sunco A Group and the New Project Companies. Although the pro forma gearing of the Enlarged Group as at 31 December 2006 will be increased after consolidating the New Project Companies, the financial position of Sunco A Group has since improved as part of the loans provided by the Group were used to repay debts of the Sunco A Group (including the New Project Companies).

Cash and cash equivalent

Based on the unaudited pro forma combined balance sheet of the Enlarged Group (as set out in Appendix V to this circular), the unaudited pro forma cash and cash equivalent position of the Enlarged Group would be approximately RMB269.9 million.

11. SPECIAL GENERAL MEETING

Set out on pages N-1 to N-3 is a notice convening the Special General Meeting to be held at 10:30 a.m. on Monday, 16 July 2007 at which ordinary resolutions will be proposed to the Shareholders to consider and, if thought fit, approve (i) the exercise of the Outstanding Sunco A Options including the implementation of the Zhang Participation Agreement and (ii) the Elite Rich Agreement. In accordance with the requirements of the Listing Rules, the votes of the independent Shareholders at the Special General Meeting for each of those two resolutions will be taken by poll. The poll procedure pursuant to bye-law 66 of the bye-laws of Road King is set out in Appendix XII to this circular.

12. RECOMMENDATION

Having taken into account (i) the reasons for and benefits of the exercise of the Outstanding Sunco A Options; (ii) the background of the Sunco A Group; (iii) the background of the New Project Companies and Shanghai Fancheng; (iv) the property market in the PRC; and (v) the possible financial effects to the Group as a result of the proposed transactions contemplated under the Sunco A Acquisitions, the Elite Rich Agreement and the Zhang Participation Agreement, the Directors (including the independent non-executive Directors) consider that the terms of the Sunco A Acquisitions are fair and reasonable and it is in the interests of Road King and the Shareholders as a whole for Road King to exercise the Outstanding Sunco A Options and implement the Zhang Participation Agreement. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the Special General Meeting to approve the Sunco A Acquisitions (including the Zhang Participation Agreement).

Your attention is drawn to the letter from the Independent Board Committee set out on pages 42 and 43 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Elite Rich Agreement. Your attention is also drawn to the letter of advice received from CIMB-GK as set out on pages 44 to 50 of this circular which contains, amongst other matters, its advice to the Independent Board Committee in relation to Elite Rich Agreement and the principal factors and reasons considered by it in arriving at its advice.

LETTER FROM THE BOARD

13. ACTION TO BE TAKEN

The form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you are able to attend the Special General Meeting in person, you are advised to read the notice and complete and return the form of proxy in accordance with the instructions printed thereon to Road King's Hong Kong branch share registrar, Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the Special General Meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting thereof should you so wish.

14. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the Special General Meeting.

Shareholders are reminded that the exercise of the Outstanding Sunco A Options and the implementation of the Elite Rich Agreement and the Zhang Participation Agreement is subject to the approval of the relevant Independent Shareholders. There is no assurance that the Outstanding Sunco A Options will be exercised or the transactions contemplated under the Elite Rich Agreement and the Zhang Participation Agreement will be consummated.

Yours faithfully,
For and on behalf of the Board of
Road King Infrastructure Limited
Zen Wei Pao, William
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

30 June 2007

To the Independent Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTION IN RELATION TO THE ELITE RICH AGREEMENT

We have been appointed as members of the Independent Board Committee to advise you in connection with the Elite Rich Agreement, details of which are set out in the “Letter from the Board” in the circular dated 30 June 2007 (the “Circular”) of which this letter forms part. Defined terms used in this letter shall have the same meaning as given to them in the Circular unless the context otherwise requires.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to you to set out our opinion in respect of the Elite Rich Agreement. The Independent Board Committee was set up to advise you whether in its view the terms of the Elite Rich Agreement are in the interests of the Company and the Independent Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

CIMB-GK has been appointed by the Company to advise us and the Independent Shareholders as to whether the terms of the Elite Rich Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 44 to 50 of the Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 8 to 41 of the Circular and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Elite Rich Agreement and the advice of CIMB-GK, we consider that the terms of the Elite Rich Agreement are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned and that they are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the Special General Meeting attached to the Circular to approve the Elite Rich Agreement.

Yours faithfully,

For and on behalf of

Independent Board Committee

Chan Hing Chiu, Vincent

*Independent Non-executive
Director*

Chow Shiu Kee, Stephen

*Independent Non-executive
Director*

Lau Sai Yung

*Independent Non-executive
Director*

LETTER FROM CIMB-GK

The following is the full text of a letter of advice prepared by CIMB-GK to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this circular.



CIMB-GK Securities (HK) Limited

25th Floor, Central Tower
8 Queen's Road Central
Hong Kong

30 June 2007

*To the Independent Board Committee and the Independent Shareholders
of Road King Infrastructure Limited*

Dear Sirs,

CONNECTED TRANSACTION IN RELATION TO THE ELITE RICH AGREEMENT

We refer to our engagement as the independent financial adviser to the Independent Board Committee in relation to the arrangement contemplated under the Elite Rich Agreement, details of which are contained in a circular (the "Circular") to the Shareholders dated 30 June 2007, of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

On 23 January 2007, RKI (BJ) and Elite Rich entered into the Elite Rich Agreement pursuant to which Elite Rich, granted a right to RKI (BJ) so as Elite Rich, upon the receipt of a notice from RKI (BJ), will assign its portion of Loan 4 to RKI (BJ). On 26 May 2007, RKI (BJ) and Elite Rich entered into the Elite Rich Supplemental Agreement pursuant to which, in the event the Elite Rich Agreement is given to effect, instead of RKI (BJ) paying Elite Rich wholly in cash for the assignment of its portion of Loan 4 together with accrued and unpaid interest, RKI (BJ) will procure the transfer of a total of 364 existing Sunco A Shares to Elite Rich to satisfy RMB36,363,636 of the assignment price and pay the balance in cash. As Elite Rich is a wholly-owned subsidiary of Wai Kee, which in turn is the ultimate controlling shareholder of Road King, the arrangement contemplated under the Elite Rich Agreement constitutes a connected transaction for Road King and is subject to approval by the Independent Shareholders (being Shareholders other than Wai Kee and its associates) by a vote taken on a poll under the Listing Rules.

The Independent Board Committee comprising Messrs. Chan Hing Chiu, Vincent, Chow Shiu Kee, Stephen and Lau Sai Yung, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Elite Rich Agreement.

In formulating our recommendation, we have relied on the information and facts provided by the Directors and contained or referred to in the Circular. The Directors have declared in a responsibility

LETTER FROM CIMB-GK

statement set out in the appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular. We have assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were made and continue to be so at the date of the Special General Meeting to be held to approve the Elite Rich Agreement. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. The Directors have also confirmed that all material relevant information has been supplied to us and they believe that no material facts have been omitted from the information supplied and opinions expressed by them.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group, the Sunco A Group or the New Project Companies or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in relation to the arrangement contemplated under the Elite Rich Agreement, we have considered the following principal factors and reasons:

1. Background and reasons

The Group and its infrastructure joint ventures are principally engaged in the investment in, development, operation and management of toll roads and expressways and property development projects in the PRC.

As stated in its circular dated 5 December 2006 (the “Acquisition Circular”), to enable it to achieve a significant and critical mass and considerable scale of investment/participation in the property sector in the PRC, Road King (via its subsidiary) entered into a subscription agreement pursuant to which the Group, Wai Kee and Mr. Zhang (the “Subscribers”) agreed to subscribe for 49%, 5% and 1% respectively of the enlarged issued share capital of Sunco A for an aggregate consideration of approximately RMB500 million (equivalent to approximately RMB90,900 per Sunco A Share (the “Original Subscription Price”). As disclosed in the Acquisition Circular, the Original Subscription Price was determined, based on the Subscribers’ knowledge and experience with regard to the property development projects in the PRC, their perceived potentials to be generated from those property development projects and the independent valuation of the property interests held by Sunco A Group as at 30 September 2006 prepared by RHL Appraisal, after arm’s length negotiations between the parties. The subscription was completed in January 2007. The remaining 45% interest in Sunco A is currently owned as to 40% by Sunco China and 5% by Sunco Management. The Group was also granted the Outstanding Sunco A Options. Exercise of the Outstanding Sunco A Options in full will result in an increase in the Group’s interest in Sunco A to approximately 90.16%, before taking into account the arrangements under the Elite Rich Agreement and the Zhang Participation Agreement.

LETTER FROM CIMB-GK

As stated in the Letter from the Board of the Circular, after gaining more understanding of the Sunco A Group and the property market in the PRC through its participation in the management of Sunco A as a 49% shareholder, the Group decided, subject to Independent Shareholders' approval, to consolidate control of Sunco A by exercising the Outstanding Sunco A Options.

In November 2006, RKI (BJ) and Elite Rich provided Loan 4 of a total of RMB400 million to Sunco B as its general working capital. On 23 January 2007, RKI (BJ) and Elite Rich entered into the Elite Rich Agreement pursuant to which Elite Rich, granted a right to RKI (BJ) so as Elite Rich, upon the receipt of a notice from RKI (BJ), will assign its portion of Loan 4 to RKI (BJ). On 26 May 2007, RKI (BJ) and Elite Rich entered into the Elite Rich Supplemental Agreement pursuant to which, in the event the Elite Rich Agreement is given to effect, instead of RKI (BJ) paying Elite Rich wholly in cash for the assignment of Elite Rich's portion of Loan 4 together with the accrued and unpaid interest, RKI (BJ) will procure the transfer of a total of 364 existing Sunco A Shares to Elite Rich to satisfy RMB36,363,636 of the assignment price and pay the balance in cash. We note that upon completion of the Elite Rich Agreement, the interest of Wai Kee in Sunco A (assuming completion of the issue of shares pursuant to the exercise of the Outstanding Sunco A Options) will be restored to approximately 5.28%, a level similar to its existing holding of 5% in the existing issued share capital of Sunco A.

As stated in the Letter from the Board of the Circular, given Wai Kee's well-established network in the PRC as a result of its engagement in the construction, quarrying and biotechnology sectors in various cities in the PRC, namely Wuhan and Hanchuan of Hubei Province, Shengsi of Zhejiang Province, Wuxi of Jiangsu Province, Zhuhai of Guangdong Province, Hefei of Anhui Province, Shangzhou of Shaanxi Province and Jinzhong of Shanxi Province, the Directors considered that further investment by Elite Rich (at the same valuation as Road King) in circumstances where the dilution effect to Road King is not material, to be an affirmation of Road King's strategic decision to expand its property development business through the acquisition of Sunco A.

As advised by the Directors, Wai Kee is a founding shareholder of Road King and has been the controlling shareholder of Road King since its incorporation. Wai Kee has a history of over 30 years and its shares have been listed on the Stock Exchange since 1992. As disclosed in Wai Kee's annual report for the year ended 31 December 2006, the principal activities of Wai Kee and its subsidiaries are provision of civil construction services, quarrying and biotechnology business in Hong Kong and the PRC. Wai Kee also has an interest of approximately 37.81% in Road King. It has also expanded its civil construction activities to the PRC. In early 2007, Build King Holdings Limited, a company listed on the Stock Exchange and a subsidiary of Wai Kee, completed its first build-operate-transfer sewage project in Wuxi, Jiangsu Province, the PRC. Apart from the co-investment in Sunco A, Road King and Build King Holdings Limited have also partnered in a joint venture engaged in the business of property construction in the PRC. For the year ended 31 December 2006, Wai Kee recorded a turnover and profit attributable to shareholders of approximately HK\$678 million and HK\$265 million respectively. As at 31 December 2006, Wai Kee had consolidated total assets and net assets of approximately HK\$3,602 million and HK\$2,833 million respectively.

Having considered (i) Wai Kee's background and experience in civil construction; (ii) the interest of Wai Kee in making further investment in Sunco A, which affirms Road King's strategic

LETTER FROM CIMB-GK

decision to expand its property development business through the acquisition of Sunco A; and (iii) the fairness of the terms of the Elite Rich Agreement as analysed below, we concur with the Directors' view and consider that the terms of the Elite Rich Agreement are on normal commercial terms, fair and reasonable and in the interests of Road King and the Shareholders as a whole.

2. Principal terms of the Elite Rich Agreement

(i) *The Consideration*

Pursuant to the terms of the Elite Rich Supplemental Agreement, instead of paying Elite Rich wholly in cash for the assignment of its portion of Loan 4 (RMB36,363,636) together with all accrued and unpaid interest as contemplated under the Elite Rich Agreement, RKI (BJ) will, subject to completion of the exercise of the Sunco A Purchase Agreement, procure the transfer a total of 364 existing Sunco A Shares (the "Settlement Shares") to Elite Rich to satisfy RMB36,363,636 of the assignment price and pay the balance in cash, on completion of the exercise of the Sunco A Purchase Option, translating into a value of approximately HK\$100,000 per Sunco A Share (the "Share Transfer Price").

We note that the Share Transfer Price is the same as (i) the acquisition price per Sunco A Share (the "Acquisition Price") payable by RKI (BJ) under the Sunco A Purchase Option Agreement; and (ii) the subscription price per Sunco A Share (the "Subscription Price") payable by RKI (BJ) under the Sunco A Subscription Option Agreement; and is approximately 10% higher than the Original Subscription Price. As stated in the Letter from the Board in the Circular, the Acquisition Price and the Subscription Price were determined after arm's length negotiations between the parties back in January 2007 with reference to the estimated value of the underlying property assets held by the then Sunco A Group, which amount has not taken into account the value of properties which have yet to obtain the land use right certificates, and its net assets value as at 30 June 2006.

Given that the Sunco A Group, the New Project Companies and Shanghai Fangcheng are property development companies, we consider it appropriate to assess the fairness of the Share Transfer Price with reference to their underlying net asset value.

Based on the property valuation reports (the "Valuation Reports") prepared by RHL Appraisals as set out in Appendices VII and VIII to the Circular, the aggregate market value of the underlying property interests in existing state (the "Properties") held by the enlarged Sunco A Group that are yet to be sold and sold but yet to be handovered, and are granted with proper State-owned Land Use Rights Certificates as at 31 March 2007 was approximately RMB9,887 million (the "Appraised Value"). As noted in the reconciliation table set out in Appendix I of the Circular, after taking into account the movements of the Properties during the period from 1 January 2007 to 31 March 2007, the Appraised Value represents an increase in value of approximately RMB2,956 million over the aggregate of the value of the Properties of approximately RMB6,468 million incorporated in the net asset value of the enlarged Sunco A Group as at 31 December 2006 as mentioned above. Adjusting for such increase in value and corresponding implications on taxation as based on the Hong Kong Financial Reporting

LETTER FROM CIMB-GK

Standards issued by the Hong Kong Institute of Certified Public Accountants, the pro forma net asset value per Sunco A Share (the “Adjusted NAV Per Share”), based on 25,000 Sunco A Shares in issue assuming completion of the Sunco A Acquisitions, would be approximately RMB96,794 (approximately HK\$96,794).

We have discussed with RHL Appraisals about the property valuation and understand that it has adopted the direct comparison approach by making reference to comparable sales transactions as available in the relevant market and has taken into account the costs incurred and to be incurred to complete the development. We also understand that RHL Appraisals has valued the Properties on the basis that the Properties will be developed and completed in accordance with the latest development proposal of the Sunco A Group, the New Project Companies and Shanghai Fangcheng. Based on our discussion with RHL Appraisals, we are of the view that the valuation methodology adopted for preparation of the Valuation Reports is consistent with market practice.

Considering the fact that the Share Transfer Price is the same as the Acquisition Price and the Subscription Price and represents a premium of approximately 3.2% over the Adjusted NAV Per Share, which amount has not taken into account the value of properties held by the enlarged Sunco A Group which have yet to obtain the land use right certificates, we are of the view that the Share Transfer Price is fair and reasonable.

(ii) *Conditional on completion of the Sunco A Purchase Option*

Pursuant to the Elite Rich Supplemental Agreement, completion of arrangement under the Elite Rich Agreement is conditional upon completion of the exercise of the Sunco A Purchase Option but not vice versa. In other words, RKI (BJ) will only be required to procure the transfer of the Settlement Shares (being 364 Sunco A Shares) to Elite Rich if it is able to increase its holding in Sunco A by 3,184 Sunco A Shares pursuant to the exercise of the Sunco A Purchase Option, resulting in a net increase in holding of 2,820 Sunco A Shares, representing approximately 28.2% of the existing share capital of Sunco A.

Upon completion of the exercise of the Outstanding Sunco A Options but before taking into account the transfer of the Settlement Shares under the Elite Rich Supplemental Agreement and the transfer of 60 Shares to Mr. Zhang under the Zhang Participation Agreement, the interest of RKI (BJ) in Sunco A will increase from its existing holding of 4,900 Sunco A Shares (representing 49% of the existing issued share capital of Sunco A) to 22,539 Sunco A Shares (representing approximately 90.16% of the issued share capital of Sunco A as enlarged by the issue of shares pursuant to the Outstanding Sunco A Options). Taking only into account the transfer of the Settlement Shares to Elite Rich pursuant to the Elite Rich Supplemental Agreement, the interest of RKI (BJ) in Sunco A will slightly decrease by 364 Sunco A Shares (representing approximately 1.46% of the issued share capital of Sunco A as enlarged by the issue of shares pursuant to the Outstanding Sunco A Options).

Given the immaterial reduction in shareholding interest in Sunco A of 1.46% and the fact that Sunco A will become a non wholly-owned subsidiary of RKI (BJ) with or without taking into

LETTER FROM CIMB-GK

account the effect of the Elite Rich Supplemental Agreement, we consider that reduction in shareholding interest in Sunco A arising from the Elite Rich Agreement is acceptable and will not have a material effect on Road King's strategic decision to expand its property development business through the acquisition of Sunco A and to consolidate control of Sunco A.

3. Financial effects

(i) *Earnings*

As mentioned above, with or without taking into account the effect of the Elite Rich Agreement, upon completion of the Sunco A Acquisitions, Sunco A will become a non wholly-owned subsidiary of Road King. Accordingly, upon completion of the Sunco A Acquisitions, the results of Sunco A will be consolidated into that of the Group. The only effect on earnings as a result of completion of the Elite Rich Agreement will be a slight increase of approximately 1.46% in the profit or loss of Sunco A attributable to the minority shareholders (being shareholders other than Road King).

(ii) *Net assets*

As stated in the Letter from the Board of the Circular, given that the Sunco A Group recorded net liabilities as at 31 December 2006, which will not be shared by the minority interest, completion of the Elite Rich Agreement will have no material effect on the pro forma balance sheet and hence the net assets of the Enlarged Group prepared on the basis of completion of the Sunco A Acquisitions, the Elite Rich Agreement and the Zhang Participation Agreement.

(iii) *Working capital*

Given that pursuant to the Elite Rich Agreement, the consideration for the assignment of Elite Rich's portion of Loan 4 together with accrued and unpaid interest payable by Road King will mostly be settled by the transfer of the Settlement Shares instead of cash, Road King's working capital positive will be better off by approximately RMB36 million.

(iv) *Gearing*

There will be no immediate impact on the gearing (based on total debts over equity) of the Enlarged Group as a result of the Elite Rich Agreement.

Having considered the above analysis, we are of the view that the arrangement under the Elite Rich Agreement will not have a material impact on Road King's earnings, net assets and gearing but will have a positive effect on Road King's working capital position.

LETTER FROM CIMB-GK

RECOMMENDATION

Having considered the principal factors and reasons set out above, we consider that the terms of the Elite Rich Agreement are on normal commercial terms, fair and reasonable and in the interests of Road King and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Special General Meeting to approve the Elite Rich Agreement and the arrangement contemplated thereunder.

Yours faithfully,

For and on behalf of

CIMB-GK Securities (HK) Limited

Alex Lau

Heidi Cheng

Executive Vice President Senior Vice President

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****1. FINANCIAL STATEMENTS OF THE GROUP**

- (a) Set out below is the financial summary of the audited consolidated results of the Group for each of the five years ended 31 December 2006 as extracted from the annual report of the Group for the year ended 31 December 2006.

RESULTS

	For the year ended 31 December				
	2006	2005	2004	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>552,239</u>	<u>78,250</u>	<u>48,299</u>	<u>119,344</u>	<u>163,740</u>
Sales of completed properties held for sale	505,501	—	—	—	—
Sales of ginseng	<u>38,167</u>	<u>37,286</u>	<u>44,550</u>	<u>104,656</u>	<u>119,088</u>
	543,668	37,286	44,550	104,656	119,088
Cost of sales	<u>(394,044)</u>	<u>(79,583)</u>	<u>(46,754)</u>	<u>(96,511)</u>	<u>(75,935)</u>
Gross profit (loss)	149,624	(42,297)	(2,204)	8,145	43,153
Minimum income undertakings	8,571	40,964	3,749	14,688	44,652
Impairment loss on goodwill	—	(1,343)	—	—	—
Net income recognised in respect of goodwill and discount on acquisition	174,016	—	12,023	6,823	20,768
Interest and other income	140,649	38,308	26,764	19,080	20,198
Allowance for doubtful receivables	—	—	—	—	(25,000)
Change in fair value of inventories	—	(20,480)	(9,980)	37,948	23,722
Selling expenses	(21,003)	(2,798)	—	—	—
Operating expenses	(146,947)	(107,385)	(80,285)	(82,967)	(95,382)
Share of results of joint ventures	586,844	596,428	509,819	396,376	385,521
Finance costs	<u>(123,972)</u>	<u>(112,945)</u>	<u>(102,604)</u>	<u>(65,933)</u>	<u>(80,615)</u>
Profit before taxation	767,782	388,452	357,282	334,160	337,017
Taxation	<u>(66,059)</u>	<u>27,649</u>	<u>8,117</u>	<u>(7,389)</u>	<u>(5,182)</u>
Profit for the year	<u>701,723</u>	<u>416,101</u>	<u>365,399</u>	<u>326,771</u>	<u>331,835</u>
Attributable to:					
Shareholders of the Company	705,076	428,300	368,803	322,665	320,686
Minority interests	<u>(3,353)</u>	<u>(12,199)</u>	<u>(3,404)</u>	<u>4,106</u>	<u>11,149</u>
	<u>701,723</u>	<u>416,101</u>	<u>365,399</u>	<u>326,771</u>	<u>331,835</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

ASSETS AND LIABILITIES

	As at 31 December				
	2006	2005	2004	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	10,961,828	7,340,774	7,004,215	5,855,166	5,745,280
Total liabilities	(4,184,260)	(2,074,281)	(1,990,324)	(1,080,879)	(1,210,633)
	<u>6,777,568</u>	<u>5,266,493</u>	<u>5,013,891</u>	<u>4,774,287</u>	<u>4,534,647</u>
Attributable to:					
Equity holders of the Company	6,777,568	5,231,278	4,968,113	4,729,000	4,447,842
Minority interests	<u>—</u>	<u>35,215</u>	<u>45,778</u>	<u>45,287</u>	<u>86,805</u>
	<u>6,777,568</u>	<u>5,266,493</u>	<u>5,013,891</u>	<u>4,774,287</u>	<u>4,534,647</u>

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

- (b) Set out below is the summary of the audited consolidated financial statements of the Group as contained in the annual report of the Company for the year ended 31 December 2006, together with the accompanying notes. The audited financial statements of the Group for the year ended 31 December, 2006 did not carry qualification.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	NOTES	Continuing operations		Discontinued operation		Total	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Revenue	6	<u>514,072</u>	<u>40,964</u>	<u>38,167</u>	<u>37,286</u>	<u>552,239</u>	<u>78,250</u>
Sales of completed properties held for sale		505,501	—	—	—	505,501	—
Sales of ginseng		—	—	38,167	37,286	38,167	37,286
		505,501	—	38,167	37,286	543,668	37,286
Cost of sales		<u>(354,649)</u>	<u>—</u>	<u>(39,395)</u>	<u>(79,583)</u>	<u>(394,044)</u>	<u>(79,583)</u>
Gross profit (loss)		150,852	—	(1,228)	(42,297)	149,624	(42,297)
Minimum income undertakings		8,571	40,964	—	—	8,571	40,964
Impairment loss on goodwill		—	(1,343)	—	—	—	(1,343)
Discount on acquisition of subsidiary/deemed acquisition of additional interest in subsidiary	15	163,410	—	10,606	—	174,016	—
Interest income		38,234	8,240	8	8	38,242	8,248
Other income (expenses)		101,935	32,565	472	(2,505)	102,407	30,060
Change in fair value of inventories at the point of harvest	23	—	—	—	(20,480)	—	(20,480)
Selling expenses		(21,003)	(2,798)	—	—	(21,003)	(2,798)
Operating expenses		(142,464)	(96,704)	(4,483)	(10,681)	(146,947)	(107,385)
Share of results of joint ventures	8	586,844	596,428	—	—	586,844	596,428
Finance costs	9	<u>(121,927)</u>	<u>(110,736)</u>	<u>(2,045)</u>	<u>(2,209)</u>	<u>(123,972)</u>	<u>(112,945)</u>
Profit (loss) before taxation	10	764,452	466,616	3,330	(78,164)	767,782	388,452
Income tax (expense) credit	12	<u>(57,464)</u>	<u>—</u>	<u>(8,595)</u>	<u>27,649</u>	<u>(66,059)</u>	<u>27,649</u>
Profit (loss) for the year		<u>706,988</u>	<u>466,616</u>	<u>(5,265)</u>	<u>(50,515)</u>	<u>701,723</u>	<u>416,101</u>
Attributable to:							
Shareholders of the Company		706,988	466,616	(1,912)	(38,316)	705,076	428,300
Minority interests		—	—	(3,353)	(12,199)	(3,353)	(12,199)
		<u>706,988</u>	<u>466,616</u>	<u>(5,265)</u>	<u>(50,515)</u>	<u>701,723</u>	<u>416,101</u>
Dividends paid	13	<u>288,964</u>	<u>206,193</u>	<u>81,072</u>	<u>—</u>	<u>370,036</u>	<u>206,193</u>
Earnings per share	14						
From continuing and discontinued operations							
— Basic						HK\$1.16	HK\$0.73
— Diluted						<u>HK\$1.14</u>	<u>HK\$0.73</u>
From continuing operations							
— Basic						HK\$1.16	HK\$0.79
— Diluted						<u>HK\$1.14</u>	<u>HK\$0.79</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****CONSOLIDATED BALANCE SHEET***At 31 December 2006*

		2006	2005
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	17	9,724	49,964
Interests in joint ventures	18	5,073,408	5,209,485
Loan to a joint venture	18	13,408	13,706
Loans to related companies	19	54,700	—
Deferred tax assets	30	9,576	12,243
Deferred consideration — due after one year	34	<u>31,484</u>	<u>—</u>
		<u>5,192,300</u>	<u>5,285,398</u>
Current assets			
Properties under development for sale	21	2,444,729	429,494
Completed properties held for sale		452,230	—
Advances for land leases	22	458,758	849,329
Inventories and ginseng crops	23	—	173,554
Debtors, deposits and prepayments	24	1,276,419	166,735
Derivative financial instruments	25	—	4,836
Pledged deposits	26	24,018	—
Bank balances and cash	26	<u>1,113,374</u>	<u>421,192</u>
		<u>5,769,528</u>	<u>2,045,140</u>
Non-current assets held for sale	17	<u>—</u>	<u>10,236</u>
		<u>5,769,528</u>	<u>2,055,376</u>
Total assets		<u><u>10,961,828</u></u>	<u><u>7,340,774</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2006	2005
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	27	69,008	59,090
Reserves		<u>6,708,560</u>	<u>5,172,188</u>
		6,777,568	5,231,278
Minority interests		<u>—</u>	<u>35,215</u>
Total equity		<u>6,777,568</u>	<u>5,266,493</u>
Non-current liabilities			
Bank and other borrowings — due after one year	29	1,559,029	1,561,916
Deferred tax liabilities	30	<u>5,885</u>	<u>—</u>
		<u>1,564,914</u>	<u>1,561,916</u>
Current liabilities			
Creditors and accrued charges	31	615,823	81,597
Deposits from pre-sale of properties		383,494	66,196
Income tax payable		37,874	2,184
Bank and other borrowings — due within one year	29	<u>1,582,155</u>	<u>362,388</u>
		<u>2,619,346</u>	<u>512,365</u>
Total equity and liabilities		<u><u>10,961,828</u></u>	<u><u>7,340,774</u></u>

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Attributable to shareholders of the Company								
	Share capital	Share premium	Translation reserve	Special reserve	Share option reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2005	58,612	1,542,547	40,178	1,260,000	—	2,074,269	4,975,606	45,778	5,021,384
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	5,076	—	—	—	5,076	1,636	6,712
Profit for the year	—	—	—	—	—	428,300	428,300	(12,199)	416,101
Total recognised income and expense for the year	—	—	5,076	—	—	428,300	433,376	(10,563)	422,813
Recognition of equity-settled share based payments	—	—	—	—	3,611	—	3,611	—	3,611
Issue of ordinary shares	478	24,400	—	—	—	—	24,878	—	24,878
Dividends	—	—	—	—	—	(206,193)	(206,193)	—	(206,193)
Balance at 31 December 2005	59,090	1,566,947	45,254	1,260,000	3,611	2,296,376	5,231,278	35,215	5,266,493
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	253,353	—	—	—	253,353	1,713	255,066
Profit for the year	—	—	—	—	—	705,076	705,076	(3,353)	701,723
Total recognised income and expense for the year	—	—	253,353	—	—	705,076	958,429	(1,640)	956,789
Recognition of equity-settled share based payments	—	—	—	—	34,408	—	34,408	—	34,408
Exercise of preference shares of a subsidiary	—	—	—	—	—	—	—	(10,606)	(10,606)
Placement of new shares	8,000	868,800	—	—	—	—	876,800	—	876,800
Expense incurred in relation to the placement of new shares	—	(18,369)	—	—	—	—	(18,369)	—	(18,369)
Issue of ordinary shares upon exercise of share options	1,918	104,025	—	—	—	—	105,943	—	105,943
Transfer upon exercise of share options	—	1,224	—	—	(1,224)	—	—	—	—
Dividends	—	—	—	—	—	(288,964)	(288,964)	—	(288,964)
Distribution in specie	—	—	(40,885)	—	—	(81,072)	(121,957)	(22,969)	(144,926)
Balance at 31 December 2006	69,008	2,522,627	257,722	1,260,000	36,795	2,631,416	6,777,568	—	6,777,568

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****CONSOLIDATED CASH FLOW STATEMENT***For the year ended 31 December 2006*

	<i>NOTE</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Operating activities			
Profit before taxation		767,782	388,452
Adjustments for:			
Depreciation of property, plant and equipment		1,652	2,389
Write-down of inventories		1,599	26,021
Write-down of ginseng crops		—	17,363
Interest income		(38,242)	(8,248)
Finance costs		123,972	112,945
Share-based payments		34,408	3,611
Exchange gain		(53,194)	—
Impairment loss on goodwill		—	1,343
Discount on acquisition of subsidiary/deemed acquisition of additional interest in subsidiary		(174,016)	—
Gain on disposal of interest in an infrastructure joint venture	34	(5,140)	(252)
Impairment loss on non-current assets held for sale		—	1,578
Change in fair value of inventories at the point of harvest		—	20,480
Change in fair value of derivative financial instruments		14	(7,800)
Realised gain on disposal of listed equity securities		(1,464)	—
Realised gain on derivative financial instruments		(672)	(2,655)
Share of results of joint ventures		(586,844)	(596,428)
Gain on disposal of property, plant and equipment		<u>(29)</u>	<u>(63)</u>
Operating cash flows before movements in working capital		69,826	(41,264)
Decrease (increase) in inventories and ginseng crops		3,493	(21,015)
(Increase) decrease in debtors, deposits and prepayments		(8,535)	7,699
Increase in properties under development for sale		(323,852)	(172,930)
Decrease in completed properties held for sale		336,578	—
Deposits from presale of properties		49,670	—
(Decrease) increase in creditors and accrued charges		<u>(744,273)</u>	<u>83,398</u>
Cash used in operations		(617,093)	(144,112)
Income tax paid		<u>(15,889)</u>	<u>—</u>
Net cash used in operating activities		<u>(632,982)</u>	<u>(144,112)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

		2006	2005
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investing activities			
Interest received		32,696	10,180
Dividends received from infrastructure joint ventures		222,131	230,596
Proceeds on sales of listed securities		31,434	—
Proceeds on redemption of available-for-sale investments		—	7,800
Proceeds on disposal of derivative financial instruments		34,822	61,630
Proceeds on disposal of property, plant and equipment		156	178
Proceeds on disposal of non-current assets held for sale		10,236	—
Proceeds on disposal of interest in an infrastructure joint venture	34	52,381	74,490
Loans to potential acquirees		(802,153)	—
Acquisition of a subsidiary	32	(326,499)	—
Disposal of subsidiaries	33	(1,885)	—
Purchases of property, plant and equipment		(4,778)	(5,309)
Increase in advances for land leases		(277,746)	(825,811)
Purchases of derivative financial instruments		(59,298)	(59,442)
Loans to related company		(7,422)	—
Additional investments in joint ventures		—	(755,675)
Reduction of cost of investments in infrastructure joint ventures		622,796	542,767
(Increase) decrease in pledged deposits		<u>(851)</u>	<u>44,223</u>
Net cash used in investing activities		<u>(473,980)</u>	<u>(674,373)</u>
Financing activities			
New borrowings raised		1,496,515	449,665
Repayment of borrowings		(248,523)	(438,906)
Issue of ordinary shares		982,743	24,878
Expenses incurred in connection with the issue of ordinary shares		(18,369)	—
Interest paid		(137,534)	(114,676)
Dividends paid		<u>(288,964)</u>	<u>(206,193)</u>
Net cash from (used in) financing activities		<u>1,785,868</u>	<u>(285,232)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Net increase (decrease) in cash and cash equivalents	678,906	(1,103,717)
Cash and cash equivalents at beginning of the year	421,192	1,524,891
Effect of foreign exchange rate changes	<u>13,276</u>	<u>18</u>
Cash and cash equivalents at end of the year	<u><u>1,113,374</u></u>	<u><u>421,192</u></u>
Represented by:		
Bank balances and cash	<u><u>1,113,374</u></u>	<u><u>421,192</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. GENERAL

The Company is an exempted company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda and principal place of business of the Company is Suite 501, 5/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the subsidiaries, and joint ventures are investment holding and the investment in, development, operation and management of toll roads and expressways and operating property development business in the People’s Republic of China (the “PRC”).

During the year, the Group discontinued its operation of farming and trading of North American ginseng products.

The functional currency of the Company and the Group’s jointly controlled entities and its major subsidiaries is Renminbi (“RMB”). However, the financial statements of the Group are presented in Hong Kong dollars as the Directors consider this presentation is more useful for its current and potential investors.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new HKFRSs has had no material effect on how the results and financial position for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company is still not yet in the position to reasonably estimate the impact that may arise on the Group’s results and financial position from the application of these standards, amendment or interpretations.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ⁷
HK(IFRIC) - INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) - INT 8	Scope of HKFRS 2 ³
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC) - INT 11	HKFRS 2 — Group and Treasury Share Transactions ⁶
HK(IFRIC) - INT 12	Service Concession Arrangements ⁸

1 Effective for annual periods beginning on or after 1 January 2007.

2 Effective for annual periods beginning on or after 1 March 2006.

3 Effective for annual periods beginning on or after 1 May 2006.

4 Effective for annual periods beginning on or after 1 June 2006.

5 Effective for annual periods beginning on or after 1 November 2006.

6 Effective for annual periods beginning on or after 1 March 2007.

7 Effective for annual periods beginning on or after 1 January 2009.

8 Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Net assets and goodwill of subsidiaries transferred to shareholders by way of dividend in kind (“dividend in species”) are recorded at carrying amount in the consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group’s equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority interests in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Acquisition of additional interests in subsidiaries is recorded at the book value of the net assets attributable to the interests. The excess of the carrying amounts of net assets attributable to the interests over the cost of acquisition is recognised as discount on acquisition.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of properties

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as "Deposits from pre-sale of properties" under current liabilities.

Others

Minimum income undertakings from jointly controlled entities, represented the shortfall between the Group's share of the result of the jointly controlled entities and the guaranteed income compensated by the joint venture partners, are recognised when receivable in accordance with the joint venture agreements.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Toll highway operation rights

Depreciation of toll highway operation rights of the Group's infrastructure joint ventures is provided to write off their cost on a units-of-usage basis whereby depreciation is provided based on the ratio of traffic volume for a particular year over the projected total traffic volume throughout the operating years of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustments will be made should there be a material change.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Joint venture

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. In particular, joint venture arrangements which involve the establishment of a separate entity in which the Group and other ventures have joint control over the investment in and development, operation and management of toll roads and expressways and in which each ventures has an interest are referred to as infrastructure joint ventures.

The Group's infrastructure joint ventures are Sino-foreign co-operative joint ventures registered in the PRC in respect of which the partners' cash/profit sharing ratios and the share of net assets upon the expiration of the joint venture periods are predetermined in accordance with the joint venture agreements and may not be in proportion to their capital contribution ratios.

Where the Group's interest in the joint venture is such that it establishes joint control over the economic activity of the joint venture with other ventures, the Group's interest in the joint ventures are accounted for under equity method of accounting and are carried at cost plus its share of post-acquisition changes in the Group's share of the profit or loss and of change in equity of the jointly controlled entities, in accordance with the defined cash/profit sharing ratios less any identified impairment loss and borrowing costs capitalised in accordance with the Group's accounting policy. Borrowing costs capitalised will be amortised from the date of the opening of the relevant highways and expressways over the remaining terms of the relevant joint ventures or where shorter, the useful lives of relevant highways and expressways.

When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Goodwill arising on acquisitions on or after 1 January 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Properties under development for sale

Properties under development for sale are included in current assets at the lower of cost and net realisable value. Cost of property in the course of development comprises land costs, construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing expenses.

Completed properties held for sale

Completed properties held for sale are included in current assets at the lower of cost and net realisable value. Cost of property comprises land costs, construction expenditure, borrowing cost directly attributable to construction of such properties and other direct costs. Net realisable value is based on the estimated selling price in the ordinary course of business as determined by the management with reference to the prevailing market conditions, less the estimated costs necessary to make the sale.

Inventories and ginseng crops

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Given the uncertainty in the process of producing ginseng crops and the lack of a market for immature ginseng, the ginseng crops are stated at cost less impairment until the time of harvest. The Company uses the full absorption costing method to value its ginseng crops. Included in crop costs are seeds, labour, applicable overheads and supplies. Costs are allocated each year based on the total number of acres under cultivation during the year.

At the point of harvest, ginseng crops are stated at their fair value less estimated point-of-sale costs. The gain or loss arising from a change in fair value less estimated point-of-sale costs at the point of harvest is included in the profit or loss for the year in which it arises.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All the other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged to the income statement as they fall due.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loan to a joint venture and related companies, debtors, deposits, pledged deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual agreements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities (including creditors, accrued charges and bank and other borrowings) are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's consolidated balance sheet when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

Share-based payment transactions

For share options granted to directors and employee of the Company, the fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

4. FINANCIAL INSTRUMENTS**4a. Financial risk management objectives and policies**

The Group's major financial instruments include debtors, deposits, pledged bank deposits and bank balances, creditors and bank and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's credit risk is primarily attributable to the minimum income undertakings due from several PRC joint venture partners, loan to a joint venture, loans to related companies, deferred consideration and the receivable on the sales of properties. Management has closely monitored the overdue debts. In addition, the Group reviews the recoverable amount of the minimum income undertakings at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank deposits is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

*Market risk**Fair value interest rate risk*

The Group's fair value interest rate risk relates primarily to fixed-rate guaranteed notes. Details of the Group's interest rate exposure are disclosed in note 29.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates to bank deposits and bank loans with floating interest rate. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise.

Currency risk

Several subsidiaries of the Company have foreign currency borrowings, which expose the Group to foreign currency risk. Details of the Group's currency risk are disclosed in note 29.

4b. Fair value

The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Depreciation of toll highway operation rights

Depreciation of toll highway operation rights of the Group's infrastructure joint venture is provided to write off their cost on a units-of-usage basis whereby depreciation is provided based on the share of traffic volume for a particular year over projected total traffic volume throughout the operating years of the respective toll road. If it is considered appropriate, independent professional traffic studies will be obtained. These projections require the use of judgments and estimates.

Land appreciation tax ("LAT")

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from transfer of real estate property in the PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and all property development expenditures.

The provision of LAT is estimated and made according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects.

6. REVENUE

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Continuing operations		
Minimum income undertakings	8,571	40,964
Sales of completed properties held for sale	<u>505,501</u>	<u>—</u>
	<u>514,072</u>	<u>40,964</u>
Discontinued operation		
Farming and trading of ginseng goods	<u>38,167</u>	<u>37,286</u>
Total revenue of the Group	<u><u>552,239</u></u>	<u><u>78,250</u></u>
Share of toll revenue of infrastructure joint ventures	<u><u>1,186,650</u></u>	<u><u>1,186,528</u></u>
Revenue of the Group and share of revenue of infrastructure joint ventures	<u><u>1,738,889</u></u>	<u><u>1,264,778</u></u>

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7. SEGMENTAL INFORMATION

The Group's revenue and profit for the year ended 31 December 2006 by business activities and geographical markets are as follows:

By business segments:

	Continuing operations				Discontinued operation	
	Toll road	Property development	Unallocated	Total	Ginseng	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2006						
Revenue	<u>8,571</u>	<u>505,501</u>	<u>—</u>	<u>514,072</u>	<u>38,167</u>	<u>552,239</u>
Segment result	(7,598)	114,605	—	107,007	(5,239)	101,768
Discount on acquisition of subsidiary/deemed acquisition of additional interest in subsidiary	—	163,410	—	163,410	10,606	174,016
Interest income	—	—	38,242	38,242	—	38,242
Corporate income	—	—	88,061	88,061	—	88,061
Corporate expenses	—	—	(97,177)	(97,177)	—	(97,177)
Share of results of joint ventures	587,142	(298)	—	586,844	—	586,844
Finance costs	<u>—</u>	<u>—</u>	<u>(123,972)</u>	<u>(123,972)</u>	<u>—</u>	<u>(123,972)</u>
Profit before taxation	579,544	277,717	(94,846)	762,415	5,367	767,782
Income tax expense	<u>—</u>	<u>—</u>	<u>(66,059)</u>	<u>(66,059)</u>	<u>—</u>	<u>(66,059)</u>
Profit for the year	<u>579,544</u>	<u>277,717</u>	<u>(160,905)</u>	<u>696,356</u>	<u>5,367</u>	<u>701,723</u>
Consolidated Balance Sheet						
Assets						
Segment assets	184,889	4,470,188	—	4,655,077	—	4,655,077
Interests in joint ventures	5,073,408	—	—	5,073,408	—	5,073,408
Loan to a joint venture	—	13,408	—	13,408	—	13,408
Unallocated corporate assets	<u>—</u>	<u>—</u>	<u>1,219,935</u>	<u>1,219,935</u>	<u>—</u>	<u>1,219,935</u>
Total assets	<u>5,258,297</u>	<u>4,483,596</u>	<u>1,219,935</u>	<u>10,961,828</u>	<u>—</u>	<u>10,961,828</u>
Liabilities						
Segment liabilities	11,534	949,544	—	961,078	—	961,078
Unallocated corporate liabilities	<u>—</u>	<u>—</u>	<u>3,223,182</u>	<u>3,223,182</u>	<u>—</u>	<u>3,223,182</u>
Total liabilities	<u>11,534</u>	<u>949,544</u>	<u>3,223,182</u>	<u>4,184,260</u>	<u>—</u>	<u>4,184,260</u>
Other information						
Capital additions	134	2,852	355	3,341	1,437	4,778
Depreciation and amortisation	346	152	1,061	1,559	93	1,652
Other non-cash expenses	<u>6,854</u>	<u>—</u>	<u>3,361</u>	<u>10,215</u>	<u>1,599</u>	<u>11,814</u>

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	Continuing operations				Discontinued operation	
	Toll road	Property development	Unallocated	Total	Ginseng	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2005						
Revenue	40,964	—	—	40,964	37,286	78,250
Segment result	30,435	(10,608)	—	19,827	(75,963)	(56,136)
Impairment loss on goodwill	(1,343)	—	—	(1,343)	—	(1,343)
Interest income	—	—	8,248	8,248	—	8,248
Corporate income	—	—	11,842	11,842	—	11,842
Corporate expenses	—	—	(57,642)	(57,642)	—	(57,642)
Share of results of joint ventures	596,859	(431)	—	596,428	—	596,428
Finance costs	—	—	(112,945)	(112,945)	—	(112,945)
Profit before taxation	625,951	(11,039)	(150,497)	464,415	(75,963)	388,452
Income tax credit	—	—	27,649	27,649	—	27,649
Profit for the year	625,951	(11,039)	(122,848)	492,064	(75,963)	416,101
Consolidated Balance Sheet						
Assets						
Segment assets	138,805	1,294,677	—	1,433,482	228,376	1,661,858
Interests in joint ventures	5,209,485	—	—	5,209,485	—	5,209,485
Loan to a joint venture	—	13,706	—	13,706	—	13,706
Unallocated corporate assets	—	—	455,725	455,725	—	455,725
Total assets	5,348,290	1,308,383	455,725	7,112,398	228,376	7,340,774
Liabilities						
Segment liabilities	5,814	78,505	—	84,319	62,773	147,092
Unallocated corporate liabilities	—	—	1,927,189	1,927,189	—	1,927,189
Total liabilities	5,814	78,505	1,927,189	2,011,508	62,773	2,074,281
Other information						
Capital additions	206	1,975	666	2,847	2,462	5,309
Depreciation and amortisation	425	174	1,487	2,086	303	2,389
Impairment loss on goodwill	1,343	—	—	1,343	—	1,343
Other non-cash expenses	9,369	—	3,262	12,631	43,384	56,015

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By geographical segments:

	Continuing operations			Discontinued operation			Consolidated
	Hong Kong HK\$'000	PRC HK\$'000	Total HK\$'000	Hong Kong HK\$'000	Overseas* HK\$'000	Total HK\$'000	
2006							
Revenue	<u>—</u>	<u>514,072</u>	<u>514,072</u>	<u>31,469</u>	<u>6,698</u>	<u>38,167</u>	<u>552,239</u>
Segment result	<u>—</u>	<u>107,007</u>	<u>107,007</u>	<u>(230)</u>	<u>(5,009)</u>	<u>(5,239)</u>	<u>101,768</u>
Carrying amount of segment assets							
Segment assets	443,185	5,422,251	5,865,436	—	—	—	5,865,436
Interests in joint ventures	—	5,073,408	5,073,408	—	—	—	5,073,408
Loan to a joint venture	<u>—</u>	<u>13,408</u>	<u>13,408</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,408</u>
Total segment assets	<u>443,185</u>	<u>10,509,067</u>	<u>10,952,252</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,952,252</u>
Other information							
Capital additions	<u>355</u>	<u>2,986</u>	<u>3,341</u>	<u>—</u>	<u>1,437</u>	<u>1,437</u>	<u>4,778</u>
2005							
Revenue	<u>—</u>	<u>40,964</u>	<u>40,964</u>	<u>29,569</u>	<u>7,717</u>	<u>37,286</u>	<u>78,250</u>
Segment result	<u>—</u>	<u>19,827</u>	<u>19,827</u>	<u>(944)</u>	<u>(75,019)</u>	<u>(75,963)</u>	<u>(56,136)</u>
Carrying amount of segment assets							
Segment assets	162,164	1,714,485	1,876,649	462	228,229	228,691	2,105,340
Interests in joint ventures	—	5,209,485	5,209,485	—	—	—	5,209,485
Loan to a joint venture	<u>—</u>	<u>13,706</u>	<u>13,706</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,706</u>
Total segment assets	<u>162,164</u>	<u>6,937,676</u>	<u>7,099,840</u>	<u>462</u>	<u>228,229</u>	<u>228,691</u>	<u>7,328,531</u>
Other information							
Capital additions	<u>721</u>	<u>2,126</u>	<u>2,847</u>	<u>2</u>	<u>2,460</u>	<u>2,462</u>	<u>5,309</u>

* Overseas segments mainly include Canada.

The revenue and segment result are classified according to the location of market, and the assets are classified according to the location of assets.

8. SHARE OF RESULTS OF JOINT VENTURES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Continuing operations		
Share of post-acquisition profits of infrastructure joint ventures before depreciation and taxation	894,988	884,732
Less: depreciation of toll highway operation rights	(250,618)	(237,460)
Less: current tax	(49,728)	(42,734)
Less: deferred taxation	<u>(7,500)</u>	<u>(7,679)</u>
	587,142	596,859
Share of post-acquisition loss of a property construction joint venture	<u>(298)</u>	<u>(431)</u>
	<u>586,844</u>	<u>596,428</u>

The current tax amount represents the share of PRC income tax attributable to the PRC infrastructure joint ventures.

Deferred tax has been provided for temporary differences between the carrying amount of toll highway operation rights and the corresponding tax base used in the computation of taxable profits for the PRC infrastructure joint ventures.

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9. FINANCE COSTS

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Continuing operations		
Interest on:		
Borrowings wholly repayable within five years	136,610	7,685
Borrowings not wholly repayable within five years	<u>—</u>	<u>97,378</u>
Total borrowing costs	136,610	105,063
Amortisation of capitalised borrowing costs on financing the construction of the joint ventures' toll highways and expressways (note 20)	6,854	6,593
Other finance costs	<u>4,790</u>	<u>8,138</u>
	148,254	119,794
Less: amount capitalised in properties under development for sale	<u>(26,327)</u>	<u>(9,058)</u>
	<u>121,927</u>	<u>110,736</u>
Discontinued operation		
Interest on:		
Borrowings wholly repayable within five years	2,110	2,251
Less: amount capitalised	<u>(65)</u>	<u>(42)</u>
	<u>2,045</u>	<u>2,209</u>
	<u>123,972</u>	<u>112,945</u>

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10. PROFIT (LOSS) BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2006	2005	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging:						
Depreciation of property, plant and equipment	2,332	2,383	5,094	7,296	7,426	9,679
Less: capitalised in inventories and ginseng crops	—	—	(5,001)	(6,993)	(5,001)	(6,993)
Less: capitalised in properties under development for sale	(773)	(297)	—	—	(773)	(297)
	<u>1,559</u>	<u>2,086</u>	<u>93</u>	<u>303</u>	<u>1,652</u>	<u>2,389</u>
Operating lease rentals in respect of leasehold land, premises and equipment	3,853	3,594	4,889	6,559	8,742	10,153
Less: capitalised in inventories and ginseng crops	—	—	(4,715)	(6,333)	(4,715)	(6,333)
Less: capitalised in properties under development for sale	(673)	(617)	—	—	(673)	(617)
	<u>3,180</u>	<u>2,977</u>	<u>174</u>	<u>226</u>	<u>3,354</u>	<u>3,203</u>
Auditors' remuneration	2,505	1,845	—	—	2,505	1,845
Cost of inventories recognised as an expense	336,578	—	37,796	36,199	374,374	36,199
Impairment loss on non-current assets held for sale	—	—	—	1,578	—	1,578
Share-based payments	34,408	3,611	—	—	34,408	3,611
Write-down of inventories	—	—	1,599	26,021	1,599	26,021
Write-down of ginseng crops	—	—	—	17,363	—	17,363
Staff costs (excluding directors' emoluments)	77,370	51,583	16,028	30,685	93,398	82,268
Provident fund scheme contributions, net of forfeited contributions of HK\$86,000 (2005: HK\$169,000) (excluding directors' contribution)	1,989	1,624	14	17	2,003	1,641
Less: capitalised in inventories and ginseng crops	—	—	(12,791)	(25,798)	(12,791)	(25,798)
Less: capitalised in properties under development for sale	(10,383)	(4,922)	—	—	(10,383)	(4,922)
Total staff costs (excluding directors' emoluments)	<u>68,976</u>	<u>48,285</u>	<u>3,251</u>	<u>4,904</u>	<u>72,227</u>	<u>53,189</u>

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	Continuing operations		Discontinued operation		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
and after crediting:						
Gain on disposal of interest in an infrastructure joint venture (note 34)	5,140	252	—	—	5,140	252
(Loss) gain on disposal of property, plant and equipment	(17)	19	46	44	29	63
Realised gain on disposal of listed equity securities	1,464	—	—	—	1,464	—
Change in fair value on derivative financial instruments	—	7,800	—	—	—	7,800
Realised gain on derivative financial instruments	672	2,655	—	—	672	2,655
Net exchange gain (loss)	<u>85,745</u>	<u>16,448</u>	<u>381</u>	<u>(2,559)</u>	<u>86,126</u>	<u>13,889</u>

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' Emoluments

	Directors' fees	Salaries and allowances	Bonus	Retirement scheme contributions	Other benefits	2006 Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Note)	
Executive Directors						
Zen Wei Pao, William	20	3,256	—	12	4,448	7,736
Ko Yuk Bing	—	3,456	7,050	346	4,092	14,944
Chan Kam Hung	—	2,149	2,468	178	3,202	7,997
Fong Shiu Leung, Keter	—	1,707	1,410	171	2,491	5,779
Zen Wei Peu, Derek	—	956	—	12	2,313	3,281
Non-executive Directors						
Hu Aimin	165	—	—	—	445	610
Zhang Yijun	165	—	—	—	445	610
Independent Non-executive Directors						
Chan Hing Chiu, Vincent	265	—	—	—	445	710
Chow Shiu Kee, Stephen	265	—	—	—	445	710
Lau Sai Yung	265	—	—	—	445	710
	<u>1,145</u>	<u>11,524</u>	<u>10,928</u>	<u>719</u>	<u>18,771</u>	<u>43,087</u>

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	Directors' fees	Salaries and allowances	Bonus	Retirement scheme contributions	Other benefits	2005 Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors						
Zen Wei Pao, William	20	3,053	—	12	584	3,669
Ko Yuk Bing	—	3,344	4,116	334	537	8,331
Chan Kam Hung	—	1,920	1,408	130	420	3,878
Fong Shiu Leung, Keter	—	1,167	376	101	327	1,971
Zen Wei Peu, Derek	—	907	—	12	304	1,223
Non-executive Directors						
Hu Aimin	165	—	—	—	58	223
Zhang Yijun	165	—	—	—	58	223
Independent Non-executive Directors						
Chan Hing Chiu, Vincent	265	—	—	—	58	323
Chow Shiu Kee, Stephen	265	—	—	—	58	323
Lau Sai Yung	265	—	—	—	58	323
	<u>1,145</u>	<u>10,391</u>	<u>5,900</u>	<u>589</u>	<u>2,462</u>	<u>20,487</u>

Note: Other benefits mainly include share-based payments.

Employees' Emoluments

During the year, the five highest paid individuals included five (2005: three) directors, details of whose emoluments were set out above. The emoluments of the remaining two highest paid individuals in 2005 were as follows:

	2006 HK\$'000	2005 HK\$'000
Salaries and allowances	—	2,906
Bonus	—	359
Retirement scheme contributions	—	213
Contractual severance payment	—	4,230
Other benefits (Note)	—	41
	<u>—</u>	<u>7,749</u>

The emoluments were paid to the employees within the following bands:

	2006	2005
	<i>Number of employees</i>	<i>Number of employees</i>
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$5,500,001 to HK\$6,000,000	—	1
	<u>—</u>	<u>1</u>
	<u>—</u>	<u>2</u>

Note: Other benefits represent share-based payments recognised in consolidated income statement during the year.

12. INCOME TAX EXPENSE (CREDIT)

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Income tax in the PRC	51,579	—
Deferred taxation	<u>5,885</u>	<u>—</u>
	57,464	—
Discontinued operation		
Deferred taxation	<u>8,595</u>	<u>(27,649)</u>
	<u>66,059</u>	<u>(27,649)</u>

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from Hong Kong.

Deferred tax has been provided for temporary differences arising from subsidiaries mainly in respect of its accelerated tax depreciation, tax losses and ginseng crops.

The PRC income tax of subsidiaries is calculated at 33% statutory tax rate.

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The income tax for the year can be reconciled to profit before taxation in the consolidated income statement as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit before taxation	<u>767,782</u>	<u>388,452</u>
Tax at the PRC income tax rate of 33% (2005: 15%) (Note)	253,368	58,268
Tax effect of expenses not deductible for tax purpose	97,998	31,656
Tax effect of income not taxable for tax purpose	(91,435)	(12,465)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(214)	(15,644)
Tax effect of share of results of joint ventures	<u>(193,658)</u>	<u>(89,464)</u>
Income tax for the year	<u>66,059</u>	<u>(27,649)</u>
Effective tax rate for the year	<u>8.6%</u>	<u>(7.1%)</u>

Note: It represents the tax rate of major subsidiaries and joint ventures in the PRC. The Group commenced recognising of sales of completed properties held for sale during the year and the profit from such sale of properties is subject to 33% statutory tax rate. In 2005, the Group's toll road operation is subject to applicable tax rate of 15%.

13. DIVIDENDS PAID

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
2005 final dividend paid of HK\$0.26 (2004: HK\$0.18) per share	156,350	105,813
2006 interim dividend paid HK\$0.22 (2005: HK\$0.17) per share	132,614	100,380
2006 special interim dividend	<u>81,072</u>	<u>—</u>
	<u>370,036</u>	<u>206,193</u>

During the year, the Company has distributed its entire interest in CNT by way of a special interim dividend and the details have been disclosed in note 33.

A final dividend in respect of 2006 of HK\$0.26 per share amounting to a total of HK\$191,488,000 is proposed by the Board. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The amount will be accounted for as an appropriation of reserves in the year ending 31 December 2007.

The amount of the final dividend proposed has been calculated on the basis of 736,492,566 shares in issue as at 3 April 2007.

14. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the shareholders of the Company is based on the following data:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share attributable to the shareholders of the Company	<u>705,076</u>	<u>428,300</u>
	2006 <i>Number of shares</i>	2005 <i>Number of shares</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	608,390,000	588,674,000
Effect of dilutive potential ordinary shares:		
Share options	<u>8,349,000</u>	<u>1,138,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>616,739,000</u>	<u>589,812,000</u>

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the shareholders is based on the following data:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Earnings for the year attributable to the shareholders of the Company	705,076	428,300
Add: Loss for the year from discontinued operation	<u>1,912</u>	<u>38,316</u>
Earnings for the purposes of basic and diluted earnings per share from continuing operations attributable to the shareholders of the Company	<u>706,988</u>	<u>466,616</u>

The denominators used are the same as those detailed above for basic and diluted earnings per share.

From discontinued operation

Basic loss per share for discontinued operation attributable to the shareholders of the Company is insignificant (2005: basic loss per share of HK\$0.06) and is based on the loss for the year from discontinued operation attributable to the shareholders of the Company of HK\$1,912,000 (2005: loss of HK\$38,316,000).

15. DISCOUNT ON ACQUISITION OF SUBSIDIARY/DEEMED ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARY

During the year, discount on acquisition of HK\$163,410,000 arose on the Group's acquisition of Suzhou Sunco Property Limited ("Suzhou Sunco"), details of the transactions were disclosed in note 32. The amount was recognised in profit and loss.

During the year, the Company converted 10,399,149 convertible preference shares of Chai-Na-Ta Corp. ("CNT"), a former subsidiary, into ordinary shares of CNT, resulting in the increase of Group's shareholding in CNT from 77.5% to 84.2%, the discount on acquisition of additional interest in CNT was recognised in profit or loss.

16. DISCONTINUED OPERATION

Details of the discontinued operation are set out in notes 7 and 33.

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17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost							
At 1 January 2005	11,414	17,180	3,254	8,788	147,779	8,874	197,289
Additions	—	75	522	1,405	2,337	970	5,309
Disposals	—	—	—	(63)	(76)	(1,396)	(1,535)
Reclassified as held for sale	(6,690)	(4,687)	—	(173)	(913)	—	(12,463)
Exchange adjustments	357	506	5	110	4,618	140	5,736
At 31 December 2005	5,081	13,074	3,781	10,067	153,745	8,588	194,336
Additions	—	137	—	1,571	1,151	1,919	4,778
Disposals	—	—	—	(256)	(265)	—	(521)
Disposal of subsidiaries	(5,312)	(12,776)	(502)	(3,349)	(161,619)	(3,579)	(187,137)
Acquisition of subsidiaries	—	—	—	949	—	1,223	2,172
Exchange adjustments	231	550	9	204	6,988	223	8,205
At 31 December 2006	—	985	3,288	9,186	—	8,374	21,833
Depreciation							
At 1 January 2005	—	1,973	2,518	6,500	117,717	3,892	132,600
Charge for the year	—	828	784	823	5,987	1,257	9,679
Eliminated on disposals	—	—	—	(62)	(44)	(1,314)	(1,420)
Reclassified as held for sale	—	(425)	—	(23)	(152)	—	(600)
Exchange adjustments	—	77	5	86	3,866	79	4,113
At 31 December 2005	—	2,453	3,307	7,324	127,374	3,914	144,372
Charge for the year	—	528	192	1,049	4,267	1,390	7,426
Eliminated on disposals	—	—	—	(147)	(247)	—	(394)
Disposal of subsidiaries	—	(2,749)	(499)	(3,021)	(137,244)	(2,000)	(145,513)
Exchange adjustments	—	105	4	146	5,850	113	6,218
At 31 December 2006	—	337	3,004	5,351	—	3,417	12,109
Carrying values							
At 31 December 2006	—	648	284	3,835	—	4,957	9,724
At 31 December 2005	5,081	10,621	474	2,743	26,371	4,674	49,964

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Items of property, plant and equipment are depreciated on a straight - line basis at the following rates per annum:

Freehold land	Nil
Land and buildings	Over the term of the lease from 20 to 25 years
Leasehold improvements	Over the term of the lease or 3 years, whichever is shorter
Furniture, fixtures and equipment	10% - 25%
Plant and machinery	5% - 10%
Motor vehicles	12.5% - 25%

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's land and buildings represent:		
— overseas freehold land	—	5,081
— overseas land and building held under medium term leases	—	9,935
— buildings in the PRC held under medium term leases	648	686
	<u>648</u>	<u>15,702</u>

The allocation of land and buildings elements cannot be made reliably, and the leasehold interests in land continue to be accounted for as property, plant and equipment.

At 31 December 2005, the Group has pledged land and buildings situated overseas with a carrying amount of HK\$15,016,000 to secure the Group's banking facilities.

In November 2005, the Group entered into a sale and purchase agreement to dispose of certain non-current assets in Canada which included freehold land, land and buildings, furniture, fixtures and equipment and plant and machinery. Accordingly, these assets with a total carrying value of HK\$11,863,000 had been classified as non-current assets held for sale. The net proceeds of disposal were expected to be less than the carrying amount and an impairment loss of HK\$1,578,000 had been recognised in consolidated income statement. The details can be summarised as follows:

Non-current assets held for sale

	<i>HK\$'000</i>
Reclassified from property, plant and equipment	11,863
Impairment loss	(1,578)
Exchange adjustments	<u>(49)</u>
Carrying amount at 31 December 2005	<u>10,236</u>

18. INTERESTS IN JOINT VENTURES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interests in infrastructure joint ventures		
Cost of investments	5,547,716	6,028,301
Share of post-acquisition undistributed profits and reserves	2,570,265	2,158,482
Reduction of cost of investments	(3,132,909)	(3,078,170)
Net borrowing cost capitalised on financing the construction of infrastructure joint ventures' toll highways and the expressways (note 20)	<u>88,336</u>	<u>100,872</u>
	<u>5,073,408</u>	<u>5,209,485</u>
Interest in a property construction joint venture		
Cost of investment	1	1
Share of post-acquisition loss	<u>(1)</u>	<u>(1)</u>
	<u>—</u>	<u>—</u>
	<u>5,073,408</u>	<u>5,209,485</u>
Loan to a joint venture	14,136	14,136
Less: loss allocated in excess of cost of investment	<u>(728)</u>	<u>(430)</u>
	<u>13,408</u>	<u>13,706</u>

All infrastructure joint ventures are co-operative joint ventures established and operate in the PRC, details of which at 31 December 2006 are as follows:

Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Road Universe Hefei Highway Development Co. Ltd. 安徽路宇合肥公路開發有限公司	RMB133,530,000	50% #	Construction and management of Hefei-Liuan Highway, Hefei Section, PRC
Anhui Road Universe Hehuai Highway Dayang Section Development Company Limited 安徽省路宇合淮公路大楊段開發有限公司	RMB90,000,000	60% * #	Investment in and development, operation and management of National Highway 206 Hefei-Huainan Highway Dayang Section in Anhui, PRC

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Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Anhui Road Universe Hehuai Highway Yangjin Section Development Company Limited 安徽省路宇合淮公路楊金段開發有限公司	RMB80,000,000	60% * #	Investment in and development, operation and management of National Highway 206 Hefei-Huainan Highway Yangjin Section in Anhui, PRC
Anhui Road Universe Liuan Highway Development Co. Ltd. 安徽省路宇六安公路開發有限公司	RMB92,400,000	50% #	Construction and management of Hefei-Liuan Highway, Liuan Section, PRC
Bengbu Road King Huaihe Bridge Highway Development Co., Ltd. 蚌埠路勁淮河公路橋開發有限公司	RMB92,880,000	60% * #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaihe Bridge in Anhui, PRC
Bengbu Road King Huai-Meng Highway Development Co., Ltd. 蚌埠路勁懷蒙公路開發有限公司	RMB68,040,000	60% * #	Investment in and development, operation and management of Provincial Highway 307 Bengbu Huaiyuan-Mengcheng Highway in Anhui, PRC
Bengbu Road King Chaoyanglu Huaihe Highway Bridge Development Co., Ltd. 蚌埠路勁朝陽路淮河公路橋開發有限公司	RMB73,592,000	60% * #	Investment in and construction, operation and management of Bengbu Chaoyanglu Huaihe Highway Bridge in Anhui, PRC
Guangxi Hengjing Highway Development Co., Ltd. 廣西恆勁公路開發有限公司	RMB81,520,000	70% * #	Investment in and development, operation and management of Yulin-Gongguan Highway, Yulin Section, in Guangxi Zhuang Autonomous Region, PRC
Guangxi Lutong Highway Development Co., Ltd. 廣西路通公路開發有限公司	RMB99,562,000	70% * #	Investment in and development, operation and management of Yulin City Ring Roads, in Guangxi Zhuang Autonomous Region, PRC

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Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Handan Rongguang Highway Development Co., Ltd. 邯鄲榮光公路開發有限公司	RMB78,200,000	70% * #	Construction and management of National Highway 309, Handan-Feixiang Highway (Hanfei Section) in Hebei, PRC
Handan Xinguang Highway Development Co., Ltd. 邯鄲新光公路開發有限公司	RMB81,800,000	70% * #	Construction and management of National Highway 309, Feixiang-Guantao Highway (Feiguan Section) in Hebei, PRC
Hebei Baofa Expressway Co., Ltd 河北保發高速公路有限公司	RMB38,515,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Dong) in Hebei, PRC
Hebei Baofeng Expressway Co., Ltd 河北保豐高速公路有限公司	RMB38,280,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Rong Cheng-Xiong Xian) in Hebei, PRC
Hebei Baohui Expressway Co., Ltd 河北保惠高速公路有限公司	RMB38,403,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou Zhong) in Hebei, PRC
Hebei Baojie Expressway Co., Ltd 河北保捷高速公路有限公司	RMB38,905,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiong-xian-Bazhou) in Hebei, PRC
Hebei Baojin Expressway Co., Ltd 河北保津高速公路有限公司	RMB38,737,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xushui-Rongcheng) in Hebei, PRC
Hebei Baoli Expressway Co., Ltd 河北保利高速公路有限公司	RMB38,944,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiong-xian Dong) in Hebei, PRC

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Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hebei Baoming Expressway Co., Ltd 河北保明高速公路有限公司	RMB36,012,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhou-Tianjinjie) in Hebei, PRC
Hebei Baosheng Expressway Co., Ltd 河北保昇高速公路有限公司	RMB38,603,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Xiongxian Xi) in Hebei, PRC
Hebei Baoyi Expressway Co., Ltd 河北保怡高速公路有限公司	RMB38,630,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Rong Cheng) in Hebei, PRC
Hebei Baoyu Expressway Co., Ltd 河北保裕高速公路有限公司	RMB38,971,000	40% #	Investment in and operation and management of Hebei Baojin Expressway (Bazhouxi) in Hebei, PRC
Hebei Tanghui Expressway Co., Ltd 河北唐惠高速公路有限公司	RMB129,296,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Chenzhuang-Fengnan) in Hebei, PRC
Hebei Tangjin Expressway Co., Ltd 河北唐津高速公路有限公司	RMB112,635,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Fengnan-Jijinjie) in Hebei, PRC
Hebei Tangrun Expressway Co., Ltd 河北唐潤高速公路有限公司	RMB77,636,000	45% #	Investment in and operation and management of Hebei Tangjin Expressway (Shuangmiao-Chenzhuang) in Hebei, PRC
Hunan Changyi (Baining) Expressway Co., Ltd. 湖南長益（白寧）高速公路有限公司	RMB97,012,000	43.17% #	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Baining Section) in Hunan, PRC

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Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Hunan Changyi (Cangyi) Expressway Co., Ltd. 湖南長益（滄益）高速公路有限公司	RMB98,985,000	43.17% #	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Cangyi Section) in Hunan, PRC
Hunan Changyi Expressway Co., Ltd. 湖南長益高速公路有限公司	RMB98,554,000	43.17% #	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Changbai Section) in Hunan, PRC
Hunan Changyi (Hengchang) Expressway Co., Ltd. 湖南長益（衡滄）高速公路有限公司	RMB101,695,000	43.17%#	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Hengchang Section) in Hunan, PRC
Hunan Changyi (Ningheng) Expressway Co., Ltd. 湖南長益（寧衡）高速公路有限公司	RMB98,458,000	43.17% #	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Ningheng Section) in Hunan, PRC
Hunan Changyi (Zijiang No. 2 Bridge) Expressway Co., Ltd. 湖南長益（資江二橋）高速公路有限公司	RMB78,328,000	43.17% #	Investment in and development, operation and management of Hunan Changsha-Yiyang Expressway (Zijiang No. 2 Bridge) in Hunan, PRC
Liuan Road Universe Liuye Highway Development Co., Ltd. 六安路宇六葉公路開發有限公司	RMB97,800,000	50% #	Construction and management of Liuan-Yeji Highway (Western Section) in Anhui, PRC
Liuan Road Universe Pihe Bridge Development Co., Ltd. 六安路宇淠河大橋開發有限公司	RMB90,364,000	50% #	Construction and management of Pihe Bridge in Anhui, PRC
Luodingshi Luochong Highway Company Limited 羅定市羅沖一級公路有限公司	RMB96,800,000	61% * #	Construction and management of National Highway 324 Luoding-Chonghua Highway in Luoding, PRC

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Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Pingdingshan Road King Xuchang-Nanyang Highway (Xiangcheng Section) Development Co., Ltd. 平頂山路勁許南公路（襄城段）開發有限公司	RMB73,400,000	50% #	Investment in and development, operation and management of National Highway 311 & Provincial Highway 103 Xuchang-Nanyang Highway, Xiangcheng section in Henan, PRC
Pingdingshan Road King Xuchang-Nanyang Highway (Yexian Section) Development Co., Ltd. 平頂山路勁許南公路（葉縣段）開發有限公司	RMB63,400,000	50% #	Investment in and development, operation and management of Provincial Highway 01 Xuchang-Nanyang Highway, Yexian Section in Henan, PRC
Shanxi Lutong Dongguan Highway Co., Ltd. 山西路通東觀公路有限公司	RMB82,340,000	65% * #	Investment in and development, operation and management of National Highway 108 Yuci Dongchangshou-Qixian Dongguan Highway in Shanxi, PRC
Shanxi Lutong Taiyu Highway Co., Ltd. 山西路通太榆公路有限公司	RMB83,414,000	65% * #	Construction and management of National Highway 108 Taiyuan-Yuci Highway in Shanxi, PRC
Shanxi Lutong Yuci Highway Co., Ltd. 山西路通榆次公路有限公司	RMB66,412,000	65% * #	Construction and management of National Highway 108 Yuci City Bypass in Shanxi, PRC
Shenzhen Airport-Heao Expressway (Eastern Section) Co., Ltd. 深圳機荷高速公路東段有限公司	RMB440,000,000	45%	Construction and management of Shenzhen Airport-Heao Expressway Eastern Section in Shenzhen, PRC
Shijiazhuang Luhui Road & Bridge Development Co., Ltd. 石家莊路輝道橋開發有限公司	RMB88,000,000	60% * #	Construction and management of National Highway 307, Shijiazhuang-Gaocheng Highway in Hebei, PRC
Shijiazhuang Luxin Road & Bridge Development Co., Ltd. 石家莊路信道橋開發有限公司	RMB44,000,000	60% * #	Construction and management of National Highway 307, Gaocheng-Jinzhou Highway in Hebei, PRC

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Name of infrastructure joint venture	Registered capital	Proportion of registered capital held indirectly by the Company	Principal activities
Suzhou Road King Shanghai-Suzhou Airport Road Development Co., Ltd. 蘇州路勁蘇滬機場路發展有限公司	RMB130,000,000	50%	Construction and management of Suzhou-Shanghai Airport Highway in Jiangsu, PRC

* The Group exercises joint control over the financial and operating policies of these companies with other PRC joint venture partners in accordance with joint venture agreements, and accordingly, these companies have not been accounted for as subsidiaries.

The profit/cash sharing ratios in these infrastructure joint ventures differ from the proportion of the registered capital held by the Group over the duration of the joint ventures. During the early stage of the joint ventures, the Group is usually entitled to higher profit/cash sharing ratios than the proportion of registered capital held by the Group as contained in the relevant joint venture agreements. Until such time as specified in the joint venture agreements, the other venturers of the joint ventures may be entitled to profit/cash sharing ratios higher than their respective proportion of registered capital held by them over a specific year of time under the joint venture agreements. Thereafter, the profit sharing ratios of the Group may be the same as the proportion of the registered capital held by the Group or in accordance with a predetermined ratio stipulated in the joint venture agreements.

During 2005, the Group had entered into an agreement with a subsidiary of Build King Holdings Limited, a listed company in Hong Kong in which certain Directors of the Company have significant interests, to establish a joint venture engaging in the business of property construction in the PRC, details of which at 31 December 2006 are as follows:

Name of property construction jointly controlled entity	From of business structure	Place of incorporation	Principal place of operation	Attributable interest to the Group	Principal activity
常州利駿建築工程有限公司	Incorporated	PRC	PRC	60%	Building construction in the PRC

The summary of aggregate financial information of the infrastructure joint ventures which is accounted for using equity method, based on the adjusted financial statements prepared under HKFRSs is as follows:

	2006 HK\$'000	2005 HK\$'000
Income	<u>1,186,650</u>	<u>1,186,528</u>
Expenses	<u>(599,806)</u>	<u>(590,100)</u>
Assets	<u>5,289,614</u>	<u>5,985,131</u>
Liabilities	<u>(304,542)</u>	<u>(876,518)</u>

19. LOANS TO RELATED COMPANIES

The loans to related companies of HK\$54,700,000 represented cash advance to subsidiaries of CNT in which one of its shareholders being Wai Kee Holdings Limited, which has significant beneficial interest in the Company. The loans are unsecured, interest bearing at LIBOR/HIBOR plus 1.7% and wholly repayable in 2010.

20. NET BORROWING COSTS CAPITALISED ON FINANCING THE CONSTRUCTION OF THE INFRASTRUCTURE JOINT VENTURES' TOLL HIGHWAYS AND EXPRESSWAYS

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amount		
At 1 January	153,175	154,729
Released on disposal of infrastructure joint ventures	(8,810)	(1,554)
Released upon expiry of an infrastructure joint venture	(7,294)	—
	<u>137,071</u>	<u>153,175</u>
As 31 December		
Amortisation		
At 1 January	52,303	46,344
Charge for the year	6,854	6,593
Released on disposal of infrastructure joint ventures	(3,128)	(634)
Released upon expiry of an infrastructure joint venture	(7,294)	—
	<u>48,735</u>	<u>52,303</u>
At 31 December		
Carrying amount		
At 31 December	<u><u>88,336</u></u>	<u><u>100,872</u></u>

21. PROPERTIES UNDER DEVELOPMENT FOR SALE

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost	<u><u>2,444,729</u></u>	<u><u>429,494</u></u>
Cost consisted of:		
Advances for land leases	1,714,322	276,153
Construction expenditure	685,545	143,188
Borrowing costs capitalised	<u>44,862</u>	<u>10,153</u>
	<u><u>2,444,729</u></u>	<u><u>429,494</u></u>

As disclosed in note 32, pursuant to the sale and purchase agreement dated 6 January 2004 in respect of a piece of land held by Suzhou Sunco a newly acquired subsidiary, included in the cost of properties under development for sale disclosed above.

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At 31 December 2006, the Group's commitment for outstanding land premium is HK\$1,487,762,000 and the payment schedule is as follows:

	<i>HK\$'000</i>
Within one year	826,535
More than one year but not exceeding two years	<u>661,227</u>
	<u>1,487,762</u>

As at 31 December 2006, properties under development for sale are situated at:

Guangzhou

- Lot No. G4-1, Zhujiang New City, Tianhe District, Guangzhou, Guangdong, the PRC.
- Lot No. G4-2, Zhujiang New City, Tianhe District, Guangzhou, Guangdong, the PRC.

Changzhou

- No. 33 Hua Yuan Street, Wujin District, Changzhou, Jiangsu, the PRC.
- No. 88 Yan Zheng Dong Road, Wujin District, Changzhou, Jiangsu, the PRC.
- Lot No. 2005035, Southeast Corner of Nantian Park, Hutang Town, Wujin District, Changzhou, Jiangsu, the PRC.

Suzhou

- Junction of Susheng Road and Xinghua Road, Suzhou Industrial Park, Suzhou, Jiangsu, the PRC.

22. ADVANCES FOR LAND LEASES

As at 31 December 2006, a total advance of HK\$458,758,000 (2005: HK\$849,329,000) was made for the acquisition of several pieces of land. Upon completion of the acquisition and delivery of relevant land title documents to the Group, the amount will be transferred to the account of "Properties under development for sale".

23. INVENTORIES AND GINSENG CROPS

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Inventories at fair value (note (i))	—	47,514
Ginseng crops, at cost (note (ii))	<u>—</u>	<u>126,040</u>
	<u>—</u>	<u>173,554</u>

Notes:

- (i) Reconciliation of carrying amount of inventories:

	2006 HK\$'000	2005 HK\$'000
Carrying amount at 1 January	47,514	74,148
Carrying amount transfer from ginseng crops upon harvest	—	56,402
Increases due to purchases	363	3,669
Change in fair value of inventories at the point of harvest	—	(20,480)
Decrease due to sales	(37,796)	(39,370)
Write-down of inventories	(1,599)	(26,021)
Disposal of subsidiaries	(9,622)	—
Exchange adjustment	1,140	(834)
	<u>—</u>	<u>47,514</u>
Carrying amount at 31 December	<u>—</u>	<u>47,514</u>

Ginseng plants mature and can be harvested at the end of their third year of growth. However, the Group may extend the harvest time to allow for higher yields and additional seed harvests.

- (ii) Due to the uncertainty in the process of producing ginseng crops and the lack of a market for immature ginseng, the ginseng crops were stated at cost less accumulated impairment until the time of harvest.

24. DEBTORS, DEPOSITS AND PREPAYMENTS

	2006 HK\$'000	2005 HK\$'000
Aged analysis of debtors:		
Within 60 days	6,579	9,442
60 to 90 days	—	1,074
More than 90 days	51,213	66,591
	<u>57,792</u>	<u>77,107</u>
Deferred consideration due within one year on disposal of an infrastructure joint venture (note 34)	35,183	31,429
Interest receivable	5,710	164
Other receivables	960,932	—
Prepayments on business tax and other taxes	138,980	6,017
Deposits and prepayments	77,822	52,018
	<u>1,276,419</u>	<u>166,735</u>

Included in debtors of the Group is an amount of HK\$51,213,000 (2005: HK\$74,049,000) representing minimum income undertakings due from the PRC joint venture partners. Minimum income undertakings have been recognised in accordance with the terms set out in the relevant joint venture agreements and are settled according to the schedules agreed with the relevant PRC joint venture partners.

During the year, the Group has made cash advance of HK\$960,932,000 to the potential acquirees, and is repayable upon the completion of the acquisition transaction as disclosed in note 40(b). Of which, HK\$802,153,000 were carried interest at 12% per annum.

At 31 December 2006, Suzhou Sunco has prepaid deed tax amounted to HK\$108,396,000 to 蘇州市國土房產局 (“國土局”) in respect of the land certificates obtained from 國土局. The PRC lawyer has advised that according to the confirmation received from 國土局 dated 10 October 2006, Suzhou Sunco has the right to request 國土局 to repay the deed tax to Suzhou Sunco and then to discharge its tax liability by making payment to the relevant government authority. Accordingly, the prepaid deed tax has been included in prepayments on business tax and other taxes.

25. DERIVATIVE FINANCIAL INSTRUMENTS

In 2005, the Group entered into foreign currency interest rates swap contracts to swap the periodic fixed rate US\$ interest payments to the fixed rate HK\$ interest payments. The Group was required to exchange the US\$ notional amounts into equivalent HK\$ at a fixed exchange rate of US\$1.00 to HK\$7.80 at maturity date. The terms of the foreign currency interest rates swaps were as follows:

Notional amount	Maturity	Swaps	Fair value gain at 31 December 2005 HK\$'000
USD50,000,000	13 January 2006	Received US\$ interest at 6.25% Paid HK\$ interest at 4.98%	<u>4,836</u>

The above derivative was measured at fair value as provided by banks at 31 December 2005. The swap did not qualify for hedge accounting and the realised loss upon maturity of HK\$14,000 was charged to the consolidated income statement in 2005.

26. PLEDGED DEPOSITS/BANK BALANCES AND CASH

The pledged deposits were bank balances pledged as security in favour of banks for mortgage facilities granted to the buyers of Suzhou Sunco's properties.

Bank balances carry interest at market rates ranging from 0.72% to 3.25% per annum (2005: 0.72% to 2.75% per annum). The average effective interest rate of pledged deposits was 0.72%.

27. SHARE CAPITAL

	2006 <i>Number of shares</i>	2005 <i>Number of shares</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.1 each	<u>20,000,000,000</u>	<u>20,000,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
7.5% convertible preference shares ("CP shares") of HK\$0.1 each	<u>518,380</u>	<u>518,380</u>	<u>52</u>	<u>52</u>
Issued and fully paid:				
Ordinary shares				
At 1 January	590,896,566	586,122,566	59,090	58,612
Ordinary shares issued	19,180,000	4,774,000	1,918	478
Placement of new shares	<u>80,000,000</u>	<u>—</u>	<u>8,000</u>	<u>—</u>
At 31 December	<u>690,076,566</u>	<u>590,896,566</u>	<u>69,008</u>	<u>59,090</u>

As a result of the exercise of the Company's share options during the year, 19,180,000 (2005: 4,774,000) ordinary shares were issued by the Company as detailed in note 28. All the new shares issued rank pari passu in all respects with the existing shares.

In November and December 2006, 80,000,000 ordinary shares of in the Company were placed in the market at a price of HK\$10.96 per share. All the new shares issued rank pari passu in all respects with the existing shares.

28. SHARE OPTION SCHEME

The share option scheme was adopted by the Company in 2003. The purpose of the share option scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage those participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The participants include any full-time employees, executives or officers and Directors (executive and non-executive Directors) of the Company or any of its subsidiaries.

The total number of shares which may be issued under the share option scheme and any other schemes of the Company must not in aggregate exceed 10% (the "10% Limit") of the shares in issue as at the date of adoption of the share option scheme less the aggregate of exercised, cancelled and outstanding options. On 12 May 2004, renewal of the 10% share option scheme mandate limit was approved by the shareholders. Since then, a number of options were granted to eligible participants and the total number of shares available for issue under the share option scheme is 9,577,256 representing approximately 1.3% of the Company's issued share capital as at the date of this report. The 10% Limit may be refreshed with the approval of shareholders of the Company. The maximum number of shares that may be issued upon exercise of all outstanding options granted and are yet to be exercised under the share option scheme and any other schemes must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue unless the same is approved by the shareholders.

The option exercisable period commences on the commencement date (the date upon which the options are granted and accepted) of such options and ends on the fifth anniversary of the commencement date. Each participant must pay HK\$1 as consideration for the grant of options within 28 days from the date of offer.

The exercise price shall be determined by the Board, being not less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer; (b) the average of the official closing prices of the shares stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; and (c) the nominal value of the shares.

The share option scheme shall be valid and effective for a period of 10 years commencing on the adoption date, i.e. 12 May 2003.

During the year, 19,340,000 (2005: 15,460,000) share options were granted under the share option scheme to Directors and employees for an aggregate consideration of HK\$104 (2005: HK\$83). The estimated fair value of the options granted during the year was HK\$34,408,000 (2005: HK\$3,611,000). The fair value was calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2006	2005
Weight average share price	HK\$11.61	HK\$5.78
Exercise price	HK\$11.66	HK\$5.80
Expected volatility	25.74%	11.25%
Expected life	2.5 years	5 years
Risk-free rate	3.61%	4.23%
Expected dividend yield	4.03%	6.02%

The expected volatility was determined by using the historical volatility of the Company's share price over the previous year.

The Group recognised the fair value as an expense for the year ended 31 December 2006 and 2005.

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The following tables disclose details of the Company's share options held by directors and employees and movements in such holdings during the year. The share options were fully vested at the date of grant.

2006

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2006	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31.12.2006
Directors							
17 October 2003	17 October 2003 to 16 October 2008	5.15	6,300,000	—	(5,550,000)	—	750,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	9,350,000	—	(3,750,000)	—	5,600,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	10,550,000	—	(1,800,000)	—	8,750,000
20 December 2006	20 December 2006 to 19 December 2011	11.66	—	10,550,000	—	—	10,550,000
			<u>26,200,000</u>	<u>10,550,000</u>	<u>(11,100,000)</u>	<u>—</u>	<u>25,650,000</u>
Employees							
17 October 2003	17 October 2003 to 16 October 2008	5.15	2,010,000	—	(1,550,000)	—	460,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	3,600,000	—	(3,110,000)	—	490,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	4,910,000	—	(3,420,000)	(20,000)	1,470,000
20 December 2006	20 December 2006 to 19 December 2011	11.66	—	8,790,000	—	—	8,790,000
			<u>10,520,000</u>	<u>8,790,000</u>	<u>(8,080,000)</u>	<u>(20,000)</u>	<u>11,210,000</u>
			<u>36,720,000</u>	<u>19,340,000</u>	<u>(19,180,000)</u>	<u>(20,000)</u>	<u>36,860,000</u>

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2005

Date of grant	Exercisable period	Exercise price HK\$	Balance at 1.1.2005	Granted during the year	Exercised during the year	Cancelled during the year	Balance at 31.12.2005
Directors							
17 October 2003	17 October 2003 to 16 October 2008	5.15	8,500,000	—	(2,200,000)	—	6,300,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	10,150,000	—	(300,000)	(500,000)	9,350,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	—	10,550,000	—	—	10,550,000
			<u>18,650,000</u>	<u>10,550,000</u>	<u>(2,500,000)</u>	<u>(500,000)</u>	<u>26,200,000</u>
Employees							
17 October 2003	17 October 2003 to 16 October 2008	5.15	4,054,000	—	(2,044,000)	—	2,010,000
26 August 2004	26 August 2004 to 25 August 2009	5.70	3,940,000	—	(230,000)	(110,000)	3,600,000
14 December 2005	14 December 2005 to 13 December 2010	5.80	—	4,910,000	—	—	4,910,000
			<u>7,994,000</u>	<u>4,910,000</u>	<u>(2,274,000)</u>	<u>(110,000)</u>	<u>10,520,000</u>
			<u>26,644,000</u>	<u>15,460,000</u>	<u>(4,774,000)</u>	<u>(610,000)</u>	<u>36,720,000</u>

The weighted average closing price of the Company's shares immediately before the date on which share options were exercised during the year was HK\$9.49 (2005: HK\$5.86).

29. BANK AND OTHER BORROWINGS

	2006 HK\$'000	2005 HK\$'000
Guaranteed notes (note (i))	1,559,029	1,558,847
Bank loans (note (ii))	1,582,155	362,234
Other loans	—	3,223
	<u>3,141,184</u>	<u>1,924,304</u>

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The maturity of the above loans is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Unsecured borrowings repayable:		
Within one year	1,582,155	312,000
More than two years but not exceeding five years	1,559,029	—
More than five years	<u>—</u>	<u>1,558,847</u>
	<u>3,141,184</u>	<u>1,870,847</u>
Secured borrowings repayable:		
Within one year	—	50,388
More than one year but not exceeding two years	—	2,355
More than two years but not exceeding five years	<u>—</u>	<u>714</u>
	<u>—</u>	<u>53,457</u>
Total borrowings	3,141,184	1,924,304
Less: Amount due within one year shown under current liabilities	<u>(1,582,155)</u>	<u>(362,388)</u>
Amount due over one year shown under non-current liabilities	<u><u>1,559,029</u></u>	<u><u>1,561,916</u></u>

At 31 December 2005, some of the bank loans were secured by plant and machinery.

Notes:

- (i) The guaranteed notes bear interest at a fixed rate of 6.25% per annum and will mature in July 2011. The fair value of the guaranteed notes based on the quoted market price at 31 December 2006 was HK\$1,489,082,000 (2005: HK\$1,555,013,000).
- (ii) The interest rates on the bank loans, which also equal to the effective interest rate, range from LIBOR plus 0.75% per annum to LIBOR plus 0.875% per annum.

The Group's borrowings that are denominated in US dollar other than the functional currencies of the relevant group entities are set out below:

	<i>HK\$'000</i>
As at 31 December 2006	2,993,640
As at 31 December 2005	<u><u>1,872,000</u></u>

30. DEFERRED TAXATION

The following are the major deferred taxation liabilities (assets) recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Fair value adjustment on property under development <i>HK\$'000</i>	Inventories and ginseng crops <i>HKD\$000</i>	Other <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005	(1,511)	(2,509)	—	19,797	—	15,777
Charge (credit) for the year	173	(448)	—	(27,374)	—	(27,649)
Exchange adjustments	<u>(42)</u>	<u>(92)</u>	<u>—</u>	<u>(237)</u>	<u>—</u>	<u>(371)</u>
At 31 December 2005	(1,380)	(3,049)	—	(7,814)	—	(12,243)
(Credit) charge for the year	(333)	877	—	8,051	5,885	14,480
Acquisition of a subsidiary	—	(65,347)	55,771	—	—	(9,576)
Disposal of subsidiaries	1,780	2,298	—	—	—	4,078
Exchange adjustments	<u>(67)</u>	<u>(126)</u>	<u>—</u>	<u>(237)</u>	<u>—</u>	<u>(430)</u>
At 31 December 2006	<u>—</u>	<u>(65,347)</u>	<u>55,771</u>	<u>—</u>	<u>5,885</u>	<u>(3,691)</u>

At 31 December 2006, the Group has unused tax losses of HK\$198,021,000 (2005: HK\$16,427,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$198,021,000 (2005: HK\$15,096,000) of such losses.

Pursuant to the relevant laws and regulations in the PRC, the unused tax losses at 31 December 2006 will expire in 2011.

31. CREDITORS AND ACCRUED CHARGES

	2006 HK\$'000	2005 HK\$'000
Aged analysis of creditors:		
Within 60 days	1,744	4,162
60 to 90 days	235	2,393
More than 90 days	<u>18,839</u>	<u>—</u>
	20,818	6,555
Interest payable	58,124	45,712
Accrued construction costs	342,619	253
Accrued taxes	133,703	1,855
Other accrued charges	<u>60,559</u>	<u>27,222</u>
	<u>615,823</u>	<u>81,597</u>

32. ACQUISITION OF A SUBSIDIARY

Pursuant to an acquisition agreement dated 1 November 2006, the Group acquired the entire registered capital of Suzhou Sunco and shareholder loan, for an aggregate consideration of RMB370,000,000 (equivalent to HK\$366,337,000) and undertook the obligation for the continuing development of Phoenix City project. The transaction was completed on 28 December 2006. Details of the transaction were set out in the circular dated 5 December 2006.

A discount on acquisition arising as a result of the acquisition has been identified. The Directors have reassessed measurement of Suzhou Sunco's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the acquisition. After the reassessment, the Directors identified that the fair value increase is mainly due to the prepaid lease element being included in the properties under development for sale in respect of properties other than low-rise buildings. As the fair value of the prepaid lease at the date of acquisition exceeds the book value of the prepaid lease, a discount on acquisition of HK\$163,410,000 has been recognised in the profit or loss. The amount of discount on acquisition was significant because Suzhou Sunco was in financial difficulty at the time of negotiation of the acquisition transaction.

As stated in note 21 above, pursuant to the memorandum dated 22 August 2006, 蘇州工業園區國土局 (“國土局”) the grantor of the land may impose penalty charge at 0.3% per day on the outstanding land premium for the land to be acquired by Suzhou Sunco. As the payment of this outstanding land premium has been overdue for six months, the grantor of the land, may terminate the sale and purchase agreement and repossess the land owned by Suzhou Sunco. Based on the memorandum dated 22 August 2006, the grantor has agreed to waive the interest and penalty charge to the extent of RMB2.8 billion on the condition that Suzhou Sunco has fulfilled the requirements as set out in the memorandum in respect of i) the timetable for the property development plan; ii) the payment schedules of the outstanding land premium; and iii) the completion of the acquisition of Suzhou Sunco by the Group.

Suzhou Sunco's PRC counsel has confirmed that the memorandum for the waiver of the RMB2.8 billion penalty charges.

The Directors considered the conditions precedent to the waiver of the penalty can be fulfilled, the likelihood of the imposition of the interest and penalty charges is remote and, therefore, no accrual has been made accordingly.

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The net assets acquired in the transaction, and the discount on acquisition arising, are as follows:

	Acquiree's carrying amount before combination HK\$'000	Fair value adjustments HK\$'000	Fair value HK\$'000
Net assets acquired:			
Property, plant and equipment	2,172	—	2,172
Properties under development for sale (<i>note 1</i>)	1,155,790	137,033	1,292,823
Completed properties held for sale (<i>note 1</i>)	281,974	—	281,974
Debtors, deposits and prepayments	256,932	—	256,932
Advances for land leases	165,307	—	165,307
Deferred taxation (<i>note 2</i>)	65,347	(55,771)	9,576
Pledged deposits	23,167	—	23,167
Bank balances and cash	39,838	—	39,838
Creditors and accrued charges	(1,274,414)	—	(1,274,414)
Deposits from pre-sale of properties	(267,628)	—	(267,628)
			529,747
Discount on acquisition			(163,410)
Total consideration satisfied by cash			<u>366,337</u>
Net cash outflow arising on acquisition:			
Cash consideration paid			(366,337)
Bank balances and cash acquired			<u>39,838</u>
			<u>(326,499)</u>

Note 1: Included in properties under development for sale and completed properties held for sale are properties pre-sold but not yet delivered to customers, which are stated at net realisable value of approximately HK\$134 million and HK\$107 million respectively. The Directors considered that there is no net realisable value problem on the remaining portion of completed properties held for sale.

Note 2: Analysis of the net deferred tax assets are as follows:

	HK\$'000
Deferred tax assets in respect of tax losses recognised	65,347
Deferred tax liabilities in respect of the temporary differences arising on fair value adjustment on properties under development	(55,771)
	<u>9,576</u>

The profit contribution of Suzhou Sunco to the Group for the period between the date of acquisition and the balance sheet date was insignificant.

33. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATION

In September 2006, the Company distributed its entire interest in CNT by way of a special interim dividend. At the date of disposal, the Company held 84.2% of the issued share capital of CNT, which was engaged in farming and trading of North American ginseng products. Such operation was discontinued upon the disposal of CNT. The carrying amounts of net assets of CNT at the date of disposal were as follows:

	<i>HK\$'000</i>
Net assets disposed of	
Property, plant and equipment	41,624
Deferred tax assets	4,078
Inventories and ginseng crops	181,503
Debtors, deposits and prepayments	450
Bank balances and cash	1,885
Bank borrowings	(33,720)
Amounts due to related companies	(47,278)
Creditors and accrued charges	<u>(3,616)</u>
	144,926
Minority interests	(22,969)
Exchange gain realised	<u>(40,885)</u>
	81,072
Set-off against the retained profits of the Company	<u><u>81,072</u></u>
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	<u><u>(1,885)</u></u>

During the year, the disposed subsidiaries contributed to the Group's operating cash inflow of HK\$16,646,000, investing cash inflow of HK\$7,078,000 and financing cash outflow of HK\$24,025,000.

34. DISPOSAL OF INTERESTS IN AN INFRASTRUCTURE JOINT VENTURE

On 7 April 2006, Road Well Investment Ltd ("Road Well"), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with the PRC joint venture partner to dispose of 35% interest in an infrastructure joint venture to the PRC joint venture partner at a consideration of HK\$69,445,000. Accordingly, the Group's interest in an infrastructure joint venture was reduced from 60% to 25%. On 12 April 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of its remaining 25% interest in Road Well at a consideration of HK\$49,603,000. The gain on disposal of the infrastructure joint venture was recognised in profit and loss.

The Group's disposal of its interest in an infrastructure joint venture during the year had the following effects:

	<i>HK\$'000</i>
Cost of investment	126,780
Share of post-acquisition undistributed profits	54,197
Reduction of cost of investment	(77,917)
Net borrowing cost capitalised	<u>5,682</u>
 Net assets disposed of	 108,742
Expenses in connection with the disposal	5,166
Gain on disposal	<u>5,140</u>
 Total consideration	 <u><u>119,048</u></u>
 Satisfied by:	
Cash consideration	52,381
Deferred consideration due within one year	35,183
Deferred consideration due after one year	<u>31,484</u>
	<u><u>119,048</u></u>
 Cash inflow arising on disposal:	
Cash consideration	<u><u>52,381</u></u>

During the year, the disposed infrastructure joint venture did not have significant contributions to the Group's revenue, profit before taxation and operating, investing and financing cash flows.

The Group's disposal of its interest in an infrastructure joint venture during the prior year had the following effects:

	2005
	<i>HK\$'000</i>
Interests in an infrastructure joint venture:	
Cost of investment	139,930
Share of post-acquisition undistributed profits	8,957
Reduction of cost of investment	(47,140)
Net borrowing cost capitalised	<u>920</u>
Net assets disposed of	102,667
Gain on disposal	<u>252</u>
Total consideration	<u><u>102,919</u></u>
Satisfied by:	
Cash	74,490
Consideration receivable	31,429
Accrued expenses incurred in respect of the disposal	<u>(3,000)</u>
Net proceeds on disposal of interest in an infrastructure joint venture	<u><u>102,919</u></u>

In 2005, the disposed infrastructure joint venture contributed investing cash flow of HK\$74,490,000 to the Group. The disposed infrastructure joint venture did not make any contribution to the Group's net operating and financing cash flow, turnover and profit attributable to shareholders during 2005.

35. RETIREMENT BENEFIT PLANS

For the operations in Hong Kong, the Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees including Directors in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the independent trustee. Both the Group and the employees contribute a fixed percentage to the Scheme based on their monthly salary in accordance with government regulations. The scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the Scheme. Where there are employees who leave the Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group. There were no forfeited contributions available to reduce future contributions at the balance sheet date.

For the operations in the PRC, the employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. The subsidiaries are required to contribute a fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement scheme is to make the specified contributions.

36. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within one year	4,484	9,038
In the second to fifth year inclusive	<u>1,900</u>	<u>11,822</u>
	<u><u>6,384</u></u>	<u><u>20,860</u></u>

The commitments represent rentals payable by the Group for its office premises and agricultural land use rights with the lease periods ranging from two to five years.

37. CAPITAL COMMITMENTS

At the balance sheet date, the Group had material capital commitments in respect of investment costs to be injected into infrastructure joint ventures after the fifth year amounted to HK\$36,241,000 (2005: HK\$34,860,000).

38. CONTINGENT LIABILITIES

At 31 December 2006, the Group provided guarantees of HK\$401,500,000 (2005: HK\$7,029,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loan granted. The Directors considered that the fair value of such guarantee on initial recognition was insignificant.

39. RELATED PARTY TRANSACTIONS

During the year, the Group had significant transactions with the following related parties, details of which are as follows:

Related parties	Nature	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Infrastructure joint ventures	Dividend received	222,131	230,596
Infrastructure joint ventures	Other income	161	3,586
Property construction joint venture	Construction cost paid	33,339	—
PRC joint venture partners	Minimum income undertakings received and receivable	8,571	40,964
Related companies	Interest income	<u><u>900</u></u>	<u><u>—</u></u>

The related companies are subsidiaries of Wai Kee Holdings Limited which has significant beneficial interest in the Company.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Short-term employee benefits	33,730	28,946
Post-employment benefits	1,503	1,322
Termination benefits	—	4,230
Share-based payments	<u>22,328</u>	<u>2,841</u>
	<u>57,561</u>	<u>37,339</u>

The remuneration of Directors and key executives is determined by the performance of individuals and market trends.

40. POST BALANCE SHEET EVENTS

- (a) In February 2007, the Company has entered into a placing agreement and agreed to place 45,000,000 new shares to not less than six independent investors at a price of HK\$12.20 per share.
- (b) In January 2007, the Company completed the subscription of 49% of the enlarged issued share capital of Sunco A. In the meantime, the Company entered into several agreements with Sunco China, Sunco Management and Mr. Sun to have further option to subscribe and purchase the share capital of Sunco A. The agreements were subject to the Company's due diligence and shareholders' approval. The details of the transaction were set out in the announcement dated 25 January 2007. The Directors consider that it is impractical to disclose the fair values of the net assets acquired and the goodwill at the date of completion of the transaction in view of the short period of time since the date of completion of the transaction.

41. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary shares capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Changzhou Great Gallop Properties Development Limited*	PRC	PRC	US\$30,145,300	—	100	Development and sale of properties
Guangzhou Junyue Real Estate Limited*	PRC	PRC	HK\$48,009,000	—	100	Development and sale of properties
Pida Investments Limited	British Virgin Islands	#	US\$1	—	100	Investment holding
Road King (China) Infrastructure Limited	British Virgin Islands	PRC	HK\$1,300,000,000	100	—	Investment holding
Road King Infrastructure Finance Limited	British Virgin Islands	#	US\$1	100	—	Provision of financial services to group companies
Road King Infrastructure Finance (2004) Limited	British Virgin Islands	#	US\$1	100	—	Provision of financial services to group companies
Road King Infrastructure Management Limited	Hong Kong	Hong Kong	HK\$2	—	100	Provision of management services to group companies
Suzhou Sunco Property Limited*	PRC	PRC	RMB680,000,000	—	100	Development and sale of properties

The subsidiaries of the Company are either investment or provision of financial services companies only and do not have any other operations.

* The subsidiary is a wholly foreign owned enterprise.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the year or constituted a substantial portion of the net asset of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

42. TOTAL ASSETS LESS CURRENT LIABILITIES / NET CURRENT ASSETS

The Group's total assets less current liabilities at 31 December 2006 amounted to approximately HK\$8,342,482,000 (2005: HK\$6,828,409,000). The Group's net current assets at 31 December 2006 amounted to approximately HK\$3,150,182,000 (2005: HK\$1,543,011,000).

43. SUMMARISED BALANCE SHEET OF THE COMPANY

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments in subsidiaries	1,388,042	1,388,042
Amounts due from subsidiaries	2,845,453	2,018,548
Other current assets	372,425	151,469
Other current liabilities	<u>(245,887)</u>	<u>(4,735)</u>
	<u>4,360,033</u>	<u>3,553,324</u>
Share capital	69,008	59,090
Reserves	<u>4,291,025</u>	<u>3,494,234</u>
	<u>4,360,033</u>	<u>3,553,324</u>

- (c) Opinion of the auditors in connection with the Group's audited financial statement for the year ended 31 December 2006.**

The audited financial statements of the Group for the year ended 31 December, 2006 did not carry any qualification.

2. MANAGEMENT DISCUSSIONS AND ANALYSIS AND OUTLOOK FOR THE YEAR ENDED 31 DECEMBER 2006

The Group's profit attributable to the shareholders in 2006 was HK\$705 million, representing an increase of 65% as compared with that of 2005. Earnings per share were HK\$1.16.

The increase in the Group's earnings revealed the profit contributed from property development business. Apart from the contribution from property sales, the surge was also due to the recognition of the discount on acquiring the property assets in Suzhou.

Business Review***Toll Road Business***

In 2006, the total traffic volume and revenue of toll road projects were 134 million vehicles and RMB2.23 billion respectively; representing an increase of 2% and 4% compared to those in 2005 (excluding the results of the disposed project). During 2006, the cash generated from the Group's toll road business amounted to HK\$885 million, a growth of 3% over that of 2005.

The total traffic volume and the toll revenue of the Group's expressway projects continued to record strong growth of 8.6% and 7.0% respectively as compared to 2005. However, the performance of the Group's Class I/II highway projects decreased slightly due to the traffic diversion from nearby roads. The Group has taken measures to minimize such impact of diversion on the affected Class I/II highway projects and will consider disposing these projects when opportunity arises. In April 2006, the Group disposed its entire interest in Taiyuan Ximing-Gujiao Highway (Class II highway) in Shanxi Province with a total consideration of RMB125 million, recognising a slight profit.

The Group's direction for its toll road business remains to enhance and expand its portfolio of expressway projects. In 2006, the revenue of the expressway projects contributed 67% to the total revenue of the toll road business. The Group expects revenue and contribution of the expressway projects to grow continuously in the future.

Due to the technical difficulties associated with the regulatory approval procedures, during the past financial year, the Group did not commit to acquire any new projects in toll road business. Nevertheless, the Group will continue to closely monitor market development, maintain close relationship with relevant government authorities and follow up projects with high potential. As soon as the uncertainties are lifted, the Group will move in swiftly to expedite the development in the business.

Property Development Business

The Group has been dedicated to develop high quality projects since the commencement of its property development business in 2004. The property business started to contribute profit to the Group in 2006.

During the year of 2006, total sales and pre-sales of property developments reached approximately 100,000 square meters. The Group expects substantial growth in saleable area in 2007.

In September 2006, the Group announced the acquisition of the projects of Sunco Group in phases. The Sunco acquisition has allowed the Group to rapidly expand its property business and extend its geographical reach to various cities, including Beijing, Tianjin, Jinan, Qingdao, Zhengzhou, Luoyang, Suzhou and Wuhan within a short timespan.

As at 31 December 2006, the Group's unsold developable gross floor area was approximately 2.9 million square meters which would be increased to 6.3 million square meters upon completion of the Sunco acquisition.

Ginseng Business

In December 2006, the Group distributed its shares in the non-core ginseng business — Chai-Na-Ta Corp ("CNT") to shareholders by way of distribution in specie. As a result, the Company no longer has shareholding interest in CNT.

Financial Review

Liquidity and Financial Resources

As at 31 December 2006, shareholders' funds increased to HK\$6.78 billion (31 December 2005: HK\$5.23 billion). The surge was mainly due to the share placements of 80 million ordinary shares undertaken in late 2006 and profit earned during the year. Net assets per share was HK\$9.82 (31 December 2005: HK\$8.85).

As at 31 December 2006, the Group's total assets were HK\$10.96 billion (31 December 2005: HK\$7.34 billion) and cash and bank balances were HK\$1.11 billion (31 December 2005: HK\$421.19 million).

Financing Activities

To meet the funding requirement for the property development, the Group arranged various short term loan facilities with an aggregate amount of HK\$780 million. The short term loan facilities are being replaced by long term facilities in the first half of 2007. In November and December 2006, the Group successfully raised an aggregate of HK\$850 million from placing of 80,000,000 new shares at the placing price of HK\$10.96 per share.

Debt and Gearing

The gearing ratio of the Group (defined as the aggregate of borrowings to the equity of the Group) increased from 37% at the end of 2005 to 46% as at 31 December 2006. Interest coverage was 9.7 times (2005: 7.1 times).

As at 31 December 2006, the Group's total borrowings were HK\$3.14 billion (31 December 2005: HK\$1.92 billion). The maturity profile of the Group's total borrowings is set out as follows:

	31 December 2006	31 December 2005
	<i>HK\$ million</i>	<i>HK\$ million</i>
Repayable:		
Within one year	1,582	362
After one year but within two years	—	2
After two years but within five years	1,559	1
After five years	—	1,559
Total borrowings	<u>3,141</u>	<u>1,924</u>

The Group's borrowings were primarily denominated in US dollar. Other than the US\$200 million fixed-rate US\$ denominated guaranteed notes, the Group's borrowings were on a floating rate basis.

Financing and Treasury Policies

The Group continued to adopt prudent financing and treasury policies. All the Group's financing and treasury activities are centrally managed and controlled. Implementations of the Group's related policies are made under collective but extensive consideration on refinancing risk, interest rate risk and exchange rate risk.

Charges in the Group's Assets

As at 31 December 2006, bank balances were pledged as security in favour of banks for mortgage facilities granted to the buyers of properties under the Group's Phoenix City project. The total of these charged deposits was RMB24 million. In addition to the charged deposits, properties which were valued at RMB70 million were pledged as security for certain loan facilities granted to this project. Apart from these, there was no other charge on the Group's assets.

Exposure on Foreign Exchange Fluctuations

The Group's borrowings are principally denominated in US dollar, but its cash flow is generated from projects denominated mainly in Renminbi, so the continuous appreciation of Renminbi in 2006 had a positive impact on the Group's financial position. Other than that, the Group has no significant exposure to foreign exchange fluctuation.

Material Future Capital Commitments

As at 31 December 2006, the Group's major capital commitments amounted to approximately HK\$36 million which would be settled after 2010.

Contingent Liabilities

As at 31 December 2006, the Group provided guarantees of approximately RMB406 million in favour of its customers for their purchases of the Group's properties. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as securities to banks for the mortgage loans granted.

Employees

Excluding the staff of joint ventures, the total number of employees in the Group was 451 as of 31 December 2006. Expenditure on staff (excluding Directors' emoluments and amounts capitalised) amounted to HK\$72 million. Employees are remunerated according to their performance and contribution. Other employee benefits include but not limited to provident fund, insurance, medical cover and, training programs, as well as a share option scheme. In 2006, 19,340,000 share options were granted to Directors and employees under the Group's share option scheme.

Prospects

Toll road business is the Group's core business and the major source of income. The Group will make additional steps to fortify the toll road management and operation, and to enhance the portfolio of projects. In addition, the Group will also complete all the preliminary work for potential projects to facilitate the prompt capture of investment opportunities when arise, so as to the boarden the income source for the toll road business.

Based on the foundation built up in year 2006, the Group will accelerate the development of existing property projects in 2007 to realize and improve the income derived therefrom. The Group will also strive to complete the acquisition of Sunco and the restructuring of its operations, thereby providing a new stream of income source and a better development platform to help bolstering the Group's property business.

FOR THE YEAR ENDED 31 DECEMBER 2005

In 2005, the Group's profit attributable to shareholders was HK\$428.3 million, representing an increase of 16% as compared with that of 2004. Earnings per share increased from HK63 cents in 2004 to HK73 cents.

The increase in the Group's earnings revealed the profit growth from its core toll road business. During 2005, the Group's cash generated from the toll road business amounted to HK\$864 million, a growth of 26% over that of 2004.

BUSINESS REVIEW

Based on the size and level of investments, the Group's operations include the core business of investment, development, operation and management of toll road projects in China; and the non-core business of property development in China as well as the North American ginseng business in Canada.

Toll Road Business

In 2005, the results of the Group's toll road business were rewarding. Total traffic volume and revenue of the toll road projects were 135.12 million vehicles and RMB2.25 billion respectively, representing an increase of 6% and 19% compared to those in 2004. The performance of the expressway projects was particularly outstanding.

The impressive results of the toll road projects reflected the continued economic growth in China, the surge of business communications among provinces and cities, the rapid increase in car ownership and the mounting trend towards leisure driving. All these favourable factors to toll road business are expected to prevail.

In line with the Group's strategy to refine the existing toll road portfolio, in January 2005 the Group disposed of its entire interest of the Changzhou-Caoqiao Highway project in Jiangsu Province. The transaction was completed during the year. In 2005, the Group completed the acquisition of 45% equity interest in Tangshan-Tianjin Expressway in Hebei Province. The project commenced its profit contribution to the Group in February 2005.

In relation to the arbitration plea requesting the PRC joint venture partners and related parties of Yulin City projects in Guangxi Zhuang Autonomous Region to honor the joint venture contracts and related agreements, the China International Economic and Trade Arbitration Commission had finalized its arbitral award in favour of the Group. It was held that the PRC joint venture partners were required to pay the Group a sum of approximately RMB243 million, and the local municipal government and her related parties were required to honour part of the awarded sum in case there was any shortfall in payment. At present, the Group is following up the related payment.

Property Development Business

In 2005, there was substantial progress in the Group's property development business. During the year, the Group secured the development right of certain pieces of land located in Guangzhou, Guangdong Province and Changzhou, Jiangsu Province, boosting the Group's developable gross floor area to a total of 1.6 million square metres.

The structure of the property development project located at Tianhe District in Guangzhou, Parkrise, was completed by the end of 2005. Pre-sale was made in phases commencing from November 2005. Both the speed of sales and price achieved were better than expected. Construction works of the other two pieces of land in Guangzhou commenced in 2006.

Construction works of the Group's two residential and a shopping mall projects in Wujin District, Changzhou, Jiangsu Province, will commence in 2006. Pre-sale of certain residential units will be made in 2006.

It is expected that the property development business will start contributing profit to the Group in 2006.

Ginseng Business

The Group's non-core business — Chai-Na-Ta Corp. ("CNT"), the world's largest supplier of North American ginseng, registered a net loss. This was resulted mainly from the substantial reduction in sales demand and gross margin.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2005, the shareholders' funds increased to HK\$5.23 billion (2004: HK\$4.97 billion). Net assets per share was HK\$8.85 (2004: HK\$8.48).

As at 31 December 2005, the Group's total assets and cash and bank balances were HK\$7.34 billion and HK\$421 million respectively.

Financing Activities

In accordance with the Group's long term development strategy and operational position, a number of financing and refinancing activities were carried out in 2004, including the issuance of US\$200 million US\$ denominated long term guaranteed notes and the arrangement of US\$120 million US\$ denominated syndicated banking facility. These activities effectively fulfilled the Group's funding needs for 2005. Apart from the Group's early repayment of the HK\$306 million HK\$ denominated loan facility in January 2005, no material financing and refinancing activities were carried out during 2005.

Debt and Gearing

The Group's financial position remained healthy. Gearing ratio fell slightly from 38% at the end of 2004 to 37% as at 31 December 2005. Interest coverage was 7.1 times (2004: 6.9 times).

As at 31 December 2005, the Group's total borrowings were HK\$1.92 billion (2004: HK\$1.91 billion). The maturity profile of the Group's total borrowings is set out as follows:

	31 December 2005	31 December 2004
	<i>HK\$ million</i>	<i>HK\$ million</i>
Repayable:		
Within one year	362	133
After one year but within two years	2	87
After two years but within five years	1	133
After five years	<u>1,559</u>	<u>1,559</u>
 Total borrowings	 <u>1,924</u>	 <u>1,912</u>

The Group's borrowings were primarily denominated in US\$. Other than the US\$200 million fixed-rate US\$ denominated guaranteed notes, the Group's borrowings were on a floating rate basis.

The Group's toll road business contributed steady and strong cashflow to the Group. Together with its standby banking facilities and appropriate financial structure, the Group has adequate financial resources to meet its capital and operational requirements.

Financing and Treasury Policies

The Group continued to adopt prudent financing and treasury policies. All the Group's financing and treasury activities are centrally managed and controlled. Implementations of the Group's related policies are made under collective but extensive consideration on refinancing risk, interest rate risk as well as exchange rate risk.

Charges on the Group Assets

As at 31 December 2005, except the Canadian dollar denominated facilities with an outstanding balance of approximately CAD 8 million secured by inventories and certain real estate properties of an overseas subsidiary, the Group had no charged asset.

Exposure on Foreign Exchange Fluctuations

The Group maintained a conservative treasury policy to minimize exposure to foreign exchange risks. As the Group's borrowings are principally denominated in US\$, but its cash flow generated from projects is denominated mainly in Renminbi, the announcement made by the People's Bank of China on the revaluation of Renminbi in July 2005 had a positive impact on the Group's financing position. Other than that, the Group has no significant exposure to foreign exchange fluctuation.

Material Future Capital Commitments

As at 31 December 2005, the Group's major capital commitments amounted to approximately HK\$269.42 million. Out of this total balance, HK\$56.73 million will be required in 2006, HK\$177.83 million will be required during years 2007 to 2010, and the remaining will be required after the fifth year.

Contingent Liabilities

As at 31 December 2005, the Group provided guarantees of approximately RMB7.4 million in favour of its customers for their purchases of the Group's properties. These guarantees provided by the Group will be released when the customers pledge their real estate certificates as securities to banks for the mortgage loans granted by banks.

EMPLOYEES

Excluding the staff of joint ventures, the total number of employees in the Group was 286 as at 31 December 2005. Expenditure on staff (excluding Directors' emoluments and amounts capitalised) amounted to HK\$53 million. Employees are remunerated according to their performance and contribution. Other employee benefits include but not limited to provident fund, insurance, medical cover, training program, as well as a share option scheme. In 2005, 15,460,000 share options were granted to Directors and employees under the Group's share option scheme.

OUTLOOK

Toll road operation is the Group's core business. Riding on the continued economic development of mainland China, the prospect of toll road business remains positive, and it is believed that the business will continue to contribute sizable and gratifying return to the Group. To pursue a higher return from toll road projects, the Group will capitalize its past successful experiences to further improve the governance on its existing toll road projects; strengthen the management of toll collection; block the traffic diversions; and raise the standards of repair and maintenance. Meanwhile, the Group will continue to strive to identify and secure potential expressway projects so as to fortify and enlarge its toll road portfolio as well as profitability.

The Group's property development business is still in a preliminary stage. The Group gained valuable experience from the successful pre-sale of the Guangzhou project. The Group will not only continue to develop the Guangzhou and Changzhou projects, but also to search and explore new business opportunities cautiously to secure another source of profit for the Group.

FOR THE YEAR ENDED 31 DECEMBER 2004

In 2004, the Group's net profit amounted to HK\$368.8 million (2003: HK\$322.7 million), representing an increase of 14.3% (as restated). Earnings per share increased by 12.5% to HK63 cents.

BUSINESS REVIEW

The principal activity that the Group engaged in is investment, development and management of toll road projects in China.

In 2004, the total traffic volume and toll revenue of the Group's projects were 128 million vehicles and RMB1.89 billion respectively, representing an increase of 19% and 31% compared to those in 2003. Excluding the contribution from the Baoding-Tianjin Expressway project (this project commenced operation since October 2003), the 2004 total traffic volume and toll revenue of the Group both reported a growth of 17% over those of 2003.

Along with the robust economic growth and the surging car ownership in China, the traffic flow in China's toll roads increased vigorously in 2004. Despite the mounting of diversion from some of the Group's open-ended toll roads, traffic volume and toll revenue of those projects recorded moderate growth and satisfactory results. The performance of the Group's expressway projects was even delightful. The Group believed that this high growth phenomenon would persist. During the year, in some regions, strict measures on circumventing overloading vehicles were carried out; policies to raise road safety standard were implemented; toll-by-weight tariff systems were employed; or toll adjustments on heavy vehicles were required. All these policies and measures have affected the performance of some of the toll roads in the short run. But in the long run, these policies would benefit the operation and management of toll roads.

During the year, the Group and the PRC party of the Guangzhou-Sanshui Expressway project reached an agreement to amend the terms regarding the payment of minimum income undertakings owed by the PRC party in accordance with the joint venture agreement. According to the new arrangement, the Group enjoys a higher profit sharing ratio than its equity interest in this project in the coming three years. This arrangement secured the Group's required return in this project.

Following the Group's long-term development strategy, the Group has been conducting synergistic studies on some of its existing projects. In January 2005, the Group disposed its interest of Changzhou-Caoqiao highway project in Jiangsu Province to a PRC third party. The disposal was approved, and the transaction and its related procedures are expected to be completed in the first half of 2005.

In relation to the Group's arbitration plea requesting the PRC joint venture partners and related parties of Yulin City projects in Guangxi Zhuang Autonomous Region to honor the joint venture contracts and related agreements, it is expected that the arbitration result will be announced in the first half of 2005.

In 2004, the Group reached an agreement with the PRC joint venture partners to acquire 45% equity interest in Tangshan-Tianjin Expressway in Hebei Province. The transaction has already obtained relevant government authorities' approval. The project has started contributing profit to the Group since February 2005.

During the year, the Group signed a preliminary conditional agreement to construct, operate and manage the Hefei-Yeji Expressway in Anhui Province. The Group is now in the process of preparing the detailed co-operative terms and conditions of the contract. The conclusion of this project would be subject to reaching agreement with the PRC party on all the details of the co-operation and the final approval from the Board of Directors.

After extensive explorations and preparations, the Group commenced its China property development business in Guangzhou. The first property project was already under construction. Other projects were also under preparation. At the same time, the Group successfully secured several projects in Wujin District, Changzhou, Jiangsu Province. It is expected that the Group's property business will start contributing profit to the Group in 2006.

The Group's non-core business — Chai-Na-Ta Corp, the world's largest supplier of North American ginseng was also making healthy progress.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2004, the net asset value of the Group increased to HK\$4.97 billion (2003: HK\$4.73 billion) and the net asset value per share was HK\$8.48 (2003: HK\$8.10). The Group's total assets reached HK7 billion (2003: HK\$5.86 billion) and the cash and bank balance amounted to HK\$1.57 billion (2003: HK\$488 million). During 2004, the Group's cash flows generated from toll road business amounted to HK\$687 million.

Financing Activities

The Group continued to adopt prudent financial policies in cash management and bank borrowing. During 2004, the Group underwent certain debt refinancing exercises to achieve better cash management objective and to reduce the cost of borrowings. In April 2004, the Group arranged a 5-year US dollar denominated revolving and term facility of US\$120 million. In July 2004, the Group redeemed its US dollar denominated guaranteed notes due in 2007, with coupon rate 9.50% p.a. At the same time, the Group successfully issued the 7-year US dollar denominated guaranteed notes of US\$200 million, with coupon rate of 6.25% p.a..

Capital and Liabilities Structure

As at 31 December 2004, the Group's consolidated borrowings and net borrowings were HK\$1.91 billion and HK\$343 million respectively. Gearing ratio was 38%, while the net gearing ratio was 7%. The Group's major outstanding borrowings included US dollar denominated guaranteed notes with outstanding balance equivalents to HK\$1.56 billion, HK dollar denominated loan facilities with

an outstanding balance of HK\$306 million (already fully repaid in January 2005), and Canadian dollar denominated loan facilities with an outstanding balance equivalent to HK\$47 million. As at 31 December 2004, the total loan facilities available to the Group amounted to HK\$1.04 billion. The maturity profile of the Group's borrowings as at 31 December 2004 is as follows:

Year of Maturity	HK\$ million
Within one year	133
In 1 to 2 years	87
In 2 to 5 years	133
More than 5 years	1,559

In 2004, a Baa2 rating was first assigned to the Group by Moody's. Standard and Poor's also reaffirmed the Group's BBB- corporate rating with a stable outlook.

Finance Costs and Interest Rate

The total finance costs of the Group in 2004 amounted to HK\$103 million. Other than the fixed-rate US dollar denominated guaranteed notes, all borrowings of the Group are on floating-rate basis.

Capital Commitments and Contingent Liabilities

As at 31 December 2004, the Group's major capital commitments were approximately HK\$74 million. Of which, HK\$40 million is required in 2005, and the remaining will be required after the fifth year.

As at 31 December 2004, the Group had no contingent liabilities.

Charges on the Group Assets

As at 31 December 2004, total charged deposits of the Group were approximately HK\$44 million, which were mainly for the HK Dollar denominated facilities.

For the Canadian dollar financing, the credit facilities were secured by inventories and certain real properties of an overseas subsidiary.

Exposure on Foreign Exchange Fluctuations

The Group maintained a conservative treasury policy to minimize exposure to foreign exchange risks. As the Group's reporting currency is HK Dollar and borrowing is mainly denominated in US dollar, the Group held majority of bank deposits in US and HK dollars. Meanwhile, the cash flow generated from the projects is denominated mainly in Renminbi. Under current condition, it is beneficial to the Group's treasury situation.

LITIGATION AND ARBITRATION

Other than the arbitration plea requesting the PRC joint venture partners and related parties of Yulin City projects in Guangxi Zhuang Autonomous Region to honor the joint venture contracts and related agreements, there was no material litigation and arbitration for the Company, its subsidiaries and jointly controlled entities.

CORPORATE GOVERNANCE

The Company believes that a high standard of corporate governance and transparency is of vital importance. The Group's Audit Committee and Remuneration Committee are mainly constituted by Independent Non-executive Directors. They supervised the Group's management and control on the matters of finance, operation, as well as the employees' and Directors' remuneration.

EMPLOYEES

Excluding the staff of joint ventures, the total number of employees in the Group was 214 as at 31 December 2004. Expenditure on staff (excluding emoluments of the directors) amounted to HK\$40 million. Employees are remunerated according to their performance and contribution. Other employee benefits include but not limited to provident fund, insurance, medical cover, training program, as well as a share option scheme. In 2004, 14,090,000 share options were granted to employees under the Group's share option scheme.

OUTLOOK

In 2004, the excellent result of the Group's toll road business is encouraging. It is believed that this good result will persist in the year of 2005. The Group will continue to put emphasis on the efficiency and effectiveness of toll collection management and road maintenance, in order to secure both the Group's short and long-term returns.

The contribution of road network to China's economic development is undeniable. The announcement of the RMB2,000 billion plan for China's road network system by the Chinese Government was a gratifying signal to toll road investors. In 2005, the Group will even be more active in searching and securing potential expressway projects with lucrative returns. Simultaneously, the Group will continue to make suitable adjustments on its existing project portfolio to synchronize with the Group's long-term business development strategy.

After thorough analyses and thoughts, the Group believes that it is well prepared to start the property development business in China. In 2005, the Group is committed to put its best efforts on the development of the acquired property projects. By developing a competent and professional property development team and by the building of an operating model, the Group will develop the property development business cautiously and prudently to ensure its profit contribution commencing from 2006.

The Group's management is delighted for the Group's achievements. As in the past, the Group will continue to work hard with strong determination to strive for the future development.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, being the date to which the latest published audited financial statement of the Group were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the internal resources, the present available banking facilities and the recent fund raising activities of Road King and upon completion of the Sunco A Acquisitions and the transactions contemplated under the Elite Rich Agreement and the Zhang Participation Agreement, the Enlarged Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

5. STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 30 April 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had total outstanding borrowings of approximately HK\$4.91 billion. The Enlarged Group's borrowing were primarily denominated in US dollar. Other than the US\$200 million fixed rate notes, the Enlarged Group's borrowings were on a floating rate basis.

Pledge of assets

As at the close of business on 30 April 2007, the Enlarged Group's charged deposits amounted to approximately HK\$202.9 million. The Enlarged Group also pledged approximately HK\$2.73 billion properties under development for sale, which were carried at cost, for borrowings.

Contingent liabilities

As at 30 April 2007, according to market practice, the Enlarged Group provided guarantees amounted to HK\$4.15 billion in favor of banks to facilitate the mortgage granted to customers who purchased the Group's properties. These guarantees will be released when the customers receive and pledge real estate certificates as securities to banks for the mortgage loans granted.

The Directors have confirmed that, save as disclosed above, there was no other indebtedness and contingent liabilities of the Enlarged Group as at 30 April 2007.

The Directors have also confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the Enlarged Group since 30 April 2007.

6. FINANCIAL AND TRADING PROSPECTS

For the purpose of assessing the prospects of the Enlarged Group, the Directors have considered the followings factors, including:

- (i) *Urbanisation rate and disposable income levels* — the demand for private properties will increase as a result of the increase in the number of urban population and the amount of disposal income for urban population. The China National Bureau of Statistics estimates that China's urbanisation rate will reach 50% in 2020 and 70% by 2050. If this materialises, it is expected to create greater demand for properties in the cities. The urban population in the PRC has increased from approximately 481 million in 2001 to 577 million in 2006. During the same period, the urban resident per capita disposable income has also increased from RMB6,860 in 2001 to RMB11,759 in 2006. Such increased purchasing power is a positive sign for the property market as it may be an indication that an increasing number of high income people are entering the property market;
- (ii) *the continue growth in the PRC economy* — the PRC economy has grown significantly since the PRC Government introduced economic reforms in the late 1970's. China's accession to the World Trade Organisation in 2001 has further accelerated the reform of the PRC economy. According to National Bureau of Statistics of China, China's real gross domestic product ("GDP") grew at an average annual growth rate of approximately 10.1% during the 5-year period from 2002 to 2006, making China one of the fastest growing economies in the world. In 2006, China's nominal GDP was approximately RMB20,940.7 billion, while real GDP grew approximately 10.7% from 2005; and
- (iii) *the property reform in the PRC* — prior to the property and housing reforms in the PRC which commenced in the early 1990's, the PRC Government was responsible for the property development industry as part of the nation's planned economy. Following these property reforms, the property and housing sector of the PRC is gradually transitioning into a market-based system. Details of the property reforms are set out under the heading "Property markets in the PRC and regulatory overview" in Appendix X to the Circular. These housing reforms are key factors in sustaining the growth of the property market in the PRC. Other key factors include an increase in the urbanisation rate (i.e. the proportion of the population residing in urban areas) and an increase in disposable income.

In addition, having considered that the property development projects of the Sunco A Group and the New Project Companies are all located in the PRC, the Directors are confident that (i) the exercise of the Outstanding Sunco A Options; and (ii) the arrangements with respect to the Loan 7 would facilitate the Enlarged Group to excel in the future, which in turn would enable Road King to achieve, within a short period, a significant and critical mass and considerable scale of investment/participation in the property sector in the PRC.

The Directors are of the view that while the macro-economic measures announced by the PRC government in May, 2006, further particulars of which are set out at the end of Appendix X to this Circular may result in a cooling off of demand for properties due to perceived increased costs of investment in property, they are designed to promote long term healthy development of the PRC

property market and PRC's macro economy. Consequently, the Directors believe that these measures would be beneficial to the Group's property development business in the long run. Details of the property market in the PRC are set out in the heading "Property markets in the PRC and regulatory overview" in Appendix X to this Circular.

7. PROPERTY VALUATION

The Group

The following table sets forth the reconciliation of the Group's properties from the audited consolidated financial statements as of 31 December 2006 to the property valuation in Appendix VI to this circular as of 31 March 2007 :

	The Group	
	As of 31 December 2006 RMB'000	As of 31 March 2007 RMB'000
Valuation of properties as of 31 March 2007 as set out in the property valuation in Appendix VI to this circular		5,109,000
Net book value of the properties as of 31 December 2006:		
Properties under development for sales	2,444,729	
Completed properties held for sale	<u>452,230</u>	
Total	2,896,959	
Add: Additions during the period from 1 January 2007 to 31 March 2007 (unaudited)	375,147	
Less: Disposals during the period from 1 January 2007 to 31 March 2007 (unaudited)	(71,014)	
Net book value of properties of the Group as of 31 March 2007 subject to valuation as set out in the property valuation in Appendix VI to this circular		<u>3,201,092</u>
Revaluation surplus, before corporate income tax and LAT		<u><u>1,907,908</u></u>

The Sunco A Group, the New Project Companies and Shanghai Fangcheng

The following table sets forth the reconciliation of the properties of the Sunco A Group, the New Project Companies and Shanghai Fangcheng, from the audited combined financial statements as of 31 December 2006 to the property valuation in Appendices VII to VIII to this circular as of 31 March 2007:

	The Sunco A Group, the New Project Companies and Shanghai Fangcheng	
	As of	As of
	31 December	31 March
	2006	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Valuation of properties as of 31 March 2007 as set out in the Property Valuation in Appendices VII to VIII to this circular		10,081,000
Less valuation of properties held by the jointly-controlled entity		<u>(194,000)</u>
		9,887,000
Net book value of the properties as of 31 December 2006:		
Properties under development for sales	5,313,897	
Completed properties held for sale	<u>1,153,796</u>	
Total	6,467,693	
Add: Additions during the period from 1 January 2007 to 31 March 2007 (unaudited)	735,507	
Less: Disposals during the period from 1 January 2007 to 31 March 2007 (unaudited)	(272,296)	
Net book value of properties of the Sunco A Group, the New Project Companies and Shanghai Fangcheng as of 31 March 2007 subject to valuation as set out in the Property Valuation in Appendices VII to VIII to this circular		<u>6,930,904</u>
Revaluation surplus, before corporate income tax and LAT		<u><u>2,956,096</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the auditors and reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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Deloitte Touche Tohmatsu
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30 June 2007

The Directors
Road King Infrastructure Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Sunco Property Holdings Company Limited (formerly known as Sunco Binhai Land Limited) (“Sunco A”) and its subsidiaries including 天津順馳濱海置地有限公司 (“Sunco A WFOE”) and those entities obtained through a corporate restructuring exercise in October 2006 (the “Sunco A Corporate Restructuring”, see below for details) (collectively the “Sunco A Group”) for each of the three years ended 31 December 2006 (the “Relevant Periods”) for the inclusion in the circular of Road King Infrastructure Limited (“RKI”) dated 30 June 2007 (the “Circular”) in connection with RKI’s proposed acquisition and subscription of the shares in Sunco A, pursuant to various options granted by Sunco A, Sunco China Holdings Limited (“Sunco China”) and Sunco Management Holdings Limited (“Sunco Management”), details of which are set out in the Circular.

Sunco A was incorporated in the British Virgin Islands (“BVI”) on 12 February 2003 as an international business company with limited liability. Sunco A acts as an investment holding company.

For the period from 1 January 2004 to 11 October 2006, the date before completion of the Sunco A Corporate Restructuring (defined below), Sunco A had the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Paid-in registered capital	Proportion of registered capital held by Sunco A		Principal activities
				Directly	Indirectly	
Sunco A WFOE	People’s Republic of China (“PRC”)	24 February 2003	RMB100,000,000	100%	—	Property development and investment holding
天津順馳濱海房地產開發有限公司 (“Binhai Property”)	PRC	30 January 2003	RMB30,000,000	—	70%	Investment holding and property development

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Paid-in registered capital	Proportion of registered capital held by Sunco A		Principal activities
				Directly	Indirectly	
天津順馳融業置地有限公司 ("Rongye")	PRC	19 February 2003	RMB50,000,000	—	82%	Investment holding and property development
荆州市順馳水藍房地產開發有限公司 ("Jingzhou Sunco")	PRC	2 March 2004	RMB20,000,000	—	55%	Property development

On 12 October 2006, pursuant to the completion of a corporate restructuring exercise by Sunco A (the "Sunco A Corporate Restructuring"), Sunco A's interests in Binhai Property, Rongye and Jingzhou Sunco have been transferred to 天津順馳地產有限公司 ("Sunco B WFOE") and 天津順馳北岸置地有限公司 respectively, both are under the control of Mr. Sun Hongbin ("Mr. Sun", the controlling shareholder of Sunco A throughout the Relevant Periods). At the same time, the equity interests in those subsidiaries listed in the following table under the heading "Subsidiaries obtained through Sunco A Corporate Restructuring", which were also controlled by Mr. Sun throughout the Relevant Periods, were transferred to Sunco A and Sunco A WFOE.

As all of the entities comprising the Sunco A Group were under common control of Mr. Sun before and immediately after the completion of the Sunco A Corporate Restructuring, there was a continuation of the risks and benefits to the controlling party that existed prior to the Sunco A Corporate Restructuring.

As a result, the Financial Information, comprising combined income statements, combined statements of changes in equity and combined cash flow statements of the Sunco A Group for the Relevant Periods and the combined balance sheets of the Sunco A Group as at 31 December 2004, 31 December 2005 and 31 December 2006 together with notes thereon, has been prepared from the Underlying Financial Statements (defined below) using the basis of merger accounting in accordance with Hong Kong Accounting Guideline 5 "Merger accounting for common control combinations" ("AG 5") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the group structure after Sunco A Corporate Restructuring had been in existence and remained unchanged throughout the Relevant Periods, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

At the date of this report, the particulars of the subsidiaries of Sunco A are as follows:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Paid-in share/ registered capital	Proportion of share/ registered capital held by Sunco A	
				Principal activities	
Subsidiaries obtained through Sunco A Corporate Restructuring					
Kingsvalue Limited (“Kingsvalue”)	BVI	3 December 2004	US\$1	100%	Investment holding

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Paid-in share/ registered capital	Proportion of share/ registered capital held by Sunco A	Principal activities
Subsidiaries obtained through Sunco A Corporate Restructuring					
鄭州客屬地產有限公司 ("Zhengzhou Keshu")	PRC	13 January 2005	RMB10,000,000	100%	Property development
北京順馳置地豐潤房地產開發有限公司 ("Sunco Beijing 2")	PRC	10 May 2004	RMB40,000,000	100%	Property development
河南順馳地產有限公司 ("Henan Sunco")	PRC	29 April 2004	RMB55,000,000	100%	Property development
洛陽順馳房地產開發有限公司 ("Luoyang Sunco")	PRC	7 June 2004	RMB110,000,000	100%	Property development
山東順馳融盛置地有限公司 ("Shandong Sunco")	PRC	29 November 2004	RMB10,000,000	100%	Property development
蘇州工業園區順馳置地有限公司 ("Suzhou Industrial Park Sunco")	PRC	30 October 2003	RMB250,000,000	100%	Property development
武漢能達實業發展有限公司 ("Wuhan Sunco")	PRC	3 June 1997	RMB40,000,000	100%	Property development
濟南順成房地產開發有限公司 ("Jinan Sunco")	PRC	9 November 2004	RMB10,000,000	70%	Property development
Subsidiaries acquired through Sunco B Acquisition (Note)					
天津順馳新地置業有限公司 ("Tianjin Sunco 2")	PRC	8 May 2003	RMB100,000,000	100%	Property development
天津順馳融信置地有限公司 ("Tianjin Sunco 3")	PRC	27 June 2003	RMB50,000,000	100%	Property development
北京順馳置地達興房地產開發有限公司 ("Beijing Sunco 3")	PRC	5 January 2004	RMB40,000,000	100%	Property development
順馳置地(北京)房地產開發有限公司 ("Beijing Sunco 1")	PRC	24 September 2001	RMB160,000,000	100%	Property development
河北順馳房地產開發有限公司 ("Hebei Sunco")	PRC	12 August 2003	RMB50,000,000	100%	Property development
Others					
Sunco A WFOE	PRC	24 February 2003	RMB600,000,000	100%	Property development and investment holding
天津啟威不動產投資管理有限公司 ("Sunco A WFOE 3")	PRC	11 May 2007	Nil	100%	Investment holding
天津順馳濱海不動產投資管理有限公司 ("Sunco A WFOE 2")	PRC	8 March 2007	RMB460,000,000	100%	Investment holding

Except for Sunco A WFOE, Sunco A WFOE 2 and Kingsvalue, which are directly held by Sunco A, all the remaining subsidiaries are indirectly held by Sunco A.

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

At the date of this report, the particulars of the jointly controlled entity of Sunco A, which was acquired through the Sunco B Acquisition (see note below), are as follows:

Name of jointly controlled entity	Place of establishment	Date of establishment	Registered capital	Proportion of registered capital effectively held by Sunco A	Principal activities
上海順馳方城置業有限公司 ("Shanghai Fangcheng") (Note)	PRC	16 June 2005	RMB50,000,000	31.5%	Property development

Note: These subsidiaries and associate were acquired by Sunco A WFOE 2 on 26 May 2007 from Mr. Sun (the "Sunco B Acquisition"). Mr. Sun was the controlling shareholder of the Sunco A Group throughout the Relevant Periods and until 11 January 2007 when RKI, through its subsidiary, acquired 49% equity interest in Sunco A (the "Sunco A Subscription"). After the Sunco A Subscription, Sunco A has no controlling shareholder and is held as to 49%, 5%, 1%, 40% and 5% by RKI, Elite Rich Investments Limited ("Elite Rich"), Mr. Zhang Huaqiao, Sunco China and Sunco Management respectively. Sunco China and Sunco Management are entities controlled by Mr. Sun. Elite Rich is a wholly-owned subsidiary of Wai Kee Holdings Limited, which is a substantial shareholder of RKI. Mr. Zhang Huaqiao is an independent third party.

No audited statutory financial statements of Sunco A and Kingsvalue were prepared for the Relevant Periods as they were incorporated in jurisdictions where there are no statutory audit requirements.

Except for Sunco A and Kingsvalue, the audited financial statements of the entities comprising the Sunco A Group were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. The audited financial statements of the PRC subsidiaries of the Sunco A Group, if any, for each of the three years ended 31 December 2006 were audited by the following certified public accountants registered in the PRC:

Name of company	Financial period	Auditors
Sunco A WFOE	For each of the three years ended 31 December 2006	No audited financial statements were prepared
Zhengzhou Keshu	For the period from 13 January 2005 (date of establishment) to 31 December 2005	No audited financial statements were prepared
	Year ended 31 December 2006	河南瑞祥會計師事務所有限公司

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

Name of company	Financial period	Auditors
Sunco Beijing 2	For the period from 10 May 2004 (date of establishment) to 31 December 2004	No audited financial statements were prepared
	Year ended 31 December 2005	No audited financial statements were prepared
	Year ended 31 December 2006	北京國府嘉盈會計師事務所有限公司
Henan Sunco	For the period from 29 April 2004 (date of establishment) to 31 December 2004	No audited financial statements were prepared
	Year ended 31 December 2005	No audited financial statements were prepared
	Year ended 31 December 2006	河南瑞祥會計師事務所有限公司
Luoyang Sunco	For the period from 7 June 2004 (date of establishment) to 31 December 2004	No audited financial statements were prepared
	Year ended 31 December 2005	No audited financial statements were prepared
	Year ended 31 December 2006	洛陽市信德會計師事務所有限責任公司
Shandong Sunco	For the period from 29 November 2004 (date of establishment) to 31 December 2004	No audited financial statements were prepared
	Year ended 31 December 2005	No audited financial statements were prepared
	Year ended 31 December 2006	青島振青會計師事務所有限公司膠州分所

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

Name of company	Financial period	Auditors
Suzhou Industrial Park Sunco	Year ended 31 December 2004	蘇州明誠會計師事務所有限公司
	Year ended 31 December 2005	蘇州天勤聯合會計師事務所
	Year ended 31 December 2006	江蘇新中大會計師事務所有限公司
Wuhan Sunco	Year ended 31 December 2004	No audited financial statements were prepared
	Year ended 31 December 2005	No audited financial statements were prepared
	Year ended 31 December 2006	湖北東方會計師事務所有限責任公司
Jinan Sunco	For the period from 9 November 2004(date of establishment) to 31 December 2004	No audited financial statements were prepared
	Year ended 31 December 2005	No audited financial statements were prepared
	Year ended 31 December 2006	濟南真誠有限責任會計師事務所

For the purpose of this report, the management of Sunco A has prepared combined financial statements of the Sunco A Group for the Relevant Periods in accordance with the significant accounting policies, as set out in note 3 to the Financial Information, which conform with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the HKICPA except for the failure to consolidate the financial information of certain subsidiaries in accordance with Hong Kong Accounting Standard (“HKAS”) 27 “Consolidated and separate financial statements” (“HKAS 27”) and to equity account for Sunco A’s interest in an associate in accordance with HKAS 28 “Investments in associates” (“HKAS 28”) (see below for detailed discussions) (the “Underlying Financial Statements”). We have carried out independent audit procedures on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We planned our audit 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 as to whether the Underlying Financial Statements for the Relevant Periods are free from material misstatement. However, the evidence available for us was limited and the limitations in the scope of our work are described below.

We have examined the Underlying Financial Statements of the Sunco A Group for the Relevant Periods in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of the Sunco A Group who approved their issue. The directors of RKI are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you. However, our scope was limited as follows:

- (1) We have not been required to carry out independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the HKICPA in respect of the financial information of certain subsidiaries. As described in note 16 to the Financial Information, in the absence of reliable financial information, the Financial Information for the Relevant Periods has not included the financial information of these subsidiaries. This is not in accordance with HKAS 27 issued by the HKICPA.
- (2) Included in the other receivables and prepayments in the combined balance sheets at 31 December 2004, 31 December 2005 and 31 December 2006 were deposits for acquisition of land use rights with carrying values of RMB30,000,000, RMB55,000,000 and RMB224,643,000 respectively. As set out in note 19 to the Financial Information, the Sunco A Group has not yet obtained the legal title of the land. We were unable to obtain sufficient evidence to assess whether the Sunco A Group will be able to recover the deposits if title to the land use rights cannot be obtained. There were no other alternative audit procedures we could adopt to satisfy ourselves regarding this. Any adjustments found to be necessary would affect the net assets of the Sunco A Group as at 31 December 2004, 31 December 2005 and 31 December 2006 and its results for the Relevant Periods.
- (3) Included in the other receivables and prepayments in the combined balance sheets at 31 December 2004 and 31 December 2005 were certain other receivables amounting to RMB155,938,000 and RMB309,897,000 respectively. In addition, included in the trade and other payables in the combined balance sheets at 31 December 2004 and 31 December 2005 were certain payables amounting to RMB410,000,000 and RMB354,719,000 respectively. We were unable to obtain sufficient information and explanations regarding the nature of the transactions that gave rise to these balances to satisfy ourselves whether the accounting treatment of these transactions reflects their substance and economic reality. There were no other alternative procedures that we could adopt to satisfy ourselves as to the nature of these transactions. Any adjustments found to be necessary would affect the net assets of the Sunco A Group as at 31 December 2004 and 31 December 2005 and its results for the Relevant Periods.
- (4) Included in the combined balance sheets are amounts due from related parties amounting to RMB352,962,000 and RMB1,156,426,000 at 31 December 2004 and 31 December 2005 respectively and amounts due to related parties amounting to RMB1,481,184,000 and RMB1,331,381,000 at 31 December 2004 and 31 December 2005 respectively. We were unable to obtain sufficient information and explanations regarding the nature of the transactions that gave rise to these balances and accordingly we were unable to satisfy ourselves as to whether the accounting treatment of these transactions reflects their

substance and economic reality. There were no other alternative procedures that we could adopt to satisfy ourselves as to the nature of these transactions. Any adjustments found to be necessary would affect the net assets of the Sunco A Group as at 31 December 2004 and 31 December 2005 and its results for the Relevant Periods.

- (5) As explained in note 13 to the Financial Information, the investment in an associate with carrying amount of RMB2,000,000 as at 31 December 2004 was stated at cost less any identified impairment loss. The Sunco A Group has not accounted for its share of the result and net assets of the associate and has not disclosed the financial information of the associate in accordance with the requirements of HKAS 28 issued by the HKICPA. If equity method were used, the Sunco A Group would have recognised its share of result of the associate after making any appropriate adjustments in accordance with HKAS 28. In the absence of sufficient and reliable financial information of the associate, we were unable to equity account for the result and net assets of the associate and account for the effect on disposal of the associate during the year ended 31 December 2005. Any adjustments found to be necessary would affect the net assets of the Sunco A Group as at 31 December 2004 and its results for the years ended 31 December 2004 and 31 December 2005.

Because of the significance of the possible effects of the limitation in the scope of our examination work referred to above, we are unable to form an opinion as to whether the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Sunco A Group as at 31 December 2004, 31 December 2005 and 31 December 2006 and of the results and cash flows of the Sunco A Group for the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

A. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

	NOTES	Year ended 31 December		
		2004	2005	2006
		RMB'000	RMB'000	RMB'000
Revenue	6	365,559	491,866	1,348,084
Cost of sales		<u>(288,993)</u>	<u>(407,467)</u>	<u>(1,157,839)</u>
Gross profit		76,566	84,399	190,245
Other income	7	2,469	17,405	7,780
Selling expenses		(77,730)	(158,513)	(105,617)
Administrative expenses		(55,609)	(99,830)	(110,294)
Impairment loss on amounts due from related parties		—	—	(4,911)
Impairment loss on other receivables and prepayments		—	—	(3,406)
Penalty on overdue payments of land premium		—	(125,931)	(59,445)
Reversal of penalty charge on overdue payments of land premium		—	—	74,150
Penalty on late delivery of completed properties held for sale		—	(57,597)	—
Finance costs	8	<u>(26,573)</u>	<u>(14,100)</u>	<u>(22,769)</u>
Loss before tax	9	(80,877)	(354,167)	(34,267)
Income tax (charge) credit	11	<u>(19,899)</u>	<u>(9,206)</u>	<u>17,271</u>
Loss for the year		<u><u>(100,776)</u></u>	<u><u>(363,373)</u></u>	<u><u>(16,996)</u></u>
Attributable to:				
Equity holders of the parent		(95,456)	(355,089)	(12,619)
Minority interests		<u>(5,320)</u>	<u>(8,284)</u>	<u>(4,377)</u>
		<u><u>(100,776)</u></u>	<u><u>(363,373)</u></u>	<u><u>(16,996)</u></u>

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

COMBINED BALANCE SHEETS

		31 December		
	NOTES	2004	2005	2006
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	12	5,926	8,774	6,089
Investment in an associate	13	2,000	—	—
Available-for-sale investments	14	—	17,000	5,000
Investments in subsidiaries not consolidated	16	482,091	117,000	—
Deferred tax assets	17	10,359	57,176	108,962
		<u>500,376</u>	<u>199,950</u>	<u>120,051</u>
Current assets				
Properties under development held for sale	18	1,643,497	3,154,613	2,923,858
Completed properties held for sale		7,979	132,841	625,937
Other receivables and prepayments	19	461,829	724,125	401,153
Amounts due from related parties	20	352,962	1,156,426	167,713
Prepaid income tax		10,841	10,612	64,403
Pledged deposits	21	57,282	151,820	142,677
Bank balances and cash	22	408,512	153,716	150,336
		<u>2,942,902</u>	<u>5,484,153</u>	<u>4,476,077</u>
Current liabilities				
Trade and other payables	23	783,264	1,486,677	1,090,635
Bills payables	24	—	4,170	—
Pre-sale deposits		622,937	2,352,789	2,596,615
Amounts due to related parties	20	1,481,184	1,331,381	194,505
Borrowings	25	276,080	459,390	855,620
Income tax payable		11,334	30,551	40,291
		<u>3,174,799</u>	<u>5,664,958</u>	<u>4,777,666</u>
Net current liabilities		<u>(231,897)</u>	<u>(180,805)</u>	<u>(301,589)</u>
Total assets less current liabilities		268,479	19,145	(181,538)

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

		31 December		
	<i>NOTES</i>	2004	2005	2006
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liability				
Borrowings	25	<u>—</u>	<u>149,900</u>	<u>210,000</u>
		<u>268,479</u>	<u>(130,755)</u>	<u>(391,538)</u>
Capital and reserve				
Share capital	26	<u>—</u>	<u>—</u>	<u>—</u>
Special reserve		<u>372,336</u>	<u>332,881</u>	<u>89,094</u>
Accumulated losses		<u>(114,956)</u>	<u>(470,045)</u>	<u>(482,664)</u>
Equity attributable to equity holders of Sunco A		<u>257,380</u>	<u>(137,164)</u>	<u>(393,570)</u>
Minority interests		<u>11,099</u>	<u>6,409</u>	<u>2,032</u>
		<u>268,479</u>	<u>(130,755)</u>	<u>(391,538)</u>

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

BALANCE SHEETS

		31 December		
	NOTES	2004	2005	2006
		RMB'000	RMB'000	RMB'000
Non-current asset				
Investments in subsidiaries	15	<u>100,000</u>	<u>100,000</u>	<u>596,290</u>
Current assets				
Amount due from a subsidiary	20	79	79	—
Bank balances and cash	22	<u>1</u>	<u>1</u>	<u>3</u>
		<u>80</u>	<u>80</u>	<u>3</u>
Current liabilities				
Other payables		—	—	5
Amounts due to a related party	20	100,749	98,478	—
Borrowings	25	<u>—</u>	<u>—</u>	<u>500,780</u>
		<u>100,749</u>	<u>98,478</u>	<u>500,785</u>
Net current liabilities		<u>(100,669)</u>	<u>(98,398)</u>	<u>(500,782)</u>
		<u>(669)</u>	<u>1,602</u>	<u>95,508</u>
Capital and reserve				
Share capital	26	—	—	—
Special reserve		—	—	95,554
Accumulated (losses) profits		<u>(699)</u>	<u>1,602</u>	<u>(46)</u>
		<u>(669)</u>	<u>1,602</u>	<u>95,508</u>

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Equity attributable to equity holders of Sunco A				
	Share capital	Special	Accumulated	Total	Minority	Total
	RMB'000	reserve	losses	RMB'000	interests	equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004 (Note 1)	—	26,619	(19,500)	7,119	3,136	10,255
Loss for the year and total recognised expense for the year	—	—	(95,456)	(95,456)	(5,320)	(100,776)
	—	26,619	(114,956)	(88,337)	(2,184)	(90,521)
Acquisition of additional interest in a subsidiary by Mr. Sun	—	3,381	—	3,381	(3,381)	—
Capital contributions from shareholders of subsidiaries	—	332,536	—	332,536	16,464	349,000
Capital contribution from controlling shareholder on common control combination (Note 27)	—	9,800	—	9,800	200	10,000
At 31 December 2004	—	372,336	(114,956)	257,380	11,099	268,479
Loss for the year and total recognised expense for the year	—	—	(355,089)	(355,089)	(8,284)	(363,373)
	—	372,336	(470,045)	(97,709)	2,815	(94,894)
Capital contributions from shareholders of subsidiaries	—	24,139	—	24,139	—	24,139
Payment to a related party upon transfer of interest in a subsidiary to Sunco A (Note 2)	—	(70,000)	—	(70,000)	—	(70,000)
Capital contribution from controlling shareholder on common control combination (Note 27)	—	6,406	—	6,406	3,594	10,000

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

	Equity attributable to equity holders of Sunco A					
	Share capital	Special reserve	Accumulated losses	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2005	—	332,881	(470,045)	(137,164)	6,409	(130,755)
Loss for the year and total recognised expense for the year	—	—	(12,619)	(12,619)	(4,377)	(16,996)
	—	332,881	(482,664)	(149,783)	2,032	(147,751)
Deemed capital contributions from shareholder of Sunco A (Note 3)	—	89,094	—	89,094	—	89,094
Payments to related parties upon transfer of interests in subsidiaries to Sunco A (Note 4)	—	(332,881)	—	(332,881)	—	(332,881)
At 31 December 2006	—	89,094	(482,664)	(393,570)	2,032	(391,538)

Note 1: Special reserve at 1 January 2004 represented the registered capital of Sunco A WFOE.

Note 2: During the year ended 31 December 2005, 28% equity interest in Suzhou Industrial Park Sunco, which was previously held by Sunco B WFOE and which financial information has already been combined in the Financial information for the Relevant Periods under merger accounting as a wholly-owned subsidiary as a result of the Sunco A Corporate Restructuring, have been acquired by Sunco A WFOE at a consideration of RMB70,000,000. The amount represented the distribution to shareholders which was eliminated against special reserve upon the completion of transfer of equity interest in the subsidiary.

Note 3: During 2006, certain entities controlled by Mr. Sun Hongbin have waived amounts due from Sunco A and Kingsvalue with a total amount of RMB89,094,000.

Note 4: Upon the completion of the Sunco A Corporate Restructuring, certain subsidiaries which were previously held by Sunco B WFOE and which financial information has already been combined in the Financial Information for the Relevant Periods under merger accounting, have been acquired by Sunco A and Sunco A WFOE at an aggregate consideration of RMB332,881,000. The consideration represents the registered capital of these subsidiaries and is eliminated against special reserve, upon the completion of the Sunco A Corporate Restructuring.

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

COMBINED CASH FLOW STATEMENTS

	Year ended 31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating activities			
Loss before tax	(80,877)	(354,167)	(34,267)
Adjustments for:			
Interest income	(2,107)	(4,867)	(2,063)
Finance costs	26,573	14,100	22,769
Depreciation of property, plant and equipment	532	1,452	1,732
Impairment loss on amounts due from related parties	—	—	4,911
Impairment loss on other receivables and prepayments	—	—	3,406
Loss on disposal of property, plant and equipment	248	21	447
Operating cash flows before movements in working capital	(55,631)	(343,461)	(3,065)
(Increase) decrease in properties under development held for sale	(1,380,551)	(1,465,637)	332,071
Decrease (increase) in completed properties held for sale	120,934	(124,862)	(493,096)
Increase in other receivables and prepayments	(206,122)	(232,296)	(85,222)
Increase (decrease) in trade and other payables	756,309	703,413	(200,550)
(Decrease) increase in bills payables	(40,000)	4,170	(4,170)
Increase in pre-sale deposits	373,054	1,729,852	243,826
Cash (used in) from operations	(432,007)	271,179	(210,206)
Income tax paid	(19,575)	(36,577)	(78,566)
Net cash (used in) from operating activities	(451,582)	234,602	(288,772)

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

	NOTE	Year ended 31 December		
		2004	2005	2006
		RMB'000	RMB'000	RMB'000
Investing activities				
Interest received		2,107	4,867	2,063
Purchase of property, plant and equipment		(5,796)	(4,321)	(148)
Proceeds on disposal of property, plant and equipment		—	—	654
Acquisition of subsidiaries	27	—	100	—
Acquisition of subsidiaries not consolidated		(420,091)	—	—
Acquisition of an associate		(2,000)	—	—
Acquisition of available-for-sale investments		—	(17,000)	—
Proceeds from disposal of subsidiaries not consolidated		—	365,091	—
Proceeds from disposal of an associate		—	2,000	—
Advances to related parties		(222,051)	(803,464)	(266,949)
(Increase) decrease in pledged deposits		(57,282)	(94,538)	9,143
Net cash used in investing activities		<u>(705,113)</u>	<u>(547,265)</u>	<u>(255,237)</u>
Financing activities				
Interest paid		(56,399)	(59,579)	(124,085)
New borrowings raised		300,000	672,890	997,890
Repayment of borrowings		(346,190)	(339,680)	(541,560)
Capital contributions from shareholders of subsidiaries		349,000	24,139	—
Payment to related parties upon transfer of interests in subsidiaries to Sunco A		—	(70,000)	(332,881)
Advance from (repayment to) related parties		<u>1,187,084</u>	<u>(169,903)</u>	<u>541,265</u>
Net cash from financing activities		<u>1,433,495</u>	<u>57,867</u>	<u>540,629</u>
Net increase (decrease) in cash and cash equivalents		276,800	(254,796)	(3,380)
Cash and cash equivalents at the beginning of the year		<u>131,712</u>	<u>408,512</u>	<u>153,716</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash		<u><u>408,512</u></u>	<u><u>153,716</u></u>	<u><u>150,336</u></u>

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION AND BASIS OF PREPARATION**

Sunco A was incorporated in the BVI on 12 February 2003 with limited liability. Throughout the Relevant Periods, its parent was Sunco China, a company incorporated in the Cayman Islands with limited liability, which was wholly-owned by Mr. Sun.

The address of its registered office of Sunco A is Sea Meadow House, Blackburne Highway, Road Town, Tortola, the British Virgin Islands.

The Financial Information is presented in Renminbi (“RMB”) which is the functional currency of Sunco A and the currency in which most of the transactions of the Sunco A Group are denominated.

The Financial Information has been prepared on a going concern basis because the Sunco A Group has obtained financial support from RKI and its subsidiaries subsequent to 31 December 2006.

The Financial Information comprising combined income statements, combined statements of changes in equity and combined cash flow statements of the Sunco A Group for the Relevant Periods and the combined balance sheets of the Sunco A Group as at 31 December 2004, 31 December 2005 and 31 December 2006 together with notes thereon, has been prepared using the basis of merger accounting in accordance with AG 5 issued by the HKICPA as if the group structure after Sunco A Corporate Restructuring had been in existence and remained unchanged throughout the Relevant Periods.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In 2004 and 2005, the HKICPA issued a number of new and revised HKFRSs, HKASs and Interpretation (“INTs”) (collectively the new and revised HKFRSs) which are effective for accounting periods beginning on or after 1 January 2005, 1 December 2005 or 1 January 2006. For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Sunco A Group has adopted all these new and revised HKFRSs.

At the date of this report, the HKICPA has issued the following new HKFRSs, amendment and INTs which are not yet effective for the Relevant Periods. The Sunco A Group has not early adopted all these new HKFRSs, amendment and INTs in the preparation of the Financial Information for the Relevant Periods.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing costs ⁷
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ⁷
HK(IFRIC) - INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) - INT 8	Scope of HKFRS 2 ³
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC) - INT 11	HKFRS 2 — Group and Treasury Share Transactions ⁶
HK(IFRIC) - INT 12	Service Concession Arrangements ⁸

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

- ⁵ Effective for annual periods beginning on or after 1 November 2006.
- ⁶ Effective for annual periods beginning on or after 1 March 2007.
- ⁷ Effective for annual periods beginning on or after 1 January 2009.
- ⁸ Effective for annual periods beginning on or after 1 January 2008.

The directors of Sunco A have commenced considering the potential impact of the above new HKFRSs, amendment and INTs but are not yet in a position to determine whether these new HKFRSs, amendment and INTs will have a significant impact on how the results and financial position are prepared and presented. These new HKFRSs, amendment and INTs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the principal accounting policies as set out below which conform with HKFRSs, HKASs and INTs that are effective for accounting period beginning on or prior to 1 January 2006, other than the policies on basis of consolidation, investment in subsidiaries and investment in associates as mentioned below.

Basis of consolidation

The Financial Information incorporate the financial statements of Sunco A and its subsidiaries, other than the subsidiaries not consolidated as mentioned in note 16.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the combined income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Sunco A Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Sunco A Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combination

Business combinations under common control are accounted for in accordance with the AG 5. In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the combined financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. The combined entity recognises the assets, liabilities and equity of the combining entities or business at the carrying amounts in the combined financial statements of the controlling party or parties prior to the common control combinations.

The acquisitions of subsidiaries under business combination other than common control combinations are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and the equity instruments issued by Sunco A in exchange for control of the acquire, plus any costs directly attributable to the business combination.

Revenue recognition*Sales of properties*

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Sunco A Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as “Pre-sale deposits” under current liabilities.

Others

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Sunco A Group as lessor

Rental income from operating lease is recognised in the profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expenses on a straight-line basis over the lease term.

The Sunco A Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the combined income statements and are reported separately as “other income”.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the properties under development, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from profit as reported in the combined income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Sunco A Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the respective balance sheet dates.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the combined balance sheets and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and any recognised impairment loss.

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

Depreciation is charged so as to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from its continued use. The gain or loss arising from the derecognition of an item of property, plant and equipment calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the item shall be included in profit or loss when the item is derecognised.

Investment in a subsidiary/subsidiaries not consolidated

Investment in a subsidiary is included in the Sunco A's balance sheet at cost less any identified impairment loss.

Investments in subsidiaries not consolidated are included in the Sunco A Group's combined balance sheets at cost less any identified impairment loss.

Investment in an associate

An associate is an entity over which Sunco A has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decision of the investee but is not control or joint control over those policies. Investment in an associate is included in the combined balance sheets at cost less any identified impairment loss.

Impairment of assets

At each balance sheet date, the Sunco A Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Properties under development for sale

Properties under development for sale are included in current assets at the lower of cost and net realisable value. Cost of property in the course of development comprises land costs, construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing expenses.

Completed properties held for sale

Completed properties held for sale are included in current assets at the lower of cost and net realisable value. Cost of property comprises land costs, construction expenditure, borrowing cost directly attributable to construction of such properties and other direct costs. Net realisable value is based on the estimated selling price in the ordinary course of business as determined by the management with reference to the prevailing market conditions, less the estimated costs necessary to make the sale.

Foreign currencies

In preparing the financial information of the subsidiaries of Sunco A, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

Financial instruments

Financial assets and financial liabilities are recognised on the combined balance sheets when a group entity has becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including other receivables, amounts due from related parties, pledged deposits and bank balances, and amount due from a subsidiary) are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. This allowance is reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale equity investments are measured at initial recognition at fair value. At each balance sheet date subsequent to initial recognition, for available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

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Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity of the Sunco A Group are classified according to the substance of the contractual agreements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Sunco A Group after deducting all of its liabilities. Equity instruments issued by Sunco A are recorded at the proceeds received, net of direct issue cost.

Financial liabilities (including trade and other payables, bills payables, amounts due to related parties, borrowings and amount due to ultimate holding company) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instruments. A financial guarantee contract issued by the Sunco A Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Sunco A Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37, “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognition in accordance with HKAS 18, “Revenue”.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Sunco A Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not be equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as below.

Allowance on properties under development for sale and completed properties held for sale

The Sunco A Group makes allowance on properties under development for sale and completed properties held for sale based on assessment of their net realisable values. Net realisable value is based on the estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred on completion and in marketing and selling arrangement. Any subsequent change in the market conditions and the completion cost may have significant impact on the allowance.

Land appreciation tax

The provision of land appreciation tax (“LAT”) is estimated and made according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development project and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

5. FINANCIAL INSTRUMENTS**a. Financial risk management objectives and policies**

The Sunco A Group's major financial instruments include other receivables, pledged deposits, bank balances, trade and other payables and amounts due from/to related parties and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Sunco A Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Sunco A Group's principal financial assets are bank balances, pledged deposits, other receivables and amounts due from related parties. Sunco A Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors which the Group has provided financial guarantees is arising from the carrying amount of the respective recognised financial assets as stated in the combined balance sheets and the amount disclosed in note 28 "Contingent liabilities".

The credit risk on liquid funds is limited because the counterparties are state-owned banks or financial institutions with good reputation.

The Sunco A Group's credit risks are primarily attributable to its other receivables and amounts due from related parties. The management of the Sunco A Group has closely monitored the outstanding debts. The amounts included in the combined balance sheets are net of allowances for bad and doubtful receivables, estimated by the Sunco A Group's management based on the past experience and their assessment of the current economic environment.

For pre-sale properties that building ownership certificate has not yet been issued by the government, Sunco A Group typically provides guarantees to banks in connection with customers' borrowing of the mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the properties (guarantees will be released upon the issuance of the building ownership certificate). If a purchaser defaults on the payment of mortgage during the term of the guarantee, the bank holding the mortgage may demand Sunco A Group to repay the outstanding loan amount and any accrued interest thereon. Under such circumstances, Sunco A Group is able to retain the customer's deposit and sell the properties to recover any amounts paid by Sunco A Group to the bank. In this regards, the directors of Sunco A consider that Sunco A Group's credit risk is significantly reduced.

Fair value interest rate risk

The Sunco A Group has exposure to fair value interest rate risk as most of the borrowings are carried at fixed interest rate and the fair value of borrowings will fluctuate because of changes in market interest rates. The maturity date of the Sunco A Group's borrowings is arranged to fall within two years from the date of advance in order to restrict the exposure to fair value interest rate risk.

Liquidity risk

The Sunco A Group has exposure to liquidity risk in view of its net liabilities position. As the Sunco A Group has obtained financial support from RKI and its subsidiaries subsequent to 31 December 2006, the exposure to liquidity risk is significantly reduced.

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b. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of Sunco A Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

6. REVENUE

Revenue represented revenue from sales of completed properties which have been transferred to the buyers.

7. OTHER INCOME

	Year ended 31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Interest income	2,107	4,867	2,063
Tax refund (note)	—	9,377	3,131
Net exchange gain	110	2,271	—
Rental income	—	445	2,189
Other income	252	445	397
	<u>2,469</u>	<u>17,405</u>	<u>7,780</u>

Note: In accordance with the minutes of a meeting dated 8 August 2002 between Tang Gu District Government of the PRC and the Sunco A Group, the Tang Gu District Government of the PRC agreed to refund 40% of the taxes other than income tax paid by the Sunco A Group as an unconditional government subsidy. As the amount of the refund has not been specified in the minutes and the amount of tax refund cannot be measured reliably, the Sunco A Group recorded the tax refund as other income upon the receipt of the tax refund.

8. FINANCE COSTS

	Year ended 31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Interest on payable for acquisition of land use rights	16,009	7,842	10,182
Interest on bank borrowings wholly repayable within five years	40,390	50,537	110,072
Interest on other loans wholly repayable within five years	—	—	3,831
Interest on amount due to a related party	—	1,200	—
	<u>56,399</u>	<u>59,579</u>	<u>124,085</u>
Amount capitalised in properties under development held for sale	<u>(29,826)</u>	<u>(45,479)</u>	<u>(101,316)</u>
	<u>26,573</u>	<u>14,100</u>	<u>22,769</u>

Borrowing costs capitalised during the Relevant Periods represent interest on specific borrowings identifiable for the expenditure on properties under development held for sale.

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9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Year ended 31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Auditors' remuneration	—	—	186
Directors' remunerations	—	—	—
Depreciation of property, plant and equipment	532	1,452	1,732
Loss on disposal of property, plant and equipment	248	21	447
Staff costs	32,374	58,900	53,886
Cost of properties held for sale recognised as an expense	288,993	399,618	1,139,037
Minimum operating lease payments	<u>1,561</u>	<u>2,906</u>	<u>9,393</u>

Directors' remunerations were borne by related companies controlled by Mr. Sun during the Relevant Periods.

LAT

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The provision for LAT has been recognised in cost of sales for the Relevant Periods.

The Sunco A Group is also required to pre-pay LAT on the pre-sale deposits ranging from 0.5% to 3% for residential and non-residential properties.

10. EMPLOYEES EMOLUMENTS

The emoluments of the five highest paid individuals of the Sunco A Group were as follows:

	Year ended 31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	1,182	1,517	1,726
Contributions to retirement benefit schemes	<u>23</u>	<u>26</u>	<u>16</u>
	<u>1,205</u>	<u>1,543</u>	<u>1,742</u>

The emoluments for each of the five highest paid individuals were below HK\$1,000,000 during each of the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

11. INCOME TAX CHARGE (CREDIT)

	Year ended 31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
The tax charge (credit) comprises:			
Current PRC income tax	22,553	56,023	61,274
Overprovision in prior years	—	—	(26,759)
	22,553	56,023	34,515
Deferred taxation (note 17)	(2,654)	(46,817)	(51,786)
	19,899	9,206	(17,271)

For the years ended 31 December 2004 and 31 December 2005, the income tax of Zhengzhou Keshu and Henan Sunco was calculated at 33% statutory tax rate of deemed profit. The deemed profit was calculated at applicable tax rate ranged from 10% to 20% of pre-sale deposits received from customers. Effective from 1 January 2006, according to the requirements of Guo Shui Ju, such income tax calculation is no longer applicable to Zhengzhou Keshu and Henan Sunco and provisional income tax is based on 15% to 20% of the pre-sales deposits received from customers and after adjustments for deductible expenses. The final income tax is determined by the relevant tax authority upon the completion and actual sales of property. As a result of this change in tax rules, the overprovision of income tax of RMB26,759,000 has been credited to the combined income statements in 2006.

Other than Zhengzhou Keshu and Henan Sunco, provisional income tax is based on 15% to 20% of the pre-sales deposits received from customers and after adjustments for deductible expenses incurred in each of the Relevant Periods. The final income tax is determined by the relevant tax authority upon the completion and actual sales of property.

The tax charge (credit) for the year can be reconciled to the loss before tax as per combined income statements as follows:

	Year ended 31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Loss before tax	(80,877)	(354,167)	(34,267)
Tax at the PRC income tax rate of 33%	(26,689)	(116,875)	(11,308)
Adjustments of tax effect on:			
Expenses not deductible for income tax purposes	32,654	85,577	53,231
Income not assessable for income tax purpose	—	(749)	(24,470)
Tax losses not recognised	5,469	5,900	36,297
Temporary differences not recognised	8,910	35,353	—
Utilisations of temporary differences previously not recognised	—	—	(44,262)
Overprovision in prior years	—	—	(26,759)
Others	(445)	—	—
Tax charge (credit) for the year	19,899	9,206	(17,271)

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

12. PROPERTY, PLANT AND EQUIPMENT

	THE SUNCO A GROUP		
	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST			
At 1 January 2004	664	303	967
Additions	3,319	2,477	5,796
Disposals	(12)	(248)	(260)
At 31 December 2004	3,971	2,532	6,503
DEPRECIATION			
At 1 January 2004	53	4	57
Provided for the year	378	154	532
Eliminated on disposals	(3)	(9)	(12)
At 31 December 2004	428	149	577
CARRYING VALUES			
At 31 December 2004	3,543	2,383	5,926
COST			
At 1 January 2005	3,971	2,532	6,503
Additions	1,400	2,921	4,321
Disposals	(27)	—	(27)
At 31 December 2005	5,344	5,453	10,797
DEPRECIATION			
At 1 January 2005	428	149	577
Provided for the year	856	596	1,452
Eliminated on disposals	(6)	—	(6)
At 31 December 2005	1,278	745	2,023
CARRYING VALUES			
At 31 December 2005	4,066	4,708	8,774
COST			
At 1 January 2006	5,344	5,453	10,797
Additions	144	4	148
Disposals	(17)	(1,303)	(1,320)
At 31 December 2006	5,471	4,154	9,625
DEPRECIATION			
At 1 January 2006	1,278	745	2,023
Provided for the year	1,139	593	1,732
Eliminated on disposals	(7)	(212)	(219)
At 31 December 2006	2,410	1,126	3,536
CARRYING VALUES			
At 31 December 2006	3,061	3,028	6,089

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Office equipment	20%
Motor vehicles	20%

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

13. INVESTMENT IN AN ASSOCIATE

	THE SUNCO A GROUP		
	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Capital contribution, at cost	2,000	—	—

Details of the Sunco A Group's associate as at 31 December 2004 were as follows:

Name of associate	Place of establishment	Registered capital RMB'000	Proportion of registered capital directly held by the Group	Principal activities
河南順馳房地產經紀有限公司	PRC	5,000	40%	Property agency service

In the absence of reliable financial information of the associate, the result of the associate in 2004 and up to the effective date of disposal to an entity controlled by Mr. Sun in 2005 has not been equity accounted for in the Financial Information.

14. AVAILABLE-FOR-SALE INVESTMENTS

	Equity interests	THE SUNCO A GROUP		
		31 December		
		2004	2005	2006
		RMB'000	RMB'000	RMB'000
Unlisted equity securities, at cost				
蘇州融創置地有限公司	10%	—	2,000	—
無錫順馳城市建設有限公司	5%	—	5,000	5,000
河北順馳房地產開發有限公司	10%	—	5,000	—
天津順馳融科置地有限公司	10%	—	5,000	—
		—	17,000	5,000

The above companies are related parties of the Sunco A Group which were established in the PRC and are controlled by Mr. Sun.

In the opinion of the directors of Sunco A, the fair values of the equity investments cannot be reliably measured and thus they are carried at cost.

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

15. INVESTMENTS IN SUBSIDIARIES

	SUNCO A 31 December		
	2004 RMB'000	2005 RMB'000	2006 RMB'000
Unlisted investments, at cost	<u>100,000</u>	<u>100,000</u>	<u>596,290</u>

Details of Sunco A's subsidiaries (excluding subsidiaries not consolidated as set out in note 16) as at 31 December 2004 and 31 December 2005 were as follow:

Name of subsidiary	Place of establishment	Paid-in registered capital	Proportion of registered capital held by Sunco A		Principal activities
			Directly	Indirectly	
Sunco A WFOE	PRC	RMB100,000,000	100%	—	Property development and investment holding
Jingzhou Sunco	PRC	RMB20,000,000	—	45%	Property development

Details of Sunco A's subsidiaries as at 31 December 2006 were as follow:

Name of subsidiary	Place of incorporation/ establishment	Paid-in share/ registered capital	Proportion of registered capital held by Sunco A		Principal activities
			Directly	Indirectly	
Sunco A WFOE	PRC	RMB600,000,000	100%	—	Property development and investment holding
Kingsvalue	BVI	US\$1	100%	—	Investment holding
Zhengzhou Keshu	PRC	RMB10,000,000	—	100%	Property development
Beijing Sunco 2	PRC	RMB40,000,000	—	100%	Property development
Henan Sunco	PRC	RMB55,000,000	—	100%	Property development
Luoyang Sunco	PRC	RMB110,000,000	—	100%	Property development
Shandong Sunco	PRC	RMB10,000,000	—	100%	Property development
Suzhou Industrial Park Sunco	PRC	RMB250,000,000	—	100%	Property development
Wuhan Sunco	PRC	RMB40,000,000	—	100%	Property development
Jinan Sunco	PRC	RMB10,000,000	—	70%	Property development

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

16. INVESTMENTS IN SUBSIDIARIES NOT CONSOLIDATED

	THE SUNCO A GROUP		
	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Capital contributions, at costs	482,091	117,000	—

The investment cost of subsidiaries not consolidated included in the combined balance sheet of Sunco A Group as at 31 December 2004 included investment cost in the following entities:

Name of subsidiary	Notes	Place of establishment	Registered capital RMB'000	Proportion of registered capital directly held by Sunco A Group	Principal activities
Binhai Property	1	PRC	30,000	70%	Investment holding and property development
Rongye	1	PRC	50,000	82%	Investment holding and property development
蘇州順馳地產有限公司	2	PRC	300,000	96.7%	Property development
無錫順馳地產有限公司	3	PRC	100,000	55%	Property development
武漢順馳投資控股有限公司	2	PRC	50,000	60%	Property development
天津順馳融科置地有限公司	2	PRC	50,000	90%	Property development

The investment cost of subsidiaries not consolidated included in the combined balance sheet of Sunco A Group as at 31 December 2005 included investment cost in the following entities:

Name of subsidiary	Notes	Place of establishment	Registered capital RMB'000	Proportion of registered capital directly held by Sunco A Group	Principal activities
Binhai Property	1	PRC	30,000	70%	Investment holding and property development
Rongye	1	PRC	50,000	82%	Investment holding and property development
無錫順馳地產有限公司	3	PRC	100,000	55%	Property development

Note 1: The subsidiaries were directly held by Sunco A and were transferred to Sunco B WFOE upon completion of the Sunco A Corporate Restructuring in October 2006.

Note 2: The subsidiaries were directly held by Suzhou Industrial Park Sunco and were disposed to entities controlled by Mr. Sun at their carrying amounts of RMB365,091,000 during the year ended 31 December 2005.

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

Note 3: The subsidiary was directly held by Suzhou Industrial Park Sunco and was disposed to an entity controlled by Mr. Sun as its carrying amount of RMB55,000,000 during the year ended 31 December 2006.

In the absence of reliable information of the subsidiaries not consolidated, the financial information of these subsidiaries (and their subsidiaries, if any) up to their respective date of disposal have not been consolidated during the Relevant Periods in the Financial Information.

The followings are the historical unaudited financial information of the above subsidiaries not consolidated which are extracted from the management accounts of these subsidiaries.

	Year ended 31 December 2004 RMB'000 (unaudited)	Year ended 31 December 2005 RMB'000 (unaudited)	From 1 January 2006 to 12 October 2006 (date of disposal) RMB'000 (unaudited)
Revenue	559,351	664,149	5,574
Loss before tax	11,655	26,018	12,118
Loss after tax	1,316	9,848	12,118

	31 December 2004 RMB'000 (unaudited)	31 December 2005 RMB'000 (unaudited)	12 October 2006 (date of disposal) RMB'000 (unaudited)
Combined Assets			
Properties under development held for sale	365,828	286,608	294,604
Investments in subsidiaries	42,000	23,000	32,000
Other assets	263,483	406,536	74,435
	671,311	716,144	401,039
Combined Liabilities			
Pre-sale deposits	439,417	116,106	178,811
Borrowings	63,500	39,150	12,000
Other liabilities	78,737	461,384	122,828
	581,654	616,640	313,639
Net assets	89,657	99,504	87,400

	Year ended 31 December 2004 RMB'000 (unaudited)	Year ended 31 December 2005 RMB'000 (unaudited)	From 1 January 2006 to 12 October 2006 (date of disposal) 2006 RMB'000 (unaudited)
Net cash (used in) from operating activities	(76,682)	14,143	52,651
Net cash (used in) from investing activities	(477)	4,187	—
Net cash from (used in) financing activities	40,140	(28,756)	(27,426)

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

17. DEFERRED TAX ASSETS

The following are the deferred tax assets recognised and movements during the Relevant Periods:

	Temporary difference on penalty on late delivery of title of completed properties held for sale <i>RMB'000</i>	Temporary difference on revenue recognition related to the pre-sale deposits <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2004	—	—	7,705	—	7,705
Credit (charge) for the year	—	8,408	(5,754)	—	2,654
At 31 December 2004	—	8,408	1,951	—	10,359
Credit (charge) for the year	19,007	29,761	(1,951)	—	46,817
At 31 December 2005	19,007	38,169	—	—	57,176
(Charge) credit for the year	(3,968)	36,448	3,816	15,490	51,786
At 31 December 2006	15,039	74,617	3,816	15,490	108,962

The Sunco A Group had unused tax losses of RMB24,661,000, RMB36,628,000 and RMB158,184,000 at 31 December 2004, 31 December 2005 and 31 December 2006, respectively available to offset against future profits. Deferred tax asset has been recognised in respect of such tax losses of RMB5,912,000, nil and RMB11,564,000 at 31 December 2004, 31 December 2005 and 31 December 2006, respectively. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB18,749,000, RMB36,628,000 and RMB146,620,000 at 31 December 2004, 31 December 2005 and 31 December 2006 respectively, due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the balance sheet dates will expire in the following years:

	31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2008	2,176	2,176	2,176
2009	16,573	16,573	16,573
2010	—	17,879	17,879
2011	—	—	109,992
	18,749	36,628	146,620

At 31 December 2004, 31 December 2005 and 31 December 2006, the Sunco A Group had deductible temporary differences of RMB52,485,000, RMB307,396,000 and RMB318,624,000, respectively. Deferred tax asset has been recognised in respect of such temporary differences of RMB25,479,000, RMB173,260,000 and RMB318,624,000, respectively. No deferred tax asset has been recognised in respect of remaining temporary differences of RMB27,006,000, RMB134,136,000 and nil at 31 December 2004, 31 December 2005 and 31 December 2006, respectively.

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

18. PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

	THE SUNCO A GROUP		
	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Cost			
At beginning of the year	233,120	1,643,497	3,154,613
Additions	1,548,610	1,990,117	1,300,062
Interest capitalised	29,826	45,479	101,316
Transfer to completed properties held for sale	(168,059)	(524,480)	(1,632,133)
At end of the year	<u>1,643,497</u>	<u>3,154,613</u>	<u>2,923,858</u>

19. OTHER RECEIVABLES AND PREPAYMENTS

	THE SUNCO A GROUP		
	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Deposits on acquisition of land use rights (note)	230,000	255,000	224,643
Trade receivable	—	—	2,251
Prepayments on business tax and other taxes	24,949	98,519	118,209
Other receivables and deposits	<u>206,880</u>	<u>370,606</u>	<u>56,050</u>
	<u>461,829</u>	<u>724,125</u>	<u>401,153</u>

Note: In December 2004, the minority shareholders of Jinan Sunco (the “Vendors”) have agreed to transfer their interests in a land with a gross floor area of 191,615 square meters to Jinan Sunco at a consideration of RMB354,680,000. Pursuant to an agreement dated 18 September 2006, the consideration was revised to RMB373,420,000. The vendors are in the process of obtaining the formal legal title of the land which will be transferred to Jinan Sunco once it is obtained.

At 31 December 2004, 31 December 2005 and 31 December 2006, included in deposits on acquisition of land use rights were RMB30,000,000, RMB55,000,000 and RMB58,000,000, respectively which have been paid to a minority shareholder of Jinan Sunco and the deposits will be refunded if the legal title of the land cannot be obtained.

In addition, during the year ended 31 December 2006, the Sunco A Group has paid RMB166,643,000 to 山東省濟南市財政局 on behalf of the vendors for the acquisition of land use rights. At the respective balance sheet date, the relevant land certificates have not been obtained and such amount was included in deposits on acquisition of land use rights.

Other receivables are unsecured, interest-free and repayable on demand.

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20. AMOUNTS DUE FROM/TO RELATED PARTIES/AMOUNT DUE FROM A SUBSIDIARY

The amounts due from/to related parties are unsecured and repayable on demand. Except for an amount of RMB20,000,000 due to a related party at 31 December 2005 which carried interest at fixed interest rate of 25% per annum, the remaining balances are interest-free. The parties are considered to be related to Sunco A as they are either the shareholder of Sunco China or subject to the common control of Sunco China.

21. PLEDGED DEPOSITS

Included in pledged deposits of the Sunco A Group at 31 December 2005 was RMB12,400,000, which was pledged in favour of a third party for borrowings granted to a subsidiary of Sunco A.

The remaining pledged deposits were pledged as security in favour of banks for mortgage facilities granted to the buyers of the Sunco A Group's properties.

The average effective interest rate of pledged deposits at 31 December 2004, 31 December 2005 and 31 December 2006 was 0.72% per annum.

22. BANK BALANCES AND CASH

The amount comprises cash held by the Sunco A Group and short-term bank deposits with an original maturity of three months or less.

The average effective interest rate of bank balances at 31 December 2004, 31 December 2005 and 31 December 2006 was 0.72% per annum.

23. TRADE AND OTHER PAYABLES

	THE SUNCO A GROUP		
	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Accrued development costs	237,784	511,185	710,173
Land premium payable within one year	42,157	247,138	—
Accrued penalty on late delivery of completed properties	—	57,597	48,214
Other accrued expenses	3,064	8,113	8,536
Other tax payables	28,994	51,868	69,465
Other deposits and payables (note)	<u>471,265</u>	<u>610,776</u>	<u>254,247</u>
	<u>783,264</u>	<u>1,486,677</u>	<u>1,090,635</u>

Note: Pursuant to the sale and purchase agreements (the "S&P") entered into between the Sunco A Group and the vendors of several pieces of land, the vendors may impose penalty charge at 0.3% per day on the outstanding land premium in addition to interest charge on overdue amount. As at 31 December 2004, 31 December 2005 and 31 December 2006, overdue interest charge under the S&P and the estimated accrued penalty charges of RMB771,000, RMB134,544,000 and RMB129,991,000, respectively, were included in other deposits and payables. The final settlement of the outstanding land premium and related charges of a property project has been agreed with the vendors and fully made in 2006. As a result, the provision for penalty on overdue payments of land premium amounting to RMB74,150,000 has been reversed in 2006.

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24. BILLS PAYABLES

The maturity dates of bills payables of the Sunco A Group at the balance sheet dates are analysed as follows:

	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Due within 3 months	—	4,170	—

25. BORROWINGS

	THE SUNCO A GROUP		
	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Secured bank loans	76,080	322,870	525,230
Secured other loans	200,000	286,420	540,390
	276,080	609,290	1,065,620
Less: Amounts due within one year	(276,080)	(459,390)	(855,620)
Amounts due in the following year	—	149,900	210,000
The fixed interest rate per annum on bank loans	6.24% - 6.44%	5.76% - 7.45%	5.6% - 6.7%
The fixed interest rate per annum on other loans	15%	8% - 36%	6.05% - 12%

	SUNCO A		
	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Secured other loans due within one year	—	—	500,780
The fixed interest rate per annum on other loans	—	—	12%

The Sunco A Group's borrowings are denominated in RMB which is the same as the functional currency of Sunco A. They are secured by the properties under development for sale and completed properties for sale of the Sunco A Group and certain properties held by Mr. Sun.

Details of pledged assets were disclosed in note 31.

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26. SHARE CAPITAL

	2004	31 December 2005	2006
Authorised:			
50,000 ordinary shares of US\$1 each (in US\$)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:			
Number of issued ordinary shares	<u>1</u>	<u>1</u>	<u>45</u>
Ordinary share of US\$1 each (in US\$)	<u>1</u>	<u>1</u>	<u>45</u>
Shown in the financial statements (in RMB'000)	<u>—</u>	<u>—</u>	<u>—</u>

Sunco A was incorporated on 12 February 2003 with authorised ordinary share capital of US\$1 each. On the same date, 1 ordinary share of US\$1 each was allotted and issued at par to Sunco China to provide initial capital to Sunco A.

On 31 August 2006, 39 ordinary shares of US\$1 each were allocated and issued at par to Sunco China and on 16 October 2006, 5 ordinary shares of US\$1 each were allocated and issued at par to Sunco Management.

There are no other charges in the capital of Sunco A during the Relevant Periods.

27. ACQUISITION OF SUBSIDIARIES

In January 2004, Wuhan Sunco came under the control of Mr. Sun and the carrying amount of the net asset of Wuhan Sunco attributable to Mr. Sun Hongbin of RMB9,800,000 (held as to 98% by Mr. Sun Hongbin) has been combined in the Financial Information and treated as a capital contribution from shareholder. At the date when common control combination occurred, the only balance sheet item are amount due from a related party amounted to RMB10,000,000 and captial of the same amount.

In December 2004, Jinan Sunco came under the control of Mr. Sun and the carrying amount of the net assets attributable to Mr. Sun of RMB6,406,000 (held as to 64.06% by Mr. Sun) has been combined in the Financial Information and treated as a capital contribution from shareholder.

At the date when common control combination occurred, the carrying amount of the net assets of Jinan Sunco attributable to Mr. Sun were as follows:

	RMB'000
Deposits on acquisition of land	30,000
Bank balances and cash	100
Amounts due to related parties	(20,100)
Minority interests	<u>(3,594)</u>
	<u>6,406</u>
Cash inflow to the Sunco A Group arising from the combination	<u>100</u>

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28. CONTINGENT LIABILITIES

Sunco A has arranged mortgage loan facilities with certain banks for certain purchasers of property units and provided guarantee to banks to secure obligations of such purchasers for repayments. The outstanding guarantees amounted to RMB376,708,000, RMB1,280,580,000, and RMB1,557,836,000 as at 31 December 2004, 2005 and 2006 respectively. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate; and (ii) the satisfaction of the mortgaged loans by the buyers of the properties. In the opinion of the directors of Sunco A, the fair value of such guarantee at initial recognition and at 31 December 2004, 31 December 2005 and 31 December 2006 was insignificant.

29. MAJOR NON CASH TRANSACTIONS

- (1) During the year ended 31 December 2006, pursuant to certain set-off agreements, amounts due from related parties amounted to RMB1,250,751,000 and amounts due to related parties amounted to RMB1,335,860,000 have been transferred from other subsidiaries of Sunco A to Sunco A WFOE at their carrying amounts.
- (2) During the year ended 31 December 2006, pursuant to certain set-off agreements, certain other receivables of RMB404,788,000 and certain other payables of RMB195,492,000 have been transferred from other subsidiaries of Sunco A to Sunco A WFOE at their carrying amounts.
- (3) On the same date as (1) and (2), pursuant to certain set-off agreements, the amounts due from/to the related parties and other receivables and other payables as mentioned in (1) and (2) above have been transferred from Sunco A WFOE to Sunco B WFOE at their carrying amounts.
- (4) During the year ended 31 December 2006, Sunco A Group's entire equity interests in certain available-for-sale investments including 蘇州融創置地有限公司, 河北順馳房地開發有限公司 and 天津順馳融科置地有限公司 amounted to an aggregate carrying amount of RMB12,000,000 have been transferred to Sunco B WFOE at their carrying amounts.
- (5) During the year ended 31 December 2006, the entire equity interests in subsidiaries not consolidated amounted to an aggregate carrying amount of RMB117,000,000 have been transferred to Sunco B WFOE at their carrying amounts.

30. LEASE COMMITMENTS

The Sunco A Group as lessee

At the balance sheet dates, the Sunco A Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of sub-leasing of non-residential properties which fall due as follows:

	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Within one year	604	6,591	17,711
In the second to fifth year inclusive	<u>310</u>	<u>17,669</u>	<u>49,716</u>
	<u>914</u>	<u>24,260</u>	<u>67,427</u>

Operating lease payments represent rentals payable by the Sunco A Group. Leases are negotiated for a term of ranging from one to five years with fixed rentals.

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The Sunco A Group as lessor

The Sunco A Group had contracted with tenants for the following future minimum lease payments:

	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Within one year	—	1,486	2,647
In the second to fifth year inclusive	—	5,447	10,634
	<u>—</u>	<u>6,933</u>	<u>13,281</u>

The Sunco A Group earned the rental income from sub-leasing of non-residential properties. The lease properties have committed tenants for five years.

Sunco A did not have any operating lease commitments at each balance sheet date.

31. PLEDGE OF ASSETS

At the respective balance sheet dates, the following assets, other than those disclosed in note 21, were pledged to banks and third parties to secure borrowings granted to the Sunco A Group:

	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Properties under development for sale of the Sunco A Group	<u>581,818</u>	<u>1,974,166</u>	<u>1,094,870</u>
Completed properties for sale of the Sunco A Group	<u>—</u>	<u>9,609</u>	<u>84,882</u>

32. RETIREMENT BENEFITS PLAN

The employees of the Sunco A Group are members of a State-managed retirement pension scheme operated by the local government. The Sunco A Group is required to contribute a specified percentage of its payroll costs to the retirement pension scheme to fund the benefits. The retirement benefit cost charged to the combined income statements amounted to RMB3,004,000, RMB4,763,000 and RMB2,068,000 for each of the three years ended 31 December 2006. There was no outstanding contribution due but not yet paid into the scheme as at 31 December 2004, 2005 and 2006.

33. RELATED PARTY TRANSACTIONS

The amounts due from/to related parties are disclosed in note 20.

APPENDIX II FINANCIAL INFORMATION OF THE SUNCO A GROUP

According to the agreement dated 16 June 2006 entered into with Mr. Chen Zi Qin (“Mr. Chen”), the legal representative of Zhengzhou Keshu and vendor of several pieces of land to Zhengzhou Keshu, Zhengzhou Keshu agreed to pay Mr. Chen RMB212,400,000 as consideration for obtaining certain land use rights. Zhengzhou Keshu has entered into another agreement in November 2006 with Mr. Chen pursuant to which Zhengzhou Keshu has agreed to surrender parts of such land and the total consideration to be paid to Mr. Chen has been reduced to RMB108,261,000. Up to 31 December 2006, RMB93,500,000 has been paid to Mr. Chen and the remaining balance of RMB14,761,000 has been included in trade and other payables.

In the opinion of the directors, other than disclosed elsewhere in this report and above, the Sunco A Group had no significant transactions with the related parties.

34. POST BALANCE SHEET EVENT

- (1) Subsequent to 31 December 2006, the acquisition of 49% equity interest in Sunco A by a subsidiary RKI has been completed and certain loans advanced from RKI and other investors to Sunco A amounted to RMB200 million at 31 December 2006 has been capitalised as share capital of Sunco A.
- (2) Subsequent to 31 December 2006, RKI has provided interest bearing loans amounting to HK\$1,800 million to Sunco A for financing the property development projects in the PRC, of which HK\$800 million will not be demanded for repayment by RKI before 31 December 2008.

35. SEGMENT INFORMATION

No segment information has been presented as the property development is the only business segment of the Sunco A Group and the PRC is the only geographical location of its operations.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Sunco A Group have been prepared in respect of any financial period subsequent to 31 December 2006.

Yours faithfully,

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the auditors and reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

30 June 2007

The Directors
Road King Infrastructure Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of 天津順馳新地置業有限公司 (“Tianjin Sunco 2”), 天津順馳融信置地有限公司 (“Tianjin Sunco 3”), 北京順馳置地達興房地產開發有限公司, (“Beijing Sunco 3”), 順馳置地(北京)房地產開發有限公司 (“Beijing Sunco 1”) and 河北順馳房地產開發有限公司 (“Hebei Sunco”) (collectively the “New Project Companies”) and their subsidiaries for each of the three years ended 31 December 2006 (the “Relevant Periods”) for the inclusion in the circular of Road King Infrastructure Limited (“RKI”) dated 30 June 2007 (the “Circular”) in connection with the proposed acquisition of and subscription of the shares in Sunco Property Holdings Company Limited (“Sunco A”) (formerly known as Sunco Binhai Land Limited, the holding company of the New Project Companies since 26 May 2007) by RKI pursuant to various options granted by Sunco A, Sunco China Holdings Limited and Sunco Management Holdings Limited, details of which are set out in the Circular.

In October 2006, two subsidiaries of the New Project Companies, namely 北京順馳豐潤置地房地產開發有限公司 (“Beijing Sunco 2”) and 濟南順成房地產開發有限公司 (“Jinan Sunco”) were transferred to Sunco A upon the completion of a corporate restructuring exercise (the “Sunco A Corporate Restructuring”). On 26 May 2007, Sunco A, through its subsidiary, acquired the entire equity interests in the New Project Companies (the “Sunco B Acquisition”) from certain entities controlled by Mr. Sun Hongbin (“Mr. Sun”) and becomes the holding company of the New Project Companies. At the same time, the then subsidiaries of the New Project Companies were transferred to other entities controlled by Mr. Sun.

The New Project Companies were under the common control of Mr. Sun throughout the Relevant Periods and up to 26 May 2007, date of completion of the Sunco B Acquisition. As a result, the Financial Information, comprising the combined income statements, combined statements of changes in equity and combined cash flow statements of the New Project Companies for the Relevant Periods and the combined balance sheets of the New Project Companies as at 31 December 2004, 31 December 2005 and 31 December 2006 together with notes thereon, have been prepared from the Underlying Financial Statements (defined below) using the basis of merger accounting, including the financial information of the combining entities for the period in which common control occurs, that is, from the date when they came under control of Mr. Sun or since their respective date of establishment and up to the date of disposal, where this is a shorter period, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular.

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

At the date of this report, the particulars of the New Project Companies are as follows:

Name of company	Place of establishment	Date of establishment	Registered capital	Principal activities
Tianjin Sunco 2	The People's Republic of China (the "PRC")	8 May 2003	RMB100,000,000	Property development
Tianjin Sunco 3	PRC	27 June 2003	RMB50,000,000	Property development
Beijing Sunco 3	PRC	5 January 2004	RMB40,000,000	Property development
Beijing Sunco 1	PRC	24 September 2001	RMB160,000,000	Property development
Hebei Sunco	PRC	12 August 2003	RMB50,000,000	Property development

The changes in percentage of shareholdings in the New Project Companies, Beijing Sunco 2 and Jinan Sunco attributable to Mr. Sun during the Relevant Periods are as follows:

Name of company	Period		Proportion of registered capital indirectly held by Mr. Sun
	From	To	
Tianjin Sunco 2	1 January 2004	31 December 2006	91.6%
Tianjin Sunco 3	1 January 2004	31 December 2006	92.6%
Beijing Sunco 3	5 January 2004	11 March 2004	92.6%
	12 March 2004	19 May 2005	91.6%
	20 May 2005	30 May 2006	76.6%
	31 May 2006	31 December 2006	94.4%
Beijing Sunco 1	1 January 2004	8 March 2004	91.1%
	9 March 2004	19 May 2005	89.4%
	20 May 2005	30 May 2006	64.4%
	31 May 2006	31 December 2006	94.0%
Hebei Sunco	1 January 2004	19 June 2005	76.1%
	20 June 2005	11 August 2006	95.4%
	12 August 2006	31 December 2006	95.2%
Beijing Sunco 2	10 May 2004	12 October 2006	95.2%
	(date of establishment)	(completion date of Sunco A Corporate Restructuring)	

Name of company	Period		Proportion of registered capital indirectly held by Mr. Sun
	From	To	
Jinan Sunco	9 November 2004 (date of establishment)	12 October 2006 (completion date of Sunco A Corporate Restructuring)	64.1%

The audited financial statements of each of the New Project Companies were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. The audited financial statements of each of the companies comprising the New Project Companies, if any, for each of the three years ended 31 December 2006 were audited by the following certified public accountants registered in the PRC:

Name of company	Financial period	Auditors
Tianjin Sunco 2	Year ended 31 December 2004	No audited financial statements were prepared
	Year ended 31 December 2005	天津廣信有限責任會計師事務所
	Year ended 31 December 2006	No audited financial statements were prepared
Tianjin Sunco 3	Year ended 31 December 2004	No audited financial statements were prepared
	Year ended 31 December 2005	中天華正(天津)會計師事務所有限責任公司
	Year ended 31 December 2006	No audited financial statements were prepared
Beijing Sunco 3	For the period from 5 January 2004 (date of establishment) to 31 December 2004	No audited financial statements were prepared
	Each of the year ended 31 December 2005 and 2006	No audited financial statements were prepared
Beijing Sunco 1	For each of the three years ended 31 December 2006	No audited financial statements were prepared
Hebei Sunco	Year ended 31 December 2004	河北光大會計師事務所有限責任公司
	Each of the year ended 31 December 2005 and 2006	中喜會計師事務所有限責任公司石家莊分所

For the purpose of this report, the management of the New Project Companies has prepared combined financial statements of the New Project Companies for the Relevant Periods in accordance with the significant accounting policies, as set out in note 3 to the Financial Information, which conform with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) except for the failure to consolidate the financial information of certain subsidiaries of the New Project Companies in accordance with Hong Kong Accounting Standard (“HKAS”) 27 “Consolidated and separate financial statements” (“HKAS 27”) and to equity account for the New Project Companies’ interests in associates in accordance with HKAS 28 “Investments in associates” (“HKAS 28”) (see below for detailed discussions) (the “Underlying Financial Statements”). We have carried out independent audit procedures on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We planned our audit 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 as to whether the Underlying Financial Statements for the Relevant Periods are free from material misstatement. However, the evidence available to us was limited and the limitations in the scope of our work are described below.

We have examined the Underlying Financial Statements of the New Project Companies for the Relevant Periods in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of the New Project Companies who approved their issue. The directors of RKI are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you. However, our scope was limited as follows:

- (1) We have not been required to carry out independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the HKICPA in respect of the financial information of certain subsidiaries of the New Project Companies. As described in note 15 to the Financial Information, in the absence of reliable financial information, the Financial Information for the Relevant Periods has not included the financial information of these subsidiaries. This is not in accordance with HKAS 27 issued by the HKICPA.
- (2) Included in the other receivables and prepayments in the combined balance sheets at 31 December 2004, 31 December 2005 and 31 December 2006, were certain other receivables amounting to RMB138,787,000, RMB290,468,000 and RMB279,976,000, respectively. In addition, included in the trade and other payables in the combined balance sheets at 31 December 2004, 31 December 2005 and 31 December 2006 were certain payables amounting to RMB79,530,000, RMB96,400,000 and RMB50,220,000, respectively. We were unable to obtain sufficient information and explanations regarding the nature of the transactions that gave rise to these balances to satisfy ourselves whether the accounting treatment of these transactions reflects their substance and economic reality. There were no

other alternative procedures that we could adopt to satisfy ourselves as to the nature of these transactions. Any adjustments found to be necessary would affect the net assets of the New Project Companies as at 31 December 2004, 31 December 2005 and 31 December 2006 and the results for the Relevant Periods.

- (3) Included in the combined balance sheets are amounts due from related parties amounting to RMB460,655,000, RMB1,008,728,000 and RMB1,383,694,000 at 31 December 2004, 31 December 2005 and 31 December 2006 respectively and amounts due to related parties amounting to RMB844,951,000, RMB1,220,145,000 and RMB1,622,674,000 at 31 December 2004, 31 December 2005 and 31 December 2006, respectively. We were unable to obtain sufficient information and explanations regarding the nature of the transactions that gave rise to these balances and accordingly we were unable to satisfy ourselves as to whether the accounting treatment of these transactions reflects their substance and economic reality. There were no other alternative procedures that we could adopt to satisfy ourselves as to the nature of these transactions. Any adjustments found to be necessary would affect the net assets of the New Project Companies as at 31 December 2004, 31 December 2005 and 31 December 2006 and the results for the Relevant Periods.
- (4) As explained in note 13 to the Financial Information, the investments in associates with carrying amounts of RMB38,700,000, RMB88,700,000 and RMB88,700,000 as at 31 December 2004, 31 December 2005 and 31 December 2006, respectively, were stated at cost less any identified impairment loss. The New Project Companies have not accounted for their share of the results and net assets of their associates and have not disclosed the financial information of the associates in accordance with the requirements of HKAS 28 issued by the HKICPA. If the equity method were used, the New Project Companies would have recognised their share of results of the associates after making any appropriate adjustments in accordance with HKAS 28. In the absence of sufficient and reliable financial information of the associates, we were unable to equity account for the results and net assets of the associates. Any adjustments found to be necessary may affect the net assets of combined financial statements of the New Project Companies as at 31 December 2004, 31 December 2005 and 31 December 2006 and the results for the Relevant Periods.
- (5) Included in the other receivables and prepayments in the combined balance sheets at 31 December 2004 and 31 December 2005 were deposits for acquisition of land use rights with carrying values of RMB30,000,000 and RMB55,000,000 respectively. As set out in note 18 to the Financial Information, Jinan Sunco has not yet obtained the legal title of the land use rights. We were unable to obtain sufficient evidence to assess whether the land use rights will be obtained or whether Jinan Sunco will be able to recover the deposits if title to the land use rights cannot be obtained. There were no other alternative audit procedures we could adopt to satisfy ourselves regarding this. Any adjustments found to be necessary may affect the net assets of the combined financial statements of the New Project Companies as at 31 December 2004 and 31 December 2005 and the results for the Relevant Periods.

Because of the significance of the possible effects of the limitation in the scope of our examination work referred to above, we are unable to form an opinion as to whether the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the New Project Companies as at 31 December 2004, 31 December 2005 and 31 December 2006 and of the results and cash flows of the New Project Companies for the Relevant Periods.

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

A. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

	<i>NOTES</i>	Year ended 31 December		
		2004	2005	2006
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6	762,361	910,504	1,055,699
Cost of sales		<u>(732,401)</u>	<u>(905,032)</u>	<u>(1,069,954)</u>
Gross profit (loss)		29,960	5,472	(14,255)
Other income	7	423	4,971	18,295
Selling expenses		(122,625)	(203,674)	(67,015)
Administrative expenses		(81,209)	(122,240)	(102,848)
Penalty on overdue payments of land premium		(44,086)	(28,505)	(45,101)
Penalty on late delivery of completed properties held for sale		—	(57,597)	—
Finance costs	8	<u>—</u>	<u>—</u>	<u>(14,124)</u>
Loss before tax	9	(217,537)	(401,573)	(225,048)
Income tax credit	11	<u>19,908</u>	<u>75,117</u>	<u>31,115</u>
Loss for the year		<u>(197,629)</u>	<u>(326,456)</u>	<u>(193,933)</u>
Attributable to:				
Equity holders of the New Project Companies		(178,919)	(304,187)	(180,642)
Minority interests		<u>(18,710)</u>	<u>(22,269)</u>	<u>(13,291)</u>
		<u>(197,629)</u>	<u>(326,456)</u>	<u>(193,933)</u>

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

COMBINED BALANCE SHEETS

		31 December		
	<i>NOTES</i>	2004	2005	2006
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	12	11,984	14,832	9,976
Investments in associates	13	38,700	88,700	88,700
Available-for-sale investments	14	9,000	9,000	9,000
Investments in subsidiaries not consolidated	15	41,000	50,000	45,000
Deferred tax assets	16	<u>84,936</u>	<u>200,233</u>	<u>187,680</u>
		<u>185,620</u>	<u>362,765</u>	<u>340,356</u>
Current assets				
Properties under development held for sale	17	3,322,899	3,575,450	2,390,039
Completed properties held for sale		51,617	524,849	527,859
Other receivables and prepayments	18	267,247	526,354	410,696
Amounts due from related parties	19	460,655	1,008,728	1,383,694
Prepaid income tax		1,313	46,570	55,436
Pledged deposits	20	215,947	26,480	29,980
Bank balances and cash	21	<u>168,348</u>	<u>71,475</u>	<u>8,592</u>
		<u>4,488,026</u>	<u>5,779,906</u>	<u>4,806,296</u>
Current liabilities				
Trade and other payables	22	1,514,417	1,496,417	1,155,311
Pre-sale deposits		1,653,328	2,816,009	1,825,497
Amounts due to related parties	19	844,951	1,220,145	1,622,674
Income tax payable		46,215	84,372	74,623
Borrowings - due within one year	23	<u>530,776</u>	<u>664,725</u>	<u>750,037</u>
		<u>4,589,687</u>	<u>6,281,668</u>	<u>5,428,142</u>
Net current liabilities		<u>(101,661)</u>	<u>(501,762)</u>	<u>(621,846)</u>
Total assets less current liabilities		83,959	(138,997)	(281,490)

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

		31 December		
	<i>NOTES</i>	2004	2005	2006
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liability				
Borrowings - due after one year	23	<u>60,000</u>	<u>97,500</u>	<u>4,000</u>
		<u>23,959</u>	<u>(236,497)</u>	<u>(285,490)</u>
Capital and reserve				
Combined capital	24	221,418	258,001	258,001
Statutory reserve		1,415	1,415	1,415
Capital reserve		—	—	147,329
Accumulated losses		<u>(209,927)</u>	<u>(514,114)</u>	<u>(694,756)</u>
Equity attributable to equity holders of the				
New Project Companies		12,906	(254,698)	(288,011)
Minority interests		<u>11,053</u>	<u>18,201</u>	<u>2,521</u>
		<u>23,959</u>	<u>(236,497)</u>	<u>(285,490)</u>

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the New Project Companies					Minority interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
	Combined capital <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>		
At 1 January 2004	176,249	—	—	(29,593)	146,656	20,892	167,548
Loss for the year and total recognised expense for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(178,919)</u>	<u>(178,919)</u>	<u>(18,710)</u>	<u>(197,629)</u>
	176,249	—	—	(208,512)	(32,263)	2,182	(30,081)
Appropriation	<u>—</u>	<u>1,415</u>	<u>—</u>	<u>(1,415)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Capital contributions from shareholders of the New Project Companies	<u>45,169</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>45,169</u>	<u>8,871</u>	<u>54,040</u>
At 31 December 2004	221,418	1,415	—	(209,927)	12,906	11,053	23,959
Loss for the year and total recognised expense for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(304,187)</u>	<u>(304,187)</u>	<u>(22,269)</u>	<u>(326,456)</u>
	221,418	1,415	—	(514,114)	(291,281)	(11,216)	(302,497)
Capital contributions from shareholders of the New Project Companies	<u>36,583</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>36,583</u>	<u>29,417</u>	<u>66,000</u>
At 31 December 2005	258,001	1,415	—	(514,114)	(254,698)	18,201	(236,497)
Loss for the year and total recognised expense for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(180,642)</u>	<u>(180,642)</u>	<u>(13,291)</u>	<u>(193,933)</u>
	258,001	1,415	—	(694,756)	(435,340)	4,910	(430,430)
Disposal of subsidiaries of the New Project Companies (note 25)	<u>—</u>	<u>—</u>	<u>147,329</u>	<u>—</u>	<u>147,329</u>	<u>(2,389)</u>	<u>144,940</u>
At 31 December 2006	<u>258,001</u>	<u>1,415</u>	<u>147,329</u>	<u>(694,756)</u>	<u>(288,011)</u>	<u>2,521</u>	<u>(285,490)</u>

COMBINED CASH FLOW STATEMENTS

	Year ended 31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating activities			
Loss before tax	(217,537)	(401,573)	(225,048)
Adjustments for:			
Interest income	(389)	(941)	(514)
Finance costs	—	—	14,124
Depreciation for property, plant and equipment	1,345	1,936	1,994
Allowance on properties under development held for sale	—	—	16,532
Loss on disposal of property, plant and equipment	—	148	363
Operating cash flows before movements in working capital	(216,581)	(400,430)	(192,549)
(Increase) decrease in properties under development held for sale	(3,041,854)	(197,127)	258,222
Increase in completed properties held for sale	(51,617)	(473,232)	(3,010)
Increase in other receivables and prepayments	(73,579)	(259,107)	(7,988)
Increase (decrease) in trade and other payables	1,338,505	(18,000)	22,603
Increase (decrease) in pre-sale deposits	<u>1,527,496</u>	<u>1,162,681</u>	<u>(126,326)</u>
Cash used in operations	(517,630)	(185,215)	(49,048)
Income tax paid	<u>(20,136)</u>	<u>(47,280)</u>	<u>(11,859)</u>
Net cash used in operating activities	<u>(537,766)</u>	<u>(232,495)</u>	<u>(60,907)</u>

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

		Year ended 31 December		
	NOTE	2004	2005	2006
		RMB'000	RMB'000	RMB'000
Investing activities				
Interest received		389	941	514
Purchase of property, plant and equipment		(5,478)	(4,932)	(336)
Acquisition of associates		(29,700)	(50,000)	—
Acquisition of available-for-sale investments		(1,000)	—	—
Acquisition of subsidiaries not consolidated		—	(9,000)	—
Proceeds from disposal of property, plant and equipment		112	—	1,863
Proceeds from disposal of subsidiaries not consolidated		16,200	—	5,000
Net cash disposed of from disposal of subsidiaries	25	—	—	(30,210)
Advances to related parties		(407,655)	(548,073)	(419,396)
(Increase) decrease in pledged deposits		<u>(215,947)</u>	<u>189,467</u>	<u>(3,500)</u>
Net cash used in investing activities		<u>(643,079)</u>	<u>(421,597)</u>	<u>(446,065)</u>
Financing activities				
Interest paid		(33,547)	(55,424)	(57,792)
New borrowings raised		851,000	804,929	558,179
Repayment of borrowings		(260,224)	(633,480)	(527,577)
Capital contributions from shareholders of the New Project Companies		54,040	66,000	—
Advance from related parties		<u>724,058</u>	<u>375,194</u>	<u>471,279</u>
Net cash from financing activities		<u>1,335,327</u>	<u>557,219</u>	<u>444,089</u>
Net increase (decrease) in cash and cash equivalents		154,482	(96,873)	(62,883)
Cash and cash equivalents at the beginning of the year		<u>13,866</u>	<u>168,348</u>	<u>71,475</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash		168,348	71,475	8,592

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Financial Information is presented in Renminbi (“RMB”) which is the functional currency of the New Project Companies and is the currency in which most of the transactions of the New Project Companies are denominated.

As detailed in note 31, on 26 May 2007, Sunco A has become the holding company of the New Project Companies, the Financial Information has been prepared on a going concern basis because Sunco A has agreed to provide financial support to the New Project Companies to meet their financial obligations as they fall due in the foreseeable future.

The New Project Companies were under the common control of Mr. Sun throughout the Relevant Periods and up to 26 May 2007, date of completion of the Sunco B Acquisition. As a result, the Financial Information, comprising the combined income statements, combined statements of changes in equity and combined cash flow statements of the New Project Companies for the Relevant Periods and the combined balance sheets of the New Project Companies as at 31 December 2004, 31 December 2005 and 31 December 2006 together with notes thereon, have been prepared using the basis of merger accounting, including the financial information of the combining entities for the period in which common control occurs, that is, from the date when they came under control of Mr. Sun or since their respective date of establishment and up to the date of disposal, where this is a shorter period.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In 2004 and 2005, the HKICPA issued a number of new and revised HKFRSs, HKASs and Interpretations (“INTs”) (collectively the new and revised HKFRSs) which are effective for accounting periods beginning on or after 1 January 2005, 1 December 2005 or 1 January 2006. For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the New Project Companies have adopted all these new and revised HKFRSs.

At the date of this report, the HKICPA has issued the following new HKFRSs, amendment and INTs which are not yet effective for the Relevant Periods. The New Project Companies have not early adopted all these new HKFRSs, amendment and INTs in the preparation of the Financial Information for the Relevant Periods.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing costs ⁷
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ⁷
HK(IFRIC) - INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) - INT 8	Scope of HKFRS 2 ³
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions ⁶
HK(IFRIC) - INT 12	Service Concession Arrangements ⁸

1 Effective for annual periods beginning on or after 1 January 2007.

2 Effective for annual periods beginning on or after 1 March 2006.

3 Effective for annual periods beginning on or after 1 May 2006.

4 Effective for annual periods beginning on or after 1 June 2006.

5 Effective for annual periods beginning on or after 1 November 2006.

6 Effective for annual periods beginning on or after 1 March 2007.

7 Effective for annual periods beginning on or after 1 January 2009.

8 Effective for annual periods beginning on or after 1 January 2008.

The directors of the New Project Companies have commenced considering the potential impact of the above new HKFRSs, amendment and INTs but are not yet in a position to determine whether these new HKFRSs, amendment and INTs will have a significant impact on how the results and financial position are prepared and presented. These new HKFRSs, amendment and INTs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the principal accounting policies as set out below which conform with HKFRSs, HKASs and INTs that are effective for accounting period beginning on or prior to 1 January 2006, other than the policies on basis of consolidation, investments in subsidiaries and investment in an associate as mentioned below.

Basis of consolidation

The Financial Information incorporate the financial statements of the New Project Companies, other than the subsidiaries not consolidated as mentioned in note 15.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the Financial Information from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the New Project Companies' equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority interest in the subsidiary's equity are allocated against the interests of the New Project Companies except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combination

The acquisitions of subsidiaries under business combination other than common control combination are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and the equity instruments issued by the New Project Companies in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Merger accounting

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the combined financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. The combined entity recognises the assets, liabilities and equity of the combining entities or business at the carrying amounts in the combined financial statements of the controlling party or parties prior to the common control combinations.

Revenue recognition*Sales of properties*

Revenue from sale of properties in the ordinary course of business is recognised when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the New Project Companies; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Payments received from purchasers prior to this stage are recorded as “Pre-sale deposits” under current liabilities.

Others

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the combined income statements and are reported separately as “other income”.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the properties under development, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from profit as reported in the combined income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The New Project Companies' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the respective balance sheet dates.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the combined balance sheets and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from its continued use. The gain or loss arising from the derecognition of an item of property, plant and equipment calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the item shall be included in profit or loss when the item is derecognised.

Investment in subsidiaries not consolidated

Investments in subsidiaries not consolidated are included in the New Project Companies' combined balance sheets at cost less any identified impairment loss.

Investment in an associate

An associate is an entity over which the New Project Companies have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decision of the investee but is not control or joint control over those policies. Investment in an associate is included in the New Project Companies' combined balance sheets at cost less any identified impairment loss.

Impairment of assets

At each balance sheet date, the New Project Companies review the carrying amounts of their tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Properties under development held for sale

Properties under development held for sale are included in current assets at the lower of cost and net realisable value. Cost of property in the course of development comprises land costs, construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing expenses.

Completed properties held for sale

Completed properties held for sale are included in current assets at the lower of cost and net realisable value. Cost of property comprises land costs, construction expenditure, borrowing cost directly attributable to construction of such properties and other direct costs. Net realisable value is based on the estimated selling price in the ordinary course of business as determined by the management with reference to the prevailing market conditions, less the estimated costs necessary to make the sale.

Foreign currencies

In preparing the Underlying Financial Statements of the New Project Companies, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the transaction of monetary items, are recognised in profit or loss in the period in which they arise.

Financial instruments

Financial assets and financial liabilities are recognised on the combined balance sheets when a group entity has becomes a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including other receivables, amounts due from related parties, pledged deposits and bank balances) are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. This allowance is reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale equity investments are measured at initial recognition at fair value. At each balance sheet date subsequent to initial recognition, for available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual agreements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the New Project Companies after deducting all of its liabilities. Equity instruments issued by the New Project Companies are recorded at the proceeds received, net of direct issue cost.

Other financial liabilities (including trade and other payables, amounts due to related parties and borrowings) are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instruments. A financial guarantee contract issued by the New Project

Companies and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the New Project Companies measure the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37, “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognition in accordance with HKAS 18, “Revenue”.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The New Project Companies make estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not be equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as below.

Allowance on properties under development for sale and completed properties held for sale

The New Project Companies make allowance on properties under development for sale and completed properties held for sale based on assessment of their net realisable values. Net realisable value is based on the estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred on completion and in marketing and selling arrangement. Any subsequent change in the market conditions and the completion cost may have significant impact on the allowance.

Land appreciation tax

The provision of land appreciation tax (“LAT”) is estimated and made according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development project and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

5. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The New Project Companies’ major financial instruments include other receivables, pledged deposits, bank balances, trade and other payables and amounts due from/to related parties and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The New Project Companies manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The New Project Companies’ principal financial assets are bank balances, pledged deposits, other receivables and amounts due from related parties. The New Project Companies’ maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or debtors which the Group has provided financial guarantees is arising from the carrying amount of the respective recognised financial assets as stated in the combined balance sheets and the amount disclosed in note 28 “Contingent Liabilities”.

The credit risk on liquid funds is limited because the counterparties are state-owned banks or financial institutions with good reputation.

The New Project Companies' credit risks are primarily attributable to other receivables and amounts due from related parties. The management of the New Project Companies has closely monitored the outstanding debts. The amounts included in the combined balance sheets are net of allowances for bad and doubtful receivables, estimated by the New Project Companies' management based on the past experience and their assessment of the current economic environment.

For pre-sale properties that building ownership certificate has not yet been issued by the government, the New Project Companies typically provide guarantees to banks in connection with customers' borrowing of the mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the properties (guarantees will be released upon the issuance of the building ownership certificate). If a purchaser defaults on the payment of mortgage during the term of the guarantee, the bank holding the mortgage may demand the New Project Companies to repay the outstanding loan amount and any accrued interest thereon. Under such circumstances, the New Project Companies are able to retain the customer's deposit and sell the properties to recover any amounts paid by the New Project Companies to the bank. In this regards, the directors of the New Project Companies consider that the New Project Companies' credit risk is significantly reduced.

Fair value interest rate risk

The New Project Companies have exposure to fair value interest rate risk as most of the borrowings are carried at fixed interest rate and the fair value of borrowings will fluctuate because of changes in market interest rates. The maturity date of the New Project Companies' borrowings is arranged to fall within two years from the date of advance in order to restrict the exposure to fair value interest rate risk.

Liquidity risk

The New Project Companies have exposure to liquidity risk in view of its net liabilities position. As the New Project Companies have obtained external financing from RKI subsequent to 31 December 2006, the exposure to liquidity risk is significantly reduced.

b. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of New Project Companies consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

6. REVENUE

Revenue represented revenue from sales of completed properties which have been transferred to the buyers.

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

7. OTHER INCOME

	Year ended 31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	389	941	514
Tax refund (note)	—	3,140	17,458
Other income	<u>34</u>	<u>890</u>	<u>323</u>
	<u>423</u>	<u>4,971</u>	<u>18,295</u>

Note: Certain of the companies comprising the New Project Companies received unconditional tax refund from the local government. As the amount of the refund has not been specified in the relevant documents and the amount of tax refund cannot be measured reliably prior to receipt, the New Project Companies recorded the tax refund as other income upon receipt of the tax refund.

8. FINANCE COSTS

	Year ended 31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings wholly repayable within five years	33,547	55,424	57,792
Amount capitalised in properties under development held for sale	<u>(33,547)</u>	<u>(55,424)</u>	<u>(43,668)</u>
	<u>—</u>	<u>—</u>	<u>14,124</u>

Borrowing costs capitalised during the Relevant Periods represent interest on specific borrowings identifiable for the expenditure on properties under development held for sale.

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	Year ended 31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Auditors' remuneration	23	10	102
Directors' remunerations	—	—	—
Depreciation of property, plant and equipment	1,345	1,936	1,994
Loss on disposal of property, plant and equipment	—	148	363
Staff costs	44,418	73,374	54,427
Cost of properties held for sale recognised as an expense	732,356	901,901	1,052,615
Allowance on properties under development held for sale included in cost of sales	—	—	16,352
Minimum operating lease payments	<u>1,696</u>	<u>8,801</u>	<u>6,501</u>

Directors' remuneration were borne by related parties controlled by Mr. Sun during the Relevant Periods.

LAT

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The provision for LAT has been recognised in cost of sales for the Relevant Periods.

The New Project Companies are also required to pre-pay LAT on the pre-sale deposits ranging from 0.5% to 2% for residential and non-residential properties.

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

10. EMPLOYEES EMOLUMENTS

The emoluments of the five highest paid individuals of the New Project Companies were as follows:

	Year ended 31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	2,148	2,053	1,431
Contributions to retirement benefit schemes	<u>41</u>	<u>51</u>	<u>60</u>
	<u>2,189</u>	<u>2,104</u>	<u>1,491</u>

The emoluments for each of the five highest paid individuals were below HK\$1,000,000 during each of the Relevant Periods.

11. INCOME TAX CREDIT

	Year ended 31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Income tax (credit) charge comprises:			
Current PRC income tax	65,028	40,180	5,345
Deferred taxation	<u>(84,936)</u>	<u>(115,297)</u>	<u>(36,460)</u>
	<u>(19,908)</u>	<u>(75,117)</u>	<u>(31,115)</u>

The PRC income tax is calculated at 33% statutory tax rate.

The provisional income tax is based on 15% to 20% of the pre-sale deposits received from customers and after adjustments for deductible expenses incurred in each of the Relevant Periods. The final income tax is determined by the relevant tax authority upon the completion and actual sales of property.

The tax credit for the year can be reconciled to the loss before tax as per combined income statements as follows:

	Year ended 31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Loss before tax	<u>(217,537)</u>	<u>(401,573)</u>	<u>(225,048)</u>
Tax at the PRC income tax rate of 33%	(71,787)	(132,519)	(74,266)
Adjustments of tax effect on:			
Expenses not deductible for income tax purposes	29,522	41,049	43,126
Tax losses not recognised	—	413	5,183
Temporary differences not recognised	22,710	15,940	—
Utilisation of temporary differences not previously recognised	—	—	(5,446)
Others	<u>(353)</u>	<u>—</u>	<u>288</u>
Income tax credit for the year	<u>(19,908)</u>	<u>(75,117)</u>	<u>(31,115)</u>

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
COST			
At 1 January 2004	899	7,454	8,353
Additions	2,485	2,993	5,478
Disposals	<u>—</u>	<u>(131)</u>	<u>(131)</u>
At 31 December 2004	<u>3,384</u>	<u>10,316</u>	<u>13,700</u>
DEPRECIATION			
At 1 January 2004	132	258	390
Provided for the year	294	1,051	1,345
Eliminated on disposals	<u>—</u>	<u>(19)</u>	<u>(19)</u>
At 31 December 2004	<u>426</u>	<u>1,290</u>	<u>1,716</u>
CARRYING VALUES			
At 31 December 2004	<u>2,958</u>	<u>9,026</u>	<u>11,984</u>
COST			
At 1 January 2005	3,384	10,316	13,700
Additions	1,530	3,402	4,932
Disposals	<u>—</u>	<u>(156)</u>	<u>(156)</u>
At 31 December 2005	<u>4,914</u>	<u>13,562</u>	<u>18,476</u>
DEPRECIATION			
At 1 January 2005	426	1,290	1,716
Provided for the year	816	1,120	1,936
Eliminated on disposals	<u>—</u>	<u>(8)</u>	<u>(8)</u>
At 31 December 2005	<u>1,242</u>	<u>2,402</u>	<u>3,644</u>
CARRYING VALUES			
At 31 December 2005	<u>3,672</u>	<u>11,160</u>	<u>14,832</u>
COST			
At 1 January 2006	4,914	13,562	18,476
Additions	336	—	336
Disposal of subsidiaries	(324)	(880)	(1,204)
Disposals	<u>(52)</u>	<u>(2,819)</u>	<u>(2,871)</u>
At 31 December 2006	<u>4,874</u>	<u>9,863</u>	<u>14,737</u>

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

	Office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
DEPRECIATION			
At 1 January 2006	1,242	2,402	3,644
Provided for the year	841	1,153	1,994
Disposal of subsidiaries	(98)	(134)	(232)
Eliminated on disposals	<u>(27)</u>	<u>(618)</u>	<u>(645)</u>
At 31 December 2006	<u>1,958</u>	<u>2,803</u>	<u>4,761</u>
CARRYING VALUES			
At 31 December 2006	<u>2,916</u>	<u>7,060</u>	<u>9,976</u>

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Office equipment	20%
Motor vehicles	20%

13. INVESTMENTS IN ASSOCIATES

	31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital contributions, at cost	<u>38,700</u>	<u>88,700</u>	<u>88,700</u>

Details of the New Project Companies' associates as at 31 December 2004 were as follows:

Name of associate	Place of establishment	Registered capital	Proportion of registered capital directly held by the New Project Companies	Principal activities
		<i>RMB'000</i>		
天津順馳北岸置地有限公司	PRC	50,000	48%	Investment holding and property development
北京海開順馳置業有限公司	PRC	30,000	49%	Property development

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

Details of the New Project Companies' associates as at 31 December 2005 and 31 December 2006 were as follows:

Name of associate	Place of establishment	Registered capital <i>RMB'000</i>	Proportion of registered capital directly held by the New Project Companies	Principal activities
天津順馳北岸置地有限公司	PRC	50,000	48%	Investment holding and property development
北京海開順馳置業有限公司	PRC	30,000	49%	Property development
北京首鋼順馳房地產開發有限公司	PRC	100,000	50%	Investment holding and property development

In the absence of reliable financial information of the associates, the results of the associates in the Relevant Periods have not been equity accounted for in the Financial Information.

14. AVAILABLE-FOR-SALE INVESTMENTS

	Equity interest	31 December		
		2004	2005	2006
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity securities, at cost				
天津順馳建設有限公司	5.3%	8,000	8,000	8,000
山東順馳地產有限公司	10%	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
		<u>9,000</u>	<u>9,000</u>	<u>9,000</u>

The above companies are related parties of the New Project Companies which were established in the PRC and controlled by Mr. Sun.

In the opinion of the directors of the New Project Companies, the fair values of the equity investments cannot be reliably measured and thus they are carried at cost.

15. INVESTMENTS IN SUBSIDIARIES NOT CONSOLIDATED

	31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital contributions, at cost	<u>41,000</u>	<u>50,000</u>	<u>45,000</u>

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

The investment cost of subsidiaries not consolidated included in the combined balance sheet of the New Project Companies as at 31 December 2004 included investment cost in the following entities.

Name of subsidiary	Place of establishment	Registered capital <i>RMB'000</i>	Proportion of registered capital directly held by the New Project Companies	Principal activities
上海順馳房地產開發有限公司	PRC	30,000	90%	Property development
榆次順馳房地產開發有限公司	PRC	10,000	90%	Property development and investment holding
山西順馳房地產開發有限公司 (note)	PRC	10,000	50%	Property development

The investment cost of subsidiaries not consolidated included in the combined balance sheet of the New Project Companies as at 31 December 2005 included investment cost in the following entities.

Name of subsidiary	Place of establishment	Registered capital <i>RMB'000</i>	Proportion of registered capital directly held by the New Project Companies	Principal activities
上海順馳房地產開發有限公司	PRC	30,000	90%	Property development
榆次順馳房地產開發有限公司	PRC	10,000	90%	Property development and investment holding
山西順馳房地產開發有限公司 (note)	PRC	10,000	50%	Property development
天津順馳融華商業管理有限公司 (formerly known as 天津豐泰商業管理有限公司)	PRC	15,000	60%	Management services

The investment cost of subsidiaries not consolidated included in the combined balance sheet of the New Project Companies as at 31 December 2006 included investment cost in the following entities.

Name of subsidiary	Place of establishment	Registered capital <i>RMB'000</i>	Proportion of registered capital directly held by the New Project Companies	Principal activities
上海順馳房地產開發有限公司	PRC	30,000	90%	Property development
榆次順馳房地產開發有限公司	PRC	10,000	90%	Property development and investment holding
天津順馳融華商業管理有限公司	PRC	15,000	60%	Management services

Note: The remaining 50% interest in 山西順馳房地產開發有限公司 was held by 榆次順馳房地產有限公司. During 2006, 山西順馳房地產開發有限公司 has been disposed to a related company controlled by Mr. Sun.

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

In the absence of reliable information of the subsidiaries not consolidated, the financial information of these subsidiaries (and their subsidiaries, if any) have not been consolidated during the Relevant Periods in the Financial Information.

The following is the historical unaudited financial information of the above subsidiaries not consolidated which are extracted from the management accounts of these subsidiaries.

	Year ended 31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)
Revenue	<u>—</u>	<u>279,047</u>	<u>—</u>
(Loss) profit before tax	(14,274)	25,071	(8,822)
(Loss) profit after tax	<u>(14,274)</u>	<u>19,984</u>	<u>(8,822)</u>
	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)
Combined Assets			
Properties under development held for sale	154,973	29,847	87,765
Investments in subsidiaries	20,000	20,000	20,000
Other assets	<u>139,293</u>	<u>193,136</u>	<u>116,444</u>
	<u>314,266</u>	<u>242,983</u>	<u>224,209</u>
Combined Liabilities			
Pre-sale deposits	219,913	134,409	161,897
Borrowings	59,000	19,000	—
Other liabilities	<u>9,675</u>	<u>19,082</u>	<u>7,840</u>
	<u>288,588</u>	<u>172,491</u>	<u>169,737</u>
Net assets	<u>25,678</u>	<u>70,492</u>	<u>54,472</u>

	Year ended 31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)
Net cash (used in) from operating activities	<u>(30,564)</u>	<u>(2,026)</u>	<u>16,700</u>
Net cash (used in) from investing activities	<u>(5,323)</u>	<u>14,805</u>	<u>—</u>
Net cash from (used in) financing activities	<u>69,000</u>	<u>(30,316)</u>	<u>(19,374)</u>

16. DEFERRED TAX ASSETS

The following is the deferred tax assets recognised and movements during the Relevant Periods:

	Temporary difference on penalty on late delivery of completed properties held for sale RMB'000	Temporary difference on revenue recognition related to the pre-sale deposits RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2004	—	—	—	—
Credit for the year	<u>—</u>	<u>83,132</u>	<u>1,804</u>	<u>84,936</u>
At 31 December 2004	—	83,132	1,804	84,936
Credit for the year	<u>19,007</u>	<u>38,710</u>	<u>57,580</u>	<u>115,297</u>
At 31 December 2005	19,007	121,842	59,384	200,233
Credit for the year	—	1,964	34,496	36,460
Disposal of subsidiaries	<u>(19,007)</u>	<u>(30,006)</u>	<u>—</u>	<u>(49,013)</u>
At 31 December 2006	<u>—</u>	<u>93,800</u>	<u>93,880</u>	<u>187,680</u>

The New Project Companies had unused tax losses of RMB668,604,000, RMB844,340,000 and RMB963,328,000 at 31 December 2004, 31 December 2005 and 31 December 2006, respectively available to offset against future profits. Deferred tax asset has been recognised in respect of such tax losses of RMB5,467,000, RMB179,952,000 and RMB284,485,000, respectively. No deferred tax asset has been recognised in respect of remaining tax losses of RMB663,137,000, RMB664,388,000 and RMB678,843,000 at 31 December 2004, 31 December 2005 and 31 December 2006, respectively, due to the unpredictability

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the balance sheet dates will expire in the following years:

	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
2008	663,137	663,137	663,137
2010	—	1,251	—
2011	—	—	15,706
	<u>663,137</u>	<u>664,388</u>	<u>678,843</u>

At 31 December 2004, 31 December 2005 and 31 December 2006, the Group has deductible temporary differences of RMB320,732,000, RMB543,939,000 and RMB384,863,000, respectively. Deferred tax asset has been recognised in respect of such temporary differences of RMB251,915,000, RMB426,818,000 and RMB284,245,000, respectively. No deferred tax asset has been recognised in respect of remaining temporary differences of RMB68,817,000, RMB117,121,000 and RMB100,618,000, at 31 December 2004, 31 December 2005 and 31 December 2006, respectively, due to the unpredictability of future profit streams.

17. PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Cost			
At beginning of the year	247,498	3,322,899	3,575,450
Additions	3,825,827	1,572,260	797,403
Interest capitalised	33,547	55,424	43,668
Write down cost to net realisable value	—	—	(16,532)
Transfer to completed properties held for sale	(783,973)	(1,375,133)	(1,055,625)
Disposal of subsidiaries (note 25)	—	—	(954,325)
At end of the year	<u>3,322,899</u>	<u>3,575,450</u>	<u>2,390,039</u>

18. OTHER RECEIVABLES AND PREPAYMENTS

	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Deposits on acquisition of land use rights (note)	30,000	55,000	—
Trade receivables	25,143	—	2,681
Prepayments on business tax and other taxes	37,540	137,230	85,765
Other receivables and deposits	<u>174,564</u>	<u>334,124</u>	<u>322,250</u>
	<u>267,247</u>	<u>526,354</u>	<u>410,696</u>

Note: In December 2004, the minority shareholders of Jinan Sunco (the “Vendors”) have agreed to transfer their interests in a land with a gross floor area of 191,615 square meters to Jinan Sunco at a consideration of RMB354,680,000. Pursuant to an agreement dated 18 September 2006, the consideration was revised to RMB373,420,000. The vendors are in the process of obtaining the formal legal title of the land which will be transferred to Jinan Sunco once it is obtained.

At 31 December 2004 and 31 December 2005, deposit on acquisition of land use rights were RMB30,000,000 and RMB55,000,000, respectively which have been paid to a minority shareholder of Jinan Sunco and the deposit will be refunded if the legal title of the land cannot be obtained.

At 31 December 2004 and 31 December 2005, the relevant land certificates have not been obtained and such amount was included in deposits on acquisition of land use rights.

19. AMOUNTS DUE FROM/TO RELATED PARTIES

The amounts due from/to related parties are unsecured, interest-free and repayable on demand. The parties are considered to be related to the New Project Companies as they are either the shareholder of Sunco China or subject to the common control of Sunco China, a company controlled by Mr. Sun.

20. PLEDGED DEPOSITS

Included in pledged deposits at 31 December 2004 was RMB200,000,000, which was pledged in favour of a third party for borrowings granted to related parties controlled by Mr. Sun.

The remaining pledged deposits at respective balance sheet dates were pledged as security in favour of banks for mortgage facilities granted to the buyers of the New Project Companies’ properties.

The average effective interest rate of pledged deposits at 31 December 2004, 31 December 2005 and 31 December 2006 was 0.72% per annum.

21. BANK BALANCES AND CASH

The amount comprises cash held by the New Project Companies and short-term bank deposits with an original maturity of three months or less.

The average effective interest rate of bank balance at 31 December 2004, 31 December 2005 and 31 December 2006 was 0.72% per annum.

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

22. TRADE AND OTHER PAYABLES

	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Accrued development costs	817,793	1,040,127	870,498
Land premium overdue for:			
less than one year	542,216	1,079	—
one to two years	—	152,573	—
two to three years	—	—	26,772
Accrued penalty on late delivery of completed properties	—	57,597	—
Other tax payable	3,251	8,698	—
Other deposits and payables (note)	<u>151,157</u>	<u>236,343</u>	<u>258,041</u>
	<u>1,514,417</u>	<u>1,496,417</u>	<u>1,155,311</u>

Note: Pursuant to the sale and purchase agreements (the “S&P”) entered into between the New Project Companies and the vendors of several pieces of land, the vendors may impose penalty charge at 0.3% per day on the outstanding land premium in addition to interest charge on overdue amount. As at 31 December 2004, 31 December 2005 and 31 December 2006, the overdue interest charge under the S&P and the estimated accrued penalty charges of RMB44,086,000, RMB72,591,000 and RMB117,692,000, respectively, were included in other deposits and payables.

23. BORROWINGS

	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Secured bank loans due:			
within one year	530,776	407,970	716,037
more than one year but not exceeding two years	60,000	97,500	4,000
Secured other loans	<u>—</u>	<u>256,755</u>	<u>34,000</u>
	590,776	762,225	754,037
Less: Amounts due within one year	<u>(530,776)</u>	<u>(664,725)</u>	<u>(750,037)</u>
Amounts due after one year	<u>60,000</u>	<u>97,500</u>	<u>4,000</u>
The fixed interest rate per annum on bank loans	<u>5%-6.9%</u>	<u>5%-6.91%</u>	<u>5.85%-6.91%</u>
The fixed interest rate per annum on other loans	<u>N/A</u>	<u>10.68%-13%</u>	<u>25%</u>

The New Project Companies’ borrowings are denominated in RMB which are the same as the functional currencies of New Project Companies. They are secured by the properties under development for sale.

Details of pledged assets were disclosed in note 28.

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

24. COMBINED CAPITAL

The combined capital is the aggregate of the capital contribution from the shareholders of the New Project Companies.

25. DISPOSAL OF SUBSIDIARIES

During 2006, Tianjin Sunco 2 disposed of its entire equity interest in Jinan Sunco to entity controlled by Mr. Sun at a consideration of RMB6,000,000, and Beijing Sunco 1 and Beijing Sunco 3 disposed of their entire entity interests in Beijing Sunco 2 to entities controlled by Mr. Sun at a consideration of RMB40,000,000. The net liabilities of the disposed subsidiaries at the date of disposal were as follows:

	<i>RMB'000</i>
Property, plant and equipment	972
Deferred tax assets	49,013
Properties under development held for sale	954,325
Other receivables and prepayments	123,646
Amounts due from related parties	90,430
Bank balances and cash	30,210
Trade and other payables	(363,709)
Pre-sale deposits	(864,186)
Amounts due to related parties	(68,750)
Borrowings	(38,790)
Income tax payable	(12,101)
	<u>(98,940)</u>
Minority interests	<u>(2,389)</u>
	(101,329)
Transfer to capital reserve (note)	<u>147,329</u>
	46,000
	<u><u>46,000</u></u>
Bank balances and cash disposed of	<u><u>30,210</u></u>

Note: The difference between the carrying amount of the net assets attributable to the New Project Companies and the consideration for disposal of subsidiaries, of RMB147,329,000, was considered as capital contributions from shareholder and was transferred to capital reserve.

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

The following is the combined historical audited financial information of the above disposed subsidiaries:

	Year ended 31 December		Period from
	2004	2005	1 January 2006
	RMB'000	RMB'000	to 12 October 2006
			RMB'000
Revenue	<u>—</u>	<u>—</u>	<u>—</u>
Loss before tax	(25,815)	(127,464)	(22,989)
Loss after tax	<u>(23,474)</u>	<u>(102,473)</u>	<u>(22,993)</u>
		2004	2005
		RMB'000	RMB'000
Combined Assets			
Properties under development held for sale		589,436	842,216
Other assets		<u>96,449</u>	<u>266,785</u>
		<u>685,885</u>	<u>1,109,001</u>
Combined Liabilities			
Pre-sale deposits		110,188	736,818
Borrowings		—	42,970
Other liabilities		<u>549,171</u>	<u>405,160</u>
		<u>659,359</u>	<u>1,184,948</u>
Minority interests		<u>4,386</u>	<u>2,903</u>
Net assets (liabilities) attributable to the New Project Companies		<u>22,140</u>	<u>(78,850)</u>

26. CONTINGENT LIABILITIES

The New Project Companies arranged mortgage loan facilities with certain banks for certain purchasers of property units and provided guarantees to banks to secure obligations of such purchasers for repayment. The outstanding guarantees amounted to RMB1,068,865,000, RMB1,417,840,000 and RMB2,031,609,000 as at 31 December 2004, 2005 and 2006, respectively. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate; and (ii) the satisfaction of the mortgaged loans by the buyers of the properties. In the opinion of the directors of the New Project Companies, the fair value of such guarantees at initial recognition and at 31 December 2004, 31 December 2005 and 31 December 2006 was insignificant.

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

27. LEASE COMMITMENTS

At the balance sheet dates, the New Project Companies had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Within one year	2,416	2,187	571
In the second to fifth year inclusive	<u>1,811</u>	<u>—</u>	<u>1,004</u>
	<u>4,227</u>	<u>2,187</u>	<u>1,575</u>

Operating lease payments represent rentals payable by the New Project Companies. Leases are negotiated for a term of ranging from one to five years with fixed rentals.

28. PLEDGE OF ASSETS

At the respective balance sheet dates, the following assets, in addition to the pledged deposits as disclosed in note 20, were pledged to banks and third parties to secure borrowings granted to the New Project Companies:

	31 December		
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
Properties under development held for sale of the New Project Companies	<u>1,811,843</u>	<u>1,489,400</u>	<u>1,247,051</u>
Completed properties held for sale of the New Project Companies	<u>—</u>	<u>—</u>	<u>52,900</u>

29. RETIREMENT BENEFITS PLAN

The employees of the New Project Companies are members of a State-managed retirement pension scheme operated by the local government. The New Project Companies are required to contribute a specified percentage of its payroll costs to the retirement pension scheme to fund the benefits. The retirement benefit cost charged to the combined income statements amounted to RMB1,294,400, RMB3,190,340 and RMB3,033,400 for the years ended 31 December 2004, 31 December 2005 and 31 December 2006, respectively. There was no outstanding contribution due but not yet paid into the scheme as at 31 December 2004, 2005 and 2006.

30. RELATED PARTY TRANSACTIONS

The amounts due from/to related parties are disclosed in note 19. Other than disclosed elsewhere in the report, the New Project Companies had no other significant transactions with the related parties.

APPENDIX III FINANCIAL INFORMATION OF THE NEW PROJECT COMPANIES

31. POST BALANCE SHEET EVENTS

- (1) Subsequent to 31 December 2006, pursuant to certain set-off agreements, all amounts due from/to related parties as at 31 December 2006 will be transferred to Sunco B WFOE at their carrying amounts.
- (2) Subsequent to 31 December 2006, pursuant to certain set-off agreements, other receivables of RMB274,166,000 and certain other payables of RMB34,766,000 as at 31 December 2006 will be transferred to Sunco B WFOE at their carrying amounts.
- (3) On 26 May 2007, Sunco A, through its subsidiary, acquired the entire equity interests in the New Project Companies from certain entities controlled by Mr. Sun and becomes the holding company of the New Project Companies. At the same time, the then subsidiaries of the New Project Companies were transferred to other entities controlled by Mr. Sun.

32. SEGMENT INFORMATION

No segment information has been presented as the property development is the only business segment of the New Project Companies and the PRC is the only geographical location of its operations.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the New Project Companies have been prepared in respect of any financial period subsequent to 31 December 2006.

Yours faithfully,

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the auditors and reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

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30 June 2007

The Directors
Road King Infrastructure Limited

Dear Sirs,

We set out below our report on the financial information of 上海順馳方城置業有限公司 (“Shanghai Fangcheng”) for the period from 16 June 2005 (date of establishment) to 31 December 2005 and the year ended 31 December 2006 (the “Relevant Periods”) for the inclusion in the circular of Road King Infrastructure Limited (“RKI”) dated 30 June 2007 (the “Circular”) in connection with RKI’s proposed acquisition of, and subscription of the shares in Sunco Property Holdings Company Limited (formerly known as Sunco Binhai Land Limited) (“Sunco A”) pursuant to various options granted by Sunco A, Sunco China Holdings Limited and Sunco Management Holdings Limited, details of which were set out in the Circular.

Shanghai Fangcheng became a jointly controlled entity of Sunco A on 26 May 2007 when Sunco A acquired 31.5% equity interest in Shanghai Fangcheng.

Shanghai Fangcheng is a limited liability company established in the People’s Republic of China (the “PRC”) on 16 June 2005 with a registered capital of RMB50,000,000. Shanghai Fangcheng is engaged in property development business.

No audited statutory financial statements of Shanghai Fangcheng for the Relevant Periods were prepared.

For the purpose of this report, the management of Shanghai Fangcheng has prepared financial statements of Shanghai Fangcheng for the Relevant Periods (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). We have carried out independent audit procedures on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We planned our audit 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 as to whether the Underlying Financial Statements for the Relevant Periods are free from material misstatement. However, the evidence available to us was limited and the limitations in the scope of our work are described below.

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

We have examined the Underlying Financial Statements of Shanghai Fangcheng for the Relevant Periods in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

The income statements, statements of changes in equity and cash flow statements of Shanghai Fangcheng for the Relevant Periods and the balance sheets of Shanghai Fangcheng as at 31 December 2005 and 31 December 2006 together with notes thereon (hereinafter collectively referred to as the “Financial Information”) set out in this report have been prepared from the Underlying Financial Statements.

The Underlying Financial Statements are the responsibility of the directors of Shanghai Fangcheng who approved their issue. The directors of RKI are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you. However, our scope was limited as follows:

Included in the balance sheet at 31 December 2005 is amounts due from related companies of RMB11,512,000. We were unable to obtain sufficient information and explanations regarding the nature of the transactions that gave rise to these balances and accordingly we were unable to satisfy ourselves as to whether the accounting treatment of these transactions reflects their substance and economic reality. There were no other alternative procedures that we could adopt to satisfy ourselves as to the nature of these transactions. Any adjustments found to be necessary would affect the net assets of Shanghai Fangcheng as at 31 December 2005 and its results for the Relevant Periods.

In our opinion, the Financial Information gives a true and fair view of the state of affairs of Shanghai Fangcheng as at 31 December 2006. Because of the significance of the possible effects of the limitation in the scope of our examination work referred to above, we are unable to form an opinion as to whether the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Shanghai Fangcheng as at 31 December 2005 and of the results and cash flows of Shanghai Fangcheng for the Relevant Periods.

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

A. FINANCIAL INFORMATION**INCOME STATEMENTS**

	<i>NOTES</i>	16.6.2005 to 31.12.2005 <i>RMB'000</i>	1.1.2006 to 31.12.2006 <i>RMB'000</i>
Bank interest income		111	112
Selling expenses		(140)	(1,575)
Administrative expenses		(1,025)	(3,849)
Finance costs	6	<u>—</u>	<u>—</u>
Loss before tax	7	(1,054)	(5,312)
Income tax	9	<u>—</u>	<u>—</u>
Loss for the period/year		<u>(1,054)</u>	<u>(5,312)</u>

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

BALANCE SHEETS

	<i>NOTES</i>	31.12.2005 <i>RMB'000</i>	31.12.2006 <i>RMB'000</i>
Non-current asset			
Property, plant and equipment	10	<u>220</u>	<u>631</u>
Current assets			
Properties under development held for sale	11	1,265	388,422
Other receivables and prepayments		35	332
Amounts due from related companies	12	11,512	392
Bank balances and cash	13	<u>36,036</u>	<u>16,487</u>
		<u>48,848</u>	<u>405,633</u>
Current liabilities			
Trade and other payables	14	40	40,579
Amounts due to related companies	12	66	191
Amounts due to shareholders/a former shareholder	12	16	11,860
Loans from shareholders/a former shareholder	15	<u>—</u>	<u>200,000</u>
		<u>122</u>	<u>252,630</u>
Net current assets		<u>48,726</u>	<u>153,003</u>
Total assets less current liabilities		<u>48,946</u>	<u>153,634</u>
Non-current liabilities			
Secured bank borrowing	16	—	10,000
Loans from shareholders/a former shareholder	15	<u>—</u>	<u>100,000</u>
		<u>—</u>	<u>110,000</u>
		<u>48,946</u>	<u>43,634</u>
Capital and reserve			
Registered capital	17	50,000	50,000
Accumulated losses		<u>(1,054)</u>	<u>(6,366)</u>
		<u>48,946</u>	<u>43,634</u>

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

STATEMENTS OF CHANGES IN EQUITY

	Registered capital <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
Issue of registered capital	50,000	—	50,000
Loss for the period	<u>—</u>	<u>(1,054)</u>	<u>(1,054)</u>
At 31 December 2005	50,000	(1,054)	48,946
Loss for the year	<u>—</u>	<u>(5,312)</u>	<u>(5,312)</u>
At 31 December 2006	<u>50,000</u>	<u>(6,366)</u>	<u>43,634</u>

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

CASH FLOW STATEMENTS

	16.6.2005 to 31.12.2005 RMB'000	1.1.2006 to 31.12.2006 RMB'000
Operating activities		
Loss before tax	(1,054)	(5,312)
Adjustments for:		
Bank interest income	(111)	(112)
Depreciation of property, plant and equipment	<u>6</u>	<u>106</u>
Operating cash flows before movements in working capital	(1,159)	(5,318)
Increase in properties under development held for sale	(1,265)	(374,556)
Increase in other receivables and prepayments	(35)	(297)
Increase in trade and other payables	<u>40</u>	<u>40,539</u>
Net cash used in operating activities	<u>(2,419)</u>	<u>(339,632)</u>
Investing activities		
Interest received	111	112
Purchase of property, plant and equipment	(226)	(517)
(Advances to) repayment from related companies	<u>(11,512)</u>	<u>11,120</u>
Net cash (used in) from investing activities	<u>(11,627)</u>	<u>10,715</u>
Financing activities		
Interest paid	—	(12,601)
Capital contributions from shareholders	50,000	—
New borrowing raised	—	10,000
Advances from shareholders/a former shareholder	16	11,844
Loans from shareholders/a former shareholder	—	300,000
Advances from related companies	<u>66</u>	<u>125</u>
Net cash from financing activities	<u>50,082</u>	<u>309,368</u>
Net increase (decrease) in cash and cash equivalents	36,036	(19,549)
Cash and cash equivalents at the beginning of the period/year	<u>—</u>	<u>36,036</u>
Cash and cash equivalents at the end of the period/year, represented by bank balances and cash	<u><u>36,036</u></u>	<u><u>16,487</u></u>

NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION**

Shanghai Fangcheng was established in the PRC on 16 June 2005 with limited liability.

The address of its registered office and the principal place of business is No. 768, Jia Song North, Jia Ding District, Shanghai, the PRC.

The Financial Information is presented in Renminbi (“RMB”) which is the functional currency of Shanghai Fangcheng.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In 2005, the HKICPA issued a number of new and revised HKFRSs, HKAS and Interpretations (“INTs”) (collectively the new and revised HKFRSs) which are effective for accounting periods beginning on or after, 1 December 2005 or 1 January 2006. For the purposes of preparing and presenting the Financial Information for the Relevant Periods, Shanghai Fangcheng has adopted all these new and revised HKFRSs.

At the date of this report, the HKICPA has issued the following new and revised HKFRSs, amendment and INTs which are not yet effective for the Relevant Periods. Shanghai Fangcheng has not early adopted all these new HKFRSs, amendment and INTs in the preparation of the Financial Information for the Relevant Periods.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing costs ⁷
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ⁷
HK(IFRIC) - INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) - INT 8	Scope of HKFRS 2 ³
HK(IFRIC) - INT 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC) - INT 10	Interim Financial Reporting and Impairment ⁵
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions ⁶
HK(IFRIC) - INT 12	Service Concession Arrangements ⁸

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

⁵ Effective for annual periods beginning on or after 1 November 2006.

⁶ Effective for annual periods beginning on or after 1 March 2007.

⁷ Effective for annual periods beginning on or after 1 January 2009.

⁸ Effective for annual periods beginning on or after 1 January 2008.

The directors of Shanghai Fangcheng have commenced considering the potential impact of the above new HKFRSs, amendment and INTs but are not yet in a position to determine whether these new HKFRSs, amendment and INTs will have a significant impact on how the results and financial position are prepared and presented. These new HKFRSs, amendment and INTs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the principal accounting policies as set out below which conform with HKFRSs, HKASs and INTs that are effective for the Relevant Periods.

Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing*Shanghai Fangcheng as lessee*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the properties under development, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from profit as reported in the income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. Shanghai Fangcheng's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the respective balance sheet dates.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the balance sheets and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from its continued use. The gain or loss arising from the derecognition of an item of property, plant and equipment calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the item shall be included in profit or loss when the item is derecognised.

Impairment of assets

At each balance sheet date, Shanghai Fangcheng reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Properties under development held for sale

Properties under development held for sale are included in current assets at the lower of cost and net realisable value. Cost of property in the course of development comprises land costs, construction expenditures, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing expenses.

Foreign currencies

Transactions in currencies other than the functional currency of Shanghai Fangcheng (foreign currencies) are recorded in its functional currency (i.e. Renminbi) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

Financial instruments

Financial assets and financial liabilities are recognised on Shanghai Fangcheng's balance sheet when Shanghai Fangcheng has become a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including other receivables, amounts due from related companies and bank balances) are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. This allowance is reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by Shanghai Fangcheng are classified according to the substance of the contractual agreements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of Shanghai Fangcheng after deducting all of its liabilities. Equity instruments issued by Shanghai Fangcheng are recorded at the proceeds received, net of direct issue cost.

Financial liabilities (including trade and other payables, amounts due to related companies, loans from shareholders/a former shareholder and borrowings) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Shanghai Fangcheng makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not be equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as below.

Land appreciation tax

The provision of land appreciation tax ("LAT") is estimated and made according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development project and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

5. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

Shanghai Fangcheng's major financial instruments include other receivables, bank balances, trade and other payables and amounts due from/to related companies, loans from shareholders and a former shareholder and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Shanghai Fangcheng manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Shanghai Fangcheng's principal financial assets are bank balances, other receivables and amounts due from related companies, which represent Shanghai Fangcheng's maximum exposure to credit risk in relation to financial assets when counterparties failed to perform their obligation.

The credit risk on liquid funds is limited because the counterparties are state-owned banks or financial institutions with good reputation.

Shanghai Fangcheng's credit risks are primarily attributable to its other receivables and amounts due from related companies. The management of Shanghai Fangcheng has closely monitored the outstanding debts. The amounts included in the balance sheets are net of allowances for bad and doubtful receivables, estimated by Shanghai Fangcheng's management based on the past experience and their assessment of the current economic environment.

Fair value interest rate risk

Shanghai Fangcheng has exposure to fair value interest rate risk as the loans from shareholders/a former shareholder and bank borrowing are carried at fixed interest rate and the fair value of loan from shareholders/a former shareholder and bank borrowing will fluctuate because of changes in market interest rates. The maturity date of Shanghai Fangcheng's borrowings is arranged to fall within two years from the date of advance or repayable on demand in order to restrict the exposure to fair value interest rate risk.

b. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of Shanghai Fangcheng considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

6. FINANCE COSTS

	16.6.2005 to 31.12.2005 RMB'000	1.1.2006 to 31.12.2006 RMB'000
Interest on bank borrowings wholly repayable within five years	—	35
Interest on loans from shareholders/a former shareholder	—	12,566
Amount capitalised in properties under development held for sale	—	(12,601)
	<u>—</u>	<u>—</u>

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

Borrowing costs capitalised during the Relevant Periods represent interest on specific borrowings identifiable for the expenditure on properties under development held for sale.

7. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	16.6.2005 to 31.12.2005 RMB'000	1.1.2006 to 31.12.2006 RMB'000
Auditors' remuneration	—	15
Directors' remunerations	—	—
Depreciation of property, plant and equipment	6	106
Staff costs	688	3,002
Amount capitalised in properties under development held for sale	—	(497)
	688	2,505
Minimum operating lease payments	11	102

Directors' remunerations were loans borne by shareholders of Shanghai Fangcheng during the Relevant Periods.

8. EMPLOYEES EMOLUMENTS

The emoluments of the five highest paid individuals of Shanghai Fangcheng were as follows:

	16.6.2005 to 31.12.2005 RMB'000	1.1.2006 to 31.12.2006 RMB'000
Salaries and other benefits	—	1,030
Contributions to retirement benefit schemes	—	43
	—	1,073

The emoluments for each of the five highest paid individuals were below HK\$1,000,000 during each of the Relevant Periods.

The emoluments for the employees for the period from 16 June 2005 (date of establishment) to 31 December 2005 were borne by shareholders.

9. INCOME TAX

No provision for income tax has been made as Shanghai Fangcheng had incurred loss during each of the Relevant Periods. At 31 December 2005 and 31 December 2006, Shanghai Fangcheng had unused tax losses of RMB991,000 and RMB3,978,000, respectively, and no deferred tax assets have been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses can be carried forward for a maximum of five years.

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

The income tax for the Relevant Periods can be reconciled to the loss before tax as per income statements as follows:

	16.6.2005 to 31.12.2005 RMB'000	1.1.2006 to 31.12.2006 RMB'000
Loss before tax	<u>(1,054)</u>	<u>(5,312)</u>
Tax at the PRC income tax rate of 33%	(348)	(1,753)
Tax effect on expenses not deductible for income tax purposes	21	767
Tax effect on tax losses not recognised	<u>327</u>	<u>986</u>
Taxation for the period/year	<u>—</u>	<u>—</u>

10. PROPERTY, PLANT AND EQUIPMENT

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST			
Additions during the period from 16 June 2005 (date of establishment) to 31 December 2005 and balance at 31 December 2005	226	—	226
DEPRECIATION			
Provided for the period from 16 June 2005 (date of establishment) to 31 December 2005 and balance at 31 December 2005	<u>6</u>	<u>—</u>	<u>6</u>
CARRYING VALUES			
At 31 December 2005	<u>220</u>	<u>—</u>	<u>220</u>
COST			
At 1 January 2006	226	—	226
Additions	<u>102</u>	<u>415</u>	<u>517</u>
At 31 December 2006	<u>328</u>	<u>415</u>	<u>743</u>
DEPRECIATION			
At 1 January 2006	6	—	6
Provided for the year	<u>53</u>	<u>53</u>	<u>106</u>
At 31 December 2006	<u>59</u>	<u>53</u>	<u>112</u>
CARRYING VALUES			
At 31 December 2006	<u>269</u>	<u>362</u>	<u>631</u>

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Office equipment	20%
Motor vehicles	20%

11. PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

	16.6.2005 to 31.12.2005 RMB'000	1.1.2006 to 31.12.2006 RMB'000
Cost		
At beginning of the period/year	—	1,265
Additions	1,265	374,556
Interest capitalised	—	12,601
	<u> </u>	<u> </u>
At end of the period/year	<u>1,265</u>	<u>388,422</u>

12. AMOUNTS DUE FROM/TO RELATED COMPANIES/SHAREHOLDERS/A FORMER SHAREHOLDER

The amounts due from/to related companies, shareholders and a former shareholder are unsecured, interest free and repayable on demand. The related companies are considered to be related to Shanghai Fangcheng as they are subject to the common control of shareholders of Shanghai Fangcheng.

13. BANK BALANCES AND CASH

The amount comprises cash held by Shanghai Fangcheng and short-term bank deposits with an original maturity of three months or less.

The average effective interest rate of bank balances was 0.72% per annum at 31 December 2005 and 31 December 2006.

14. TRADE AND OTHER PAYABLES

	31.12.2005 RMB'000	31.12.2006 RMB'000
Accrued development costs	—	32,614
Land premium payable aged within one year	—	7,067
	<u> </u>	<u> </u>
	—	39,681
Other accrued expenses	—	168
Other deposits and payables	40	730
	<u>40</u>	<u>730</u>
	<u>40</u>	<u>40,579</u>

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

15. LOANS FROM SHAREHOLDERS/A FORMER SHAREHOLDER

	31.12.2005 <i>RMB'000</i>	31.12.2006 <i>RMB'000</i>
Unsecured loans from shareholders/a former shareholder due:		
Within one year	—	200,000
More than one year but not exceeding two years	—	100,000
	<u>—</u>	<u>300,000</u>
The fixed interest rate per annum		<u>5.58%</u>

16. SECURED BANK BORROWING

	31.12.2005 <i>RMB'000</i>	31.12.2006 <i>RMB'000</i>
Secured bank loan due after one year but not exceeding two years	—	10,000
The fixed interest rate per annum		<u>6.3%</u>

Shanghai Fangcheng's borrowing is secured by the properties under development held for sale.

Details of pledged assets were disclosed in note 19.

17. REGISTERED CAPITAL

Name of registered holders	31.12.2005 <i>RMB'000</i>	31.12.2006 <i>RMB'000</i>
上海國際汽車城產業發展有限公司	17,500	17,500
上海順馳投資有限公司	15,750	15,750
上海同濟建設管理科技工程公司	8,750	—
上海外網房地經營有限公司	8,000	8,000
上海同濟企業管理中心	—	8,750
	<u>50,000</u>	<u>50,000</u>

The registered capital of the Company is RMB50,000,000, which has been fully paid on 16 June 2005.

APPENDIX IV FINANCIAL INFORMATION OF SHANGHAI FANGCHENG

18. LEASE COMMITMENTS

The Company as lessee

At the balance sheet dates, Shanghai Fangcheng had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31.12.2005	31.12.2006
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	<u>31</u>	<u>60</u>

Operating lease payments represent rentals payable by Shanghai Fangcheng. Leases are negotiated for a term of one year with fixed rentals.

19. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged to banks to secure bank borrowings granted to Shanghai Fangcheng:

	31.12.2005	31.12.2006
	<i>RMB'000</i>	<i>RMB'000</i>
Properties under development held for sale	<u>—</u>	<u>40,000</u>

20. RETIREMENT BENEFITS PLAN

The employees of Shanghai Fangcheng are members of a State-managed retirement pension scheme operated by the local government. Shanghai Fangcheng is required to contribute a specified percentage of its payroll costs to the retirement pension scheme to fund the benefits. The retirement benefit cost charged to the income statements amounted to RMB25,000 and RMB58,000 for the period from 16 June 2005 (date of establishment) to 31 December 2005 and for the year ended 31 December 2006, respectively. There was no outstanding contribution due but not yet paid into the scheme as at 31 December 2005 and 2006.

21. RELATED PARTY TRANSACTIONS

The amounts due from/to related companies and loans from shareholders/a former shareholder are disclosed in notes 12 and 15.

Other than the above, Shanghai Fangcheng had no significant transactions with related parties.

22. SEGMENT INFORMATION

No segment information has been presented as the property development is the only business segment of Shanghai Fangcheng and the PRC is the only geographical location of its operations.

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Shanghai Fangcheng have been prepared in respect of any financial period subsequent to 31 December 2006.

Yours faithfully,
DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma combined balance sheet, income statement and cash flow statement of the Enlarged Group (“Pro forma Financial Information”), have been prepared to illustrate the effect of acquisition of and subscription of the shares of Sunco A as a result of exercising the Outstanding Sunco A Options (the “Sunco A Acquisitions”) (assuming concurrent approval of the Elite Rich Agreement).

(a) Unaudited pro forma combined balance sheet of the Enlarged Group

The unaudited pro forma combined balance sheet of the Enlarged Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Sunco A Acquisitions (assuming concurrent approval of the Elite Rich Agreement) as if it took place on 31 December 2006.

The unaudited pro forma combined balance sheet of the Enlarged Group is based on the audited consolidated balance sheet as at 31 December 2006 of the Group as set out in Appendix I to this Circular, the accountants’ report of Sunco A as set out in Appendix II to this Circular, the accountants’ report of the New Project Companies as set out in Appendix III to this Circular, the accountants’ report of Shanghai Fangcheng as set out in Appendix IV to this Circular and after making pro forma adjustments relating to the Sunco A Acquisitions (assuming concurrent approval of the Elite Rich Agreement) that are (i) directly attributable to the transactions; and (ii) factually supportable.

The unaudited pro forma combined balance sheet is based on a number of assumptions. Accordingly, the accompanying unaudited pro forma combined balance sheet of the Enlarged Group does not purport to describe the actual financial position of the Group that would have attained had the Sunco A Acquisitions been completed on 31 December 2006. The unaudited pro forma combined balance sheet does not purport to predict the future position of the Group.

The unaudited pro forma combined balance sheet has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group following the completion of the Sunco A Acquisitions.

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

Pro forma financial information

Consolidated Balance Sheet - Enlarged Group

	Road King	Sunco A	New Project		Pro forma
	As at	Group	Companies		balance sheet
	2006/12/31	2006/12/31	2006/12/31	Pro forma	Enlarged
	HK\$'000	HK\$'000	HK\$'000	adjustments	Group
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
ASSETS					
Non-current assets					
Property, plant and equipment	9,724	6,029	9,877	—	25,630
Investments in subsidiaries not consolidated	—	—	44,554	—	44,554
Investments in associates	—	—	87,822	—	87,822
Interests in joint ventures	5,073,408	—	—	(b) 74,956	5,148,364
Loan to a joint venture	13,408	—	—		13,408
Loans to related companies	54,700	—	—	—	54,700
Available-for-sale investments	—	4,950	8,911	—	13,861
Deferred tax assets	9,576	107,883	185,822	—	303,281
Deferred consideration - due after one year	31,484	—	—	—	31,484
	<u>5,192,300</u>	<u>118,862</u>	<u>336,986</u>		<u>5,723,104</u>
Current assets					
Properties under development for sale	2,444,729	2,894,909	2,366,375	(a) 2,499,060 (c) 2,266,490	12,471,563
Completed properties held for sale	452,230	619,740	522,633		1,594,603
Advances for land leases	458,758	—	—	—	458,758
Debtors, deposits and prepayments	1,276,419	397,182	406,630	(i) (495,000)	1,585,231
Amounts due from related parties	—	166,052	1,369,994	—	1,536,046
Prepaid income tax	—	63,765	54,887	—	118,652
Pledged deposits	24,018	141,264	29,683	—	194,965
Bank balances and cash	1,113,374	148,848	8,507	(a) (699,188) (b) (15,594) (c) (1,286,000) (c) 1,000,000	269,947
	<u>5,769,528</u>	<u>4,431,760</u>	<u>4,758,709</u>		<u>18,229,765</u>
Total assets	<u>10,961,828</u>	<u>4,550,622</u>	<u>5,095,695</u>		<u>23,952,869</u>

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Road King	Sunco A	New Project		Pro forma	Pro forma
	As at	Group	Companies		balance sheet	of the
	2006/12/31	As at	As at		adjustments	Enlarged
	HK\$'000	2006/12/31	2006/12/31		HK\$'000	Group
	(audited)	(audited)	(audited)		(unaudited)	(unaudited)
LIABILITIES						
Non-current liabilities						
Bank and other borrowings						
- due after one year	1,559,029	207,921	3,960		—	1,770,910
Deferred tax liabilities	5,885	—	—	(a)	624,765	1,197,273
				(c)	566,623	
	<u>1,564,914</u>	<u>207,921</u>	<u>3,960</u>			<u>2,968,183</u>
Current liabilities						
Creditors and accrued charges	615,823	1,079,836	1,143,872		—	2,839,531
Deposits from pre-sale of properties	383,494	2,570,906	1,807,423		—	4,761,823
Amounts due to related parties	—	192,579	1,606,608		—	1,799,187
Income tax payable	37,874	39,892	73,884		—	151,650
Bank and other borrowings - due within one year	<u>1,582,155</u>	<u>847,149</u>	<u>742,611</u>	(i)	(495,000)	<u>2,676,915</u>
	<u>2,619,346</u>	<u>4,730,362</u>	<u>5,374,398</u>			<u>12,229,106</u>
Net assets (liabilities)	<u><u>6,777,568</u></u>	<u><u>(387,661)</u></u>	<u><u>(282,663)</u></u>			<u><u>8,755,580</u></u>
Equities						
Equity attributable to shareholder of the Company						
Share capital/Combined capital	69,008	—	255,447	(m)	(255,447)	69,008
Reserve	6,708,560	(389,673)	(540,606)	(m)	930,279	6,710,539
				(c)	1,979	
	<u>6,777,568</u>	<u>(389,673)</u>	<u>(285,159)</u>			<u>6,779,547</u>
Minority interests	—	2,012	2,496	(m)	(4,508)	1,976,033
				(c)	1,976,033	
	<u><u>6,777,568</u></u>	<u><u>(387,661)</u></u>	<u><u>(282,663)</u></u>			<u><u>8,755,580</u></u>

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

(b) Unaudited pro forma combined income statement and cash flow statement of the Enlarged Group

The unaudited pro forma combined income statement and cash flow statement of the Enlarged Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Sunco A Acquisitions (assuming concurrent approval of the Elite Rich Agreement) as if it took place on 1 January 2006.

The unaudited pro forma combined income statement and cash flow statement of the Enlarged Group are based on the audited consolidated income statement and cash flow statement of the Group for the year ended 31 December 2006 as set out in Appendix I to this circular, the accountants' report of the Sunco A Group as set out in Appendix II to this circular, the accountants' report of the New Project Companies as set out in Appendix III to this circular, the accountants' report of Shanghai Fangcheng as set out in Appendix IV to this Circular after making pro forma adjustments relating to the Sunco A Acquisitions (assuming concurrent approval of the Elite Rich Agreement) that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma combined income statement and cash flow statement of the Enlarged Group are based on a number of assumptions. Accordingly, the accompanying unaudited pro forma income statement and cash flow statement of the Enlarged Group do not purport to describe the results and cash flow of the Group that would have been attained had the Sunco A Acquisitions (assuming concurrent approval of the Elite Rich Agreement) been completed at the beginning of the year ended 31 December 2006. The unaudited pro forma income statement and cash flow statement of the Enlarged Group do not purport to predict the future results and cash flow of the Group.

The unaudited pro forma income statement and cash flow statement of the Enlarged Group have been prepared by the Directors for illustrative purposes only and because of their nature, they may not give a true picture of the results and cash flow of the Group had the Sunco A Acquisitions actually occurred at the beginning of the year ended 31 December 2006 or for any future period.

Consolidated Income Statement - Enlarged Group

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APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

Consolidated Cash Flow - Enlarged Group

	Road King For the year ended 2006/12/31 <i>HK\$'000</i> <i>(audited)</i>	Sunco A Group For the year ended 2006/12/31 <i>HK\$'000</i> <i>(audited)</i>	New Project Companies For the year ended 2006/12/31 <i>HK\$'000</i> <i>(audited)</i>		Pro forma cashflow statement of the Enlarged Group Pro forma adjustments <i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Operating activities						
Profit (loss) before taxation	767,782	(33,928)	(222,820)	(j)	144,770	655,804
Adjustments for:						
Depreciation of property, plant and equipment	1,652	1,715	1,974	(g)	(83)	5,258
Write-down of inventories	1,599	—	—			1,599
Interest income	(38,242)	(2,043)	(509)	(g)	30	(30,764)
				(i)	10,000	
Finance costs	123,972	22,544	13,984	(i)	(10,000)	150,500
Share-based payments	34,408	—	—			34,408
Exchange gain	(53,194)	—	—			(53,194)
Impairment loss on properties under development for sale	—	—	16,368			16,368
Impairment loss on amount due from related parties	—	4,862	—			4,862
Impairment loss on other receivable and prepayments	—	3,372	—			3,372
Discount on acquisition of subsidiary/deemed acquisition of additional interest in subsidiary	(174,016)	—	—	(c)	(123,666)	(297,682)
Gain on disposal of interest in an infrastructure joint venture	(5,140)	—	—			(5,140)
Change in fair value of derivative financial instruments	14	—	—			14
Realised gain on disposal of listed equity securities	(1,464)	—	—			(1,464)
Realised gain on derivative financial instruments	(672)	—	—			(672)
Share of result of an associate	—	—	—	(e)	1,657	1,657
Share of results of joint ventures	(586,844)	—	—		—	(586,844)
(Gain) loss on disposal of property, plant and equipment	(29)	443	359	(g)	(235)	538

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Road King For the year ended 2006/12/31 <i>HK\$'000</i> <i>(audited)</i>	Sunco A Group For the year ended 2006/12/31 <i>HK\$'000</i> <i>(audited)</i>	New Project Companies For the year ended 2006/12/31 <i>HK\$'000</i> <i>(audited)</i>		Pro forma cashflow statement of the Enlarged Group Pro forma adjustments <i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Operating cash flows before movements in working capital	69,826	(3,035)	(190,644)			(101,380)
Decrease in inventories and ginseng crops	3,493	—	—			3,493
Increase in debtors, deposits and prepayments	(8,535)	(84,378)	(7,909)	(g)	11,357	(89,465)
(Increase) decrease in properties under development for sale	(323,852)	328,783	255,665	(g)	110,039	370,635
Decrease (increase) in completed properties for held for sale	336,578	(488,214)	(2,980)			(154,616)
Increase (decrease) in deposits from presale of properties	49,670	241,412	(125,075)	(g)	(126,107)	39,900
(Decrease) increase in creditors and accrued charges	(744,273)	(198,564)	22,382	(g)	(26,939)	(947,394)
Decrease in bills payables	—	(4,129)	—			(4,129)
Cash used in operations	(617,093)	(208,125)	(48,561)			(882,956)
Income tax paid	(15,889)	(77,788)	(11,742)	(g)	2,961	(102,458)
Net cash used in operating activities	<u>(632,982)</u>	<u>(285,913)</u>	<u>(60,303)</u>			<u>(985,414)</u>
Investing activities						
Interest received	32,696	2,043	509	(g)	(30)	35,218
Dividends received from infrastructure joint ventures	222,131	—	—			222,131
Proceeds on sales of listed securities	31,434	—	—			31,434
Proceeds on redemption of derivative financial instruments	34,822	—	—			34,822
Proceeds on disposal of property, plant and equipment	156	648	1,845			2,649
Proceeds on disposal of non-current assets held for sale	10,236	—	—			10,236
Proceeds on disposal of interest in an infrastructure joint venture	52,381	—	—			52,381
Proceeds from disposal of subsidiaries not consolidated	—	—	4,950			4,950
Loans to potential acquirees	(802,153)	—	—	(i)	495,000	(307,153)
Acquisition of a subsidiary	(326,499)	—	—	(d)	(762,227)	(1,088,726)
Acquisition of a jointly controlled entity	—	—	—	(b)	(15,594)	(15,594)
Disposal of subsidiaries	(1,885)	—	(29,911)	(g)	(8,006)	(39,802)
Purchases of property, plant and equipment	(4,778)	(147)	(333)			(5,258)

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Road King For the year ended 2006/12/31 <i>HK\$'000</i> <i>(audited)</i>	Sunco A Group For the year ended 2006/12/31 <i>HK\$'000</i> <i>(audited)</i>	New Project Companies For the year ended 2006/12/31 <i>HK\$'000</i> <i>(audited)</i>		Pro forma cashflow statement of the Enlarged Group Pro forma adjustments <i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>
Payment to related parties upon transfer of interests in subsidiaries to Sunco A	—	(329,585)	—			(329,585)
Increase in advances for land leases	(277,746)	—	—			(277,746)
Purchases of derivative financial instruments	(59,298)	—	—			(59,298)
Loans to a related company	(7,422)	—	—			(7,422)
Advances to related parties	—	(264,306)	(415,244)	(g)	18,893	(660,657)
Reduction of cost of investments in infrastructure joint ventures	622,796	—	—			622,796
(Increase) decrease in pledged deposits	(851)	9,052	(3,465)			4,736
Net cash used in investing activities	<u>(473,980)</u>	<u>(582,295)</u>	<u>(441,649)</u>			<u>(1,769,888)</u>
Financing activities						
New borrowings raised	1,496,515	988,010	552,652	(i)	(495,000)	2,542,177
Repayment of borrowings	(248,523)	(536,198)	(522,353)	(g)	4,139	(1,302,935)
Issue of ordinary shares	982,743	—	—			982,743
Expenses incurred in connection with the issue of ordinary shares	(18,369)	—	—			(18,369)
Interest paid	(137,534)	(122,856)	(57,220)	(g)	960	(316,650)
Dividends paid	(288,964)	—	—			(288,964)
Advances from related parties	—	535,906	466,613	(g)	(9,740)	992,779
Net cash from financing activities	<u>1,785,868</u>	<u>864,862</u>	<u>439,692</u>			<u>2,590,781</u>
Net increase (decrease) in cash and cash equivalents	678,906	(3,346)	(62,260)			(164,521)
Cash and cash equivalents at the beginning of the year	421,192	152,194	70,767	(k)	(222,961)	421,192
Effect of foreign exchange rate changes	13,276	—	—			13,276
Cash and cash equivalents at the end of the year	<u>1,113,374</u>	<u>148,848</u>	<u>8,507</u>			<u>269,947</u>
Represented by:						
Bank balances and cash	<u>1,113,374</u>	<u>148,848</u>	<u>8,507</u>			<u>269,947</u>

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes:

- (a) The fair value adjustment on properties under development for sale of the New Project Companies is arrived at assuming that the fair value of those properties at 31 December 2006 (or 1 January 2006 as appropriate) is the same as the valuation of these properties at 31 March 2007 as set out in Appendix VIII to the Circular. The adjustment for the corresponding deferred tax liabilities is arrived at using a tax rate of 25%, being the applicable tax rate of the New Project Companies when the deferred tax liabilities are expected to be realised.

Pursuant to the sales and purchases agreements dated 26 May 2007 entered into between Sunco A WFOE 2 and the shareholders of each of the companies comprising the New Project Companies, the total consideration paid by Sunco A WFOE 2 for the acquisition of the New Project Companies amounted to RMB706,180,000 (equivalent to HK\$699,188,000), which was satisfied by way of cash (the “New Project Companies Acquisition”).

For the purpose of this pro forma financial information, it is assumed that the New Project Companies Acquisition is accounted for as a business combination and would become effective simultaneously upon the completion of the Sunco A Acquisitions (at 1 January 2006 or 31 December 2006, as appropriate). The discount on the New Project Companies Acquisition at 1 January 2006 or 31 December 2006, as appropriate, is calculated in accordance with *Hong Kong Financial Reporting Standard 3 Business Combinations* and based on the following assumptions:

- there is no change in the consideration paid by Sunco A WFOE 2
- at the date of acquisition, the fair value of the assets and liabilities of the New Project Companies, other than properties under development for sale, is the same as their carrying amounts
- the fair value of properties under development for sale of the New Project Companies at the date of acquisition is determined based on the assumptions set out above

	As at 1/1/2006 HK\$'000	As at 31/12/2006 HK\$'000
Net liabilities of the New Project Companies acquired, extracted from accountants' report on the New Project Companies	(234,155)	(282,663)
Fair value adjustment on properties under development for sale of the New Project Companies	2,499,060	2,499,060
Deferred tax liabilities recognised in respect of fair value adjustment	<u>(624,765)</u>	<u>(624,765)</u>
Fair value of net assets of the New Project Companies to be acquired	1,640,140	1,591,632
Total consideration paid by Sunco A WFOE 2	<u>699,188</u>	<u>699,188</u>
Discount on acquisition of the New Project Companies Acquisition	<u>940,952</u>	<u>892,444</u>

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

- (b) Pursuant to the sale and purchase agreement dated 26 May 2007 entered into between Sunco A WFOE 2 and 上海順馳投資有限公司, the consideration paid by Sunco A WFOE 2 for the acquisition of 31.5% equity interest in Shanghai Fangcheng amounted to RMB15,750,000 (equivalent to HK\$15,594,000) which was satisfied by way of cash (the “Shanghai Fangcheng Acquisition”).

It is assumed that the Shanghai Fangcheng Acquisition would become effective simultaneously upon the completion of the Sunco A Acquisitions (at 1 January 2006 or 31 December 2006, as appropriate). Upon the completion of the Shanghai Fangcheng Acquisition, Shanghai Fangcheng will become a jointly controlled entity of Sunco A WFOE 2. The discount on the Shanghai Fangcheng Acquisition at 1 January 2006 or 31 December 2006, as appropriate, is calculated based on the following assumptions:

- there is no change in the consideration paid by Sunco A WFOE 2
- at the date of acquisition, the fair value of the assets and liabilities of Shanghai Fangcheng, other than properties under development for sale, is the same as their carrying amounts
- the fair value of properties under development for sale of Shanghai Fangcheng is determined assuming that the fair value of those properties at 31 December 2006 (or 1 January 2006 as appropriate) is the same as the valuation of these properties at 31 March 2007 as set out in Appendix VIII to the Circular. The adjustment for the corresponding deferred tax liabilities is arrived at using a tax rate of 25%, the applicable tax rate of Shanghai Fangcheng when the deferred tax liabilities are expected to be realised.

	As at 1/1/2006 HK\$'000	As at 31/12/2006 HK\$'000
Net assets of Shanghai Fangcheng extracted from accountants' report of Shanghai Fangcheng	<u>48,461</u>	<u>43,202</u>
31.5% net assets of Shanghai Fangcheng to be acquired by Sunco A WFOE 2	15,265	13,609
Fair value adjustment of 31.5% net assets of Shanghai Fangcheng to be acquired by Sunco A WFOE 2	<u>61,347</u>	<u>61,347</u>
Fair value of net assets of Shanghai Fangcheng to be acquired by Sunco A WFOE 2	76,612	74,956
Total consideration paid by Sunco A WFOE 2	<u>15,594</u>	<u>15,594</u>
Discount on acquisition of 31.5% of equity interest in Shanghai Fangcheng	<u>61,018</u>	<u>59,362</u>

- (c) Assuming that the exercise of the Outstanding Sunco A Options and the transactions contemplated under the Zhang Participation Agreement and the Elite Rich Agreement, (see pages 9 to 15 of the Circular for details) were approved and completed simultaneously (hereinafter collectively referred to as the “Road King Acquisition”), the shareholding of RKI (BJ) in Sunco A would be increased from 17,215 Sunco A shares to 22,115 Sunco A Shares (or increase of RKI (BJ)'s equity interest in Sunco A by 39.46% to 88.46%). The 17,215 Sunco A Shares to be subscribed and/or acquired by RKI (BJ) from the Road King Acquisition is resulted from the following transactions:

- (i) Pursuant to the Sunco A Subscription Option Agreement and the Zhang Participation Agreement, 9,940 new Sunco A shares and 60 new Sunco A shares at a price of HK\$100,000 per Sunco A Share will be issued to RKI (BJ) and Mr. Zhang respectively. The total subscription monies to be satisfied by way of cash and payable to Sunco A are HK\$1,000,000,000, of which HK\$994,000,000 is payable of RKI (BJ) pursuant to Sunco A Subscription Agreement.

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

- (ii) Pursuant to the Sunco A Purchase Option Agreement and Elite Rich Supplemental Agreement, Sunco China and Sunco Management will transfer 2,820 existing Sunco A shares and 364 existing Sunco A shares to RKI (BJ) and Elite Rich respectively at a price of HK\$100,000 per Sunco A Share. The amount payable by RKI (BJ) to Sunco China and Sunco Management pursuant to Purchase Option Agreement and Elite Rich Agreement is HK\$282,000,000.
- (iii) Assuming Adjustment Option in the Sunco A Subscription Agreement (as amended by the Supplement Agreements) is exercised, Sunco A will issue 4,455, 455 and 90 new Sunco A Shares to RKI (BJ), Elite Rich and Mr. Zhang respectively at a price of US\$0.01 per Sunco A Share. The subscription monies paid to Sunco A for the Adjustment Option are insignificant.

The aggregate consideration paid by RKI (BJ) for the Road King Acquisition to (i), (ii) and (iii) above is HK\$1,276,000,000. Taking into account the estimated direct legal and professional costs of approximately HK\$10,000,000, the total consideration paid by RKI (BJ) for the Road King Infrastructure is HK\$1,286,000,000.

Assuming that the Road King Acquisition, the New Project Companies Acquisition and the Shanghai Fangcheng Acquisition completed simultaneously (effecting the acquisition of 39.46% equity interest in Sunco A as enlarged by the New Project Companies Acquisition and the Shanghai Fangcheng Acquisition) at 31 December 2006 (or 1 January 2006, as appropriate) and are accounted for as business combination, the discount on the Road King Acquisition is calculated in accordance with *Hong Kong Financial Reporting Standard 3 Business Combinations* and based on the following assumptions:

- there is no change in the consideration paid by RKI (BJ) and Sunco A WFOE 2 for the Road King Acquisition, the New Project Companies Acquisition and the Shanghai Fangcheng Acquisition
- at the date of acquisition, the fair value of the assets and liabilities of the relevant acquiree, namely, the Sunco A Group, the New Project Companies and Shanghai Fangcheng, other than properties under development for sale, is the same as their carrying amounts and the corresponding deferred tax liabilities at the date of acquisition
- the fair value of properties under development for sale of the relevant acquiree and the corresponding deferred tax liabilities at the date of acquisition is determined based on the assumptions set out above.

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

	As at 1/1/2006 HK\$'000	As at 31/12/2006 HK\$'000
Net liabilities of the Sunco A Group extracted from accountants' report of the Sunco A Group	(129,460)	(387,661)
Fair value adjustment on properties under development for sale of the Sunco A Group	2,266,490	2,266,490
Deferred tax liabilities recognised in respect of fair value adjustments of the Sunco A Group	(566,623)	(566,623)
Issue of new Sunco A Shares pursuant to (i) above	1,000,000	1,000,000
Add: Discount on the New Project Companies Acquisition	940,952	892,444
Add: Discount on the Shanghai Fangcheng Acquisition	61,018	59,362
	3,572,377	3,264,012
Minority interests	(2,162,717)	(1,976,033)
39.46% net assets of the enlarged Sunco A Group attributable to RKI (BJ)	1,409,660	1,287,979
Total consideration paid by RKI (BJ)	1,286,000	1,286,000
Discount on acquisition of 39.46% equity interest of the enlarged Sunco A Group	123,660	1,979

In the event there is an excess of the total consideration paid for the Road King Acquisition over the Company's interest in the net fair value of the enlarged Sunco A Group's identifiable assets, liabilities and contingent liabilities recognised upon the completion of the Road King Acquisition, the goodwill arising on such acquisition is recognised as an asset and initially measured at cost and is tested for impairment annually, and whenever there is an indication that the goodwill may be impaired. If, after assessment, the Company's interest in the net fair value of the Sunco A Group's identifiable assets, liabilities and contingent liabilities exceeds the total consideration paid for the Road King Acquisition, the excess is recognised immediately in profit or loss.

If the Road King Acquisition, the New Project Companies Acquisition and the Shanghai Fangcheng Acquisition are accounted for as acquisition of assets, the total consideration paid would be allocated fully to the enlarged Sunco A Group's identified assets and liabilities without recognition of any goodwill or discount on acquisition.

- (d) The net cash outflow on completion of the Road King Acquisition and the New Project Companies Acquisition on 1 January 2006 is as follows:

	HK\$'000
Total consideration paid by RKI (BJ) and Sunco A WFOE 2 for the Road King Acquisition and the New Project Companies Acquisition	(1,985,188)
Issue of new Sunco A Shares pursuant to c(i) above	1,000,000
Bank and cash balances of the New Project Companies acquired at 1 January 2006	70,767
Bank and cash balances of the Sunco A Group acquired at 1 January 2006	152,194
	(762,227)

- (e) The adjustment represents the equity accounting of 31.5% of the loss of Shanghai Fangcheng for the year ended 31 December 2006 (based on the accountants' report of Shanghai Fangcheng as set out in Appendix IV to the Circular) as if Shanghai Fangcheng had been acquired at 1 January 2006. This adjustment will have a continuing effect on the Group's financial result.

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

(f) The adjustment represents minority interest's share of the results of the Sunco A Group (as enlarged by the New Project Companies Acquisition and the Shanghai Fangcheng Acquisition) for the year ended 31 December 2006, assuming that the New Project Companies Acquisition and the Shanghai Fangcheng Acquisition had been completed at 1 January 2006. Minority interest is assumed to be 60.54% (that is, 100% less the 39.46% equity interest in Sunco A to be acquired by Road King in the Road King Acquisition). The adjustment is calculated based on the loss of the Sunco A Group and the New Project Companies attributable to the parent and the share of loss of Shanghai Fangcheng for the year ended 31 December 2006. This adjustment will have a continuing effect on the Group's financial result.

(g) The adjustment represents the elimination of the results and cash flows of Beijing Sunco 2 and Jinan Sunco for the period from 1 January 2006 to 12 October 2006.

Beijing Sunco 2 and Jinan Sunco were subsidiaries of the New Project Companies until 12 October 2006, the date when they were disposed to the Sunco A Group. Entities comprising the Sunco A Group and the New Project Companies, including Beijing Sunco 2 and Jinan Sunco, were under the common control of the same party throughout the three years ended 31 December 2006.

As a result, the accountants' report of the Sunco A Group includes the results and cash flows of Beijing Sunco 2 and Jinan Sunco for the period from 1 January 2006 to 31 December 2006 in accordance with the merger accounting principle for business combination under common control. Also, the accountants' report of the New Project Companies includes the results and cash flows of Beijing Sunco 2 and Jinan Sunco for the period from 1 January 2006 to 12 October 2006, date of disposal to Sunco A. The elimination adjustment is made to avoid double counting of the results and cash flows of these entities for the period from 1 January 2006 to 12 October 2006.

(h) The adjustment represents the share of loss of Shanghai Fangcheng for the year ended 31 December 2006 of HK\$1,657,000, the recognition of 60.54% minority interest's share of loss of HK\$116,845,000 for the year ended 31 December 2006 (detailed in note (f) above), the discount on Road King Acquisition of HK\$123,666,000 (detailed in note (c) above) and the elimination of the total loss after taxation of Beijing Sunco 2 and Jinan Sunco of HK\$22,765,000 for the period from 1 January 2006 to 12 October 2006 (detailed in note (g) above).

(i) Assuming the Road King Acquisition had been completed at 31 December 2006 or 1 January 2006, as appropriate, adjustment is made to eliminate intra group balances and transactions relating to loan advanced by the Company to Sunco A as at 31 December 2006 and the corresponding cash flows and interest expenses and interest income for the year ended 31 December 2006.

(j) The amount represented the elimination of the total loss before taxation of Beijing Sunco 2 and Jinan Sunco of HK\$22,761,000 for the period from 1 January 2006 to 12 October 2006 (detailed in note (g) above), the recognition of discount on Road King Acquisition of HK\$123,666,000 (detailed in note (c) above) and the equity accounting of the share of loss of Shanghai Fangcheng for the year ended 31 December 2006 of HK\$1,657,000 (detailed in note (e) above).

(k) The adjustment was made to reclassify cash and cash equivalents of the Sunco A Group and the New Project Companies at 1 January 2006 to net cash flows from acquisition of subsidiaries and jointly controlled entity (arising from the Road King Acquisition, the New Project Companies Acquisition and the Shanghai Fangcheng Acquisition), assuming these acquisitions completed on 1 January 2006.

(l) The above pro forma information was prepared assuming that the Elite Rich Agreement is approved and will result in the transfer of 364 existing Sunco A Shares to Elite Rich (as discussed in note (c)(ii) above).

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

If, other than the Elite Rich Agreement, all the other proposed arrangements as set out in the documents listed in note (c)(i) to (c)(iii) above (see “LETTER FROM THE BOARD” in the circular for details) are approved and completed, the shareholding of RKI (BJ) in Sunco A would be increased by 17,579 Sunco A shares to 22,479 shares (or increase of RKI (BJ)’s equity interest in Sunco A by 40.92% to 89.92%), the effect of which on pro forma information is analysed as follows:

	<i>HK\$’000</i>
Decrease in minority interest at 31 December 2006	47,655
Decrease in bank balances and cash at 31 December 2006	36,400
Increase in discount on acquisition at 31 December 2006	11,255
Decrease in minority interest in share of loss for the year end 31 December 2006	2,818
Increase in net cash used in investing activities arising from acquisition of subsidiaries and jointly controlled entity	36,400
(m) The adjustment reflects the elimination of issued capital of Sunco A and adjustments on pre-acquisition reserves of the Sunco A Group and the New Project Companies and the minority interests of these entities upon the completion of the Sunco A Acquisitions, New Project Companies Acquisition and Shanghai Fangcheng Acquisition.	
(n) The accountants’ report on the Sunco A Group, the New Project Companies and Shanghai Fangcheng has been translated to Hong Kong dollars using the exchange rate of RMB1: HK\$1.01. Transactions in Reminbi are also translated using the same exchange rate.	

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular

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Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF ROAD KING INFRASTRUCTURE LIMITED

We report on the unaudited pro forma financial information of Road King Infrastructure Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) as enlarged upon the completion of the acquisition and subscription of the shares of Sunco Property Holdings Company Limited (formerly known as Sunco Binhai Land Limited) (“Sunco A”) as a result of exercising the Outstanding Sunco A Options (the “Sunco A Acquisitions”) (herein after collectively referred to as the “Enlarged Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Sunco A Acquisitions might have affected the financial information presented, for inclusion in Appendix V to the circular of the Company dated 30 June 2007 (the “Circular”). The basis of preparation of the unaudited pro forma financial information is set out on page V-1 to page V-14 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

APPENDIX V FINANCIAL INFORMATION OF THE ENLARGED GROUP

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of

- the financial position of the Group as at 31 December 2006 or any future date; or
- the results and cash flows of the Group for the year ended 31 December 2006 or any future period.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 June 2007

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from RHL Appraisal Ltd., an independent valuer, in connection with its valuation as at 31 March 2007 of the property interests held by the Group.

永利竹 估值顧問有限公司 | RHL Appraisal Ltd

Surveying Practices - Corporate Valuation and Property Consultancy
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30 June 2007

The Board of Directors
Road King Infrastructure Limited
5th Floor, Tower 6
The Gateway
No. 9 Canton Road
Tsimshatsui, Kowloon
Hong Kong

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions to value the properties in which Road King Infrastructure Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”) and Hong Kong; we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 March 2007 (the “date of valuation”).

BASIS OF VALUATION

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

PROPERTY INTERESTS CATEGORISATION

The property interests held by the Group are categorised as follows:

- Group I — Property Interests Held by the Group for Sale in the PRC
- Group II — Property Interest Held Under Development by the Group in the PRC
- Group III — Property Interests Held by the Group for Future Development in the PRC
- Group IV — Property Interests Leased and Occupied by the Group in the PRC
- Group V — Property Interest Leased and Occupied by the Group in Hong Kong

METHODS OF VALUATION

In valuing the property interests in Group I, we have valued the completed portion by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. For those property interests in Group I which are held for sale but are still in the process of construction, we have also adopted the same approach but additionally we have taken into consideration the development costs already spent and yet to be spent to reflect their existing state.

For those property interests in Group I which have been contracted to be sold (either completed or to be completed) but the formal conveyancing procedures of which are yet to be completed, we have valued this portion of property interests by adopting the considerations as stated in their respective Sale and Purchase Agreements.

In valuing the property interest in Group II which is held by the Group under development, the market value of the property interest will be formulated by the land value using the direct comparison approach plus the depreciated replacement cost of the buildings and structures erecting on the land.

In assessing the land value, comparable land sales as available in the subject localities as well as benchmark land prices as published by the local government authority were analysed and carefully weighted against all the respective advantages and disadvantages of the property interest in order to arrive at a fair comparison of capital values of the land.

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the concerned properties in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economic causes. This method has been used due to the nature of the property interest and is a method of using current replacement costs to arrive at the value of the property interest as existing at the date of valuation.

In valuing the property interests in Group III which are held by the Group for future development, we have also adopted the direct comparison approach assuming sale of the property interests in their existing state with the benefit of vacant possession and by making reference to comparable land sales transactions as available in the subject localities as well as the relevant benchmark land prices.

VALUATION ASSUMPTIONS

As the property interests are held under long term Government Leases, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of their respective Government Leases without payment of any substantial sum of taxes or expenses. We have valued the property interests on an open market basis assuming sale with vacant possession.

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

In valuing the property interests which are currently under construction, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of values, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the valuation date and the remainder of the costs and fees to be expended to complete the developments.

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

VALUATION CONSIDERATIONS

For the purpose of our valuations:

- (i) Property interests held for sale refer to those developments which the whole or part thereof have been issued with the Pre-sale Consent(s) (預售許可證);
- (ii) Developments under construction refer to those which the whole or part thereof have been issued with the Construction Works Commencement Permit(s) (建設工程施工許可證) but is yet to be issued with the Certificate(s) of Completion (竣工驗收證); and
- (iii) Property interests held for future development refers to those which the whole or part thereof have been issued with State-owned Land Use Rights Grant Contract(s) (國有土地使用權出讓合同) or State-owned Land Use Rights Certificate(s) (國有土地使用權證) but is yet to be issued with the Construction Works Commencement Permit(s) (建設工程施工許可證).

We have attributed no commercial value to the property interests in Group IV and Group V, which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

In valuing the property interest of the Group in Hong Kong held under the Government Lease expiring before 30 June 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 to The Codes on Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission effective from October 2005; the RICS Appraisal and Valuation Standards (5th Edition) published by the Royal Institution of Chartered Surveyors and effective from May 2003; and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1 January 2005.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, floor areas and all other relevant matters.

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

We have inspected the exterior and, where possible, the interior of the property interests. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property interests are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

TITLE INVESTIGATION

We have been shown copies of various title documents including State-owned Land Use Rights Grant Contracts and State-owned Land Use Rights Certificates; construction approvals including the Construction Land Use Planning Permits, Construction Project Planning Permits and Construction Works Commencement Permits, Pre-sale Consents and official plans relating to the property interests to the PRC; also we have caused searches to be made at the Hong Kong Land Registry in respect of the Hong Kong property and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the advice given by the Company's PRC legal adviser — Global Law Office, concerning the validity of the Group's titles to the property interests.

EXCHANGE RATE

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

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of

RHL Appraisal Ltd.

Serena S. W. Lau
CHKIS AAPI RPS(GP)
Managing Director

Shirley Y. F. Yeung
BSc MHKIS MRICS
Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 15 years' experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Ms. Lau is an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as an eligible real estate appraiser in the PRC.

Ms. Shirley Y. F. Yeung is a Chartered Surveyor with over 7 years' experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Ms. Yeung is a member of The Royal Institution of Chartered Surveyors as well as a member of the Hong Kong Institute of Surveyors.

APPENDIX VI**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE GROUP**

SUMMARY OF VALUES**GROUP I — PROPERTY INTERESTS HELD BY THE GROUP FOR SALE IN THE PRC**

No. Property	Market Value in existing state as at 31 March 2007 RMB	Interest Attributable to the Enlarged Group (%)	Value
			Attributable to the Enlarged Group as at 31 March 2007 RMB
1. Parkrise No. 157 Tian Fu Road Tianhe District Guangzhou City Guangdong Province The PRC	495,000,000	100%	495,000,000
2. Phase 1 Royal City No. 88 Yan Zheng Dong Road Wujin District Changzhou City Jiangsu Province The PRC	542,000,000	100%	542,000,000
3. Phases 1 and 2 Phoenix City Junction of Susheng Road and Xinghua Road Suzhou Industrial Park Suzhou City Jiangsu Province The PRC	1,240,000,000	100%	1,240,000,000
SUB-TOTAL:	<u>2,277,000,000</u>		<u>2,277,000,000</u>

APPENDIX VI**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE GROUP**

**GROUP II — PROPERTY INTERESTS HELD UNDER DEVELOPMENT BY THE GROUP
IN THE PRC**

No.	Property	Market Value in existing state as at 31 March 2007 RMB	Interest Attributable to the Enlarged Group (%)	Value
				Attributable to the Enlarged Group as at 31 March 2007 RMB
4.	Phase 1 Parkvista Lot No. G4-1 Zhujiang New City Tianhe District Guangzhou City Guangdong Province The PRC	826,000,000	100%	826,000,000
	SUB-TOTAL:	<u>826,000,000</u>		<u>826,000,000</u>

APPENDIX VI**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE GROUP**

**GROUP III — PROPERTY INTERESTS HELD BY THE GROUP FOR FUTURE
DEVELOPMENT IN THE PRC**

No.	Property	Market Value in existing state as at 31 March 2007 RMB	Interest Attributable to the Enlarged Group (%)	Value
				Attributable to the Enlarged Group as at 31 March 2007 RMB
5.	Phases 2 to 5 Royal City No. 88 Yan Zheng Dong Road Wujin District Changzhou City Jiangsu Province The PRC	442,000,000	100%	442,000,000
6.	Vista Panorama Lot No. 2005035 Southeast Corner of Nantian Park Hutang Town Wujin District Changzhou City Jiangsu Province The PRC	556,000,000	100%	556,000,000
7.	Grand Metropolis No. 33 Hua Yuan Street Wujin District Changzhou City Jiangsu Province The PRC	140,000,000	100%	140,000,000

APPENDIX VI

**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE GROUP**

No.	Property	Market Value	Interest	Value
		in existing state as at 31 March 2007 RMB	Attributable to the Enlarged Group (%)	Attributable to the Enlarged Group as at 31 March 2007 RMB
8.	Phase 2 Parkvista Lot No. G4-2 Zhujiang New City Tianhe District Guangzhou City Guangdong Province The PRC	384,000,000	100%	384,000,000
9.	Lot R2 and R3 Phoenix City Junction of Susheng Road and Xinghua Road Suzhou Industrial Park Suzhou City Jiangsu Province The PRC	484,000,000	100%	484,000,000
SUB-TOTAL:		2,006,000,000		2,006,000,000

APPENDIX VI**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE GROUP**

**GROUP IV — PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN
THE PRC**

No.	Property	Market Value in existing state as at 31 March 2007 RMB	Interest Attributable to the Enlarged Group (%)	Value
				Attributable to the Enlarged Group as at 31 March 2007 RMB
10.	Units 501 to 505 5th Floor Composite Building Meilin Toll Station of Meiguan Highway Baoan District Shenzhen City Guangdong Province The PRC	no commercial value	100%	Nil
11.	Units 2708 and 2709 Nos. 136-138 Tiyu East Road Tianhe District Guangzhou City Guangdong Province The PRC	no commercial value	100%	Nil
12.	4th Floor No. 156 Dingan Zhong Road Hutang Town Wujin District Changzhou City Jiangsu Province The PRC	no commercial value	100%	Nil
SUB-TOTAL:		Nil		Nil

APPENDIX VI**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE GROUP**

**GROUP V — PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN
HONG KONG**

No.	Property	Market Value in existing state as at 31 March 2007 <i>RMB</i>	Interest Attributable to the Enlarged Group (%)	Value
				Attributable to the Enlarged Group as at 31 March 2007 <i>RMB</i>
13.	5th Floor, Tower 6 The Gateway No. 9 Canton Road Tsimshatsui Kowloon Hong Kong	no commercial value	100%	Nil
	SUB-TOTAL:	Nil		Nil
	TOTAL:	5,109,000,000		5,109,000,000

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS HELD BY THE GROUP FOR SALE IN THE PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
1. Parkrise No. 157 Tian Fu Road Tianhe District Guangzhou City Guangdong Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of a residential and commercial composite development known as “Parkrise”. The unsold portion comprises 29 residential units with a total gross floor area of approximately 4,080.73 sq.m.; 25 commercial units with a total gross floor area of approximately 8,788.62 sq.m.; 40 business suites with a total gross floor area of approximately 2,581.26 sq.m. and 450 carparking spaces. The subject development is erected on a parcel of land with a site area of approximately 13,207 sq.m. The land use rights of the property were granted for a term of 70 years for residential uses; 40 years for commercial, entertainment and tourism uses and 50 years for other uses.	As of the date of valuation, the property is completed and is held by the Group for sale.	495,000,000 <i>(100% Interest Attributable to the Enlarged Group: 495,000,000)</i>

Notes:

- According to the development plan handed to us by the Group, the subject development will comprise a total planned gross floor area of approximately 104,652 sq.m. upon completion with details as follows:

Block Nos.	No. of Units	User	Planned Gross Floor Area (sq.m.)
Block No. 1	156	Residential	17,872
Block No. 2	182	Residential	17,917
Block No. 3	208	Residential	22,009
Block No. 4	182	Residential	23,659
N/A	37	Commercial	2,491
N/A	86	Business Suites	5,555
N/A	9	Commercial	7,453
N/A	N/A	Club House	1,972
N/A	450	Car parking	5,724
TOTAL:			<u>104,652</u>

APPENDIX VI**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE GROUP**

2. Pursuant to a State-owned Land Use Rights Grant Contract, Sui Guo Di Chu He (1996) No. 118 entered into between the Guangzhou Municipal Bureau of Land Resources (the “grantor”) and 廣州華太房地產發展有限公司 (the “grantee”) dated 22 April 1996, the land use rights of a parcel of land (in which the subject land forms part) with a site area of 54,016 sq.m. were granted to the grantee for a term of 70 years for residential uses, 40 years for commercial uses and 50 years for ancillary facilities uses commencing on the date of grant of the formal Construction Land Use Planning Permit.
3. Pursuant to a Guangzhou State-owned Land Use Rights Transfer Contract entered into between 廣州華太房地產發展有限公司 (the “vendor”) and Guangzhou Junyue Real Estate Limited (the “purchaser”) dated 27 July 2004, the land use rights of the subject land with a site area of 13,207 sq.m. were transferred to the purchaser at a consideration of RMB50,000,000.
4. Pursuant to a State-owned Land Use Rights Certificate, Sui Guo Yong (2004) Di No. 10018 issued by the People’s Government of Guangzhou City on 16 September 2004, the land use rights of the subject land with a site area of 13,207 sq.m. were granted to Guangzhou Junyue Real Estate Limited for a term of 70 years for residential uses, 40 years for commercial, entertainment and tourism uses and 50 years for other uses commencing on 28 April 1997.
5. Pursuant to a Construction Land Use Planning Permit, Sui Gui Di Zheng Zi [1996] No. 470 issued by the Guangzhou Municipal Bureau of Urban Planning to 廣州華太房地產發展有限公司 on 14 April 1997, the proposed land use for the development on the land (in which the subject land forms part) with a total site area of 54,139 sq.m. was approved.
6. Pursuant to a letter, Sui Gui Han (2004) No. 4395 issued by the Guangzhou Municipal Bureau of Urban Planning to Guangzhou Junyue Real Estate Limited dated 10 December 2004, the Guangzhou Municipal Bureau of Urban Planning agreed to change the name as stipulated in the Construction Land Use Planning Permit (as mentioned in Note 5) from 廣州華太房地產發展有限公司 to Guangzhou Junyue Real Estate Limited.
7. Pursuant to a Construction Project Planning Permit, Sui Gui Jian Zheng (2004) No. 1631 issued by the Guangzhou Municipal Bureau of Urban Planning to 廣州華太房地產發展有限公司 on 9 November 2004, the proposed development with a total planned gross floor area of 129,730 sq.m. was approved.
8. Pursuant to a letter, Sui Gui Han [2004] No. 4483 issued by the Guangzhou Municipal Bureau of Urban Planning to Guangzhou Junyue Real Estate Limited dated 21 December 2004, the City Planning Bureau of Guangzhou City agreed to change the name as stipulated in the Construction Project Planning Permit (as mentioned in Note 7) from 廣州華太房地產發展有限公司 to Guangzhou Junyue Real Estate Limited.
9. Pursuant to two Construction Works Commencement Permits issued by the Construction Committee of Guangzhou City to Guangzhou Junyue Real Estate Limited, the construction works of the proposed development with a total planned gross floor area of 129,730 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
440101200411170101	17-Nov-2004	46,154	Commercial podium and basement levels of the subject development
440101200504180101	18-Apr-2005	<u>83,576</u>	Block Nos. 1 to 4
	TOTAL:	<u><u>129,730</u></u>	

APPENDIX VI

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE GROUP

10. Pursuant to four Pre-sale Permits issued by the Guangzhou Municipal Bureau of Land Resources and Housing Management to Guangzhou Junyue Real Estate Limited, Guangzhou Junyue Real Estate Limited was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	No. of Units	Pre-sale GFA (sq.m.)	Portion of Development
Sui Fang Yu (Wang) Zi Di No. 20050171	11-Oct-2005	208	22,009.45	Block No. 3
Sui Fang Yu (Wang) Zi Di No. 20050200	05-Dec-2005	307	28,526.23	Block Nos. 1 to 4
Sui Fang Yu (Wang) Zi Di No. 20060023	21-Feb-2006	156	17,871.50	Block No. 1
Sui Fang Yu (Wang) Zi Di No. 20060058	24-Apr-2006	182	23,658.78	Basement carpark and Block No. 4
		—	—	
	TOTAL:	853	92,065.96	

11. As advised by the Group, the development has been completed but is yet to be granted with the Certificate(s) of Completion. The total investment of the development is estimated to be RMB498,386,000, of which a sum of RMB498,198,000 has been paid as at the date of valuation.

12. The major certificates and relevant approvals of the property is summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Transfer Contract	Yes
iii.	State-owned Land Use Rights Certificate	Yes
iv.	Construction Land Use Planning Permit	Yes
v.	Construction Project Planning Permit	Yes
vi.	Construction Works Commencement Permits	Yes
vii.	Pre-sale Permits	Yes

13. Guangzhou Junyue Real Estate Limited is a wholly-owned subsidiary of the Company.

14. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:

- (i) Guangzhou Junyue Real Estate Limited legally owns the land use rights of the development with a site area of 13,207 sq.m. as mentioned in Note 4 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term;
- (ii) As confirmed by Guangzhou Junyue Real Estate Limited, all transfer fee have been paid in full and there is no requirement of payment of land premium to the local government;
- (iii) The property is not subject to mortgage or any other encumbrances;

- (iv) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
- (v) Guangzhou Junyue Real Estate Limited is entitled to freely sell the portion of development in Note 10 in the market; and
- (vi) Guangzhou Junyue Real Estate Limited could not transfer, lease or mortgage those portions of the property which were sold but yet to be handed over. Guangzhou Junyue Real Estate Limited still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
2. Phase 1 Royal City No. 88 Yan Zheng Dong Road Wujin District Changzhou City Jiangsu Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of a large scale residential development (of which the property set out in this valuation report forms part) known as “Royal City”. The unsold portion of Phase 1 of the subject development comprises 302 residential units with a total gross floor area of approximately 42,930.08 sq.m.; residential spaces with a gross floor area of approximately 69,076.67 sq.m., commercial space of approximately 3,702.67 sq.m. and 883 carparking spaces. The subject development is erected on 2 parcels of land with a total site area of approximately 486,935.6 sq.m., in which Phase 1 comprises a site area of approximately 115,700 sq.m. The land use rights of the property were granted for a term expiring on 17 March 2076 for residential uses.	As at the date of valuation, the property is under construction and is held by the Group for sale.	542,000,000 <i>(100% Interest Attributable to the Enlarged Group: 542,000,000)</i>

Notes:

1. According to the development plan handed to us by the Group, Phase 1 of the subject development will comprise a total planned gross floor area of approximately 210,152 sq.m. upon completion with details as follows:

No. of Phase	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 1	Residential	146,110	Under Construction
Phase 1	Commercial	3,703	Under Construction
Phase 1	Club House and Ancillary Facilities	4,512	Under Construction
Phase 1	Car Parking	53,807	Under Construction
Phase 1	Ancillary Areas	2,020	Under Construction
TOTAL:		<u>210,152</u>	

APPENDIX VI**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE GROUP**

2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Wujin District, Changzhou (the “grantor”) and Changzhou Great Gallop Properties Developments Limited (the “grantee”) dated 16 June 2005, the land use rights of Lot No. 2005008 of the property with a site area of 337,861.8 sq.m. were granted to the grantee for a term of 70 years commencing on the date of the transfer of the land for residential uses at a consideration of RMB508,482,009.
3. Pursuant to another State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Wujin District, Changzhou (the “grantor”) and Changzhou Great Gallop Properties Developments Limited (the “grantee”) dated 16 June 2005, the land use rights of Lot No. 2005009 of the property with a site area of 149,073.8 sq.m. were granted to the grantee for a term of 70 years commencing on the date of the transfer of the land for residential uses at a consideration of RMB190,814,464.
4. Pursuant to a Supplemental State-owned Land Use Rights Grant Contract entered into between the Land Resources Bureau of Wujin District, Changzhou (the “grantor”) and Changzhou Great Gallop Properties Developments Limited (the “grantee”) dated 30 November 2005 in relation to Lot No. 2005009 as mentioned in Note 3 above, the permitted plot ratio has been revised from 0.5 to 1.8 which was the same as that of Lot No. 2005008. An additional premium of RMB33,541,605 was charged for the extra plot ratio.
5. Pursuant to a State-owned Land Use Rights Certificate, Wu Guo Yong (2006) Di No. 1201725 issued by the People’s Government of Wujin District, Changzhou City on 29 April 2006, the land use rights of a portion of the subject land with a site area of 239,473.9 sq.m. were granted to Changzhou Great Gallop Properties Developments Limited for a term expiring on 17 March 2076 for residential uses.
6. Pursuant to a Construction Land Use Planning Permit, Chang Gui Di No. 5-2005-85 issued by the Changzhou Municipal Bureau of Urban Planning to Changzhou Great Gallop Properties Developments Limited on 24 November 2005, the proposed land use for the development on the subject land with a site area of 486,643.23 sq.m. was approved.
7. Pursuant to three Construction Project Planning Permits issued by the Changzhou Municipal Bureau of Urban Planning to Changzhou Great Gallop Properties Developments Limited, the proposed development with a total planned gross floor area of 193,840 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
Chang Gui Jian No. 5-2006-26	31-Mar-2006	Phase 1A	12,156	Block Nos. 16 to 18
Chang Gui Jian No. 5-2006-59	22-May-2006	Phase 1A	16,726	Block Nos. 19 to 26 and Carpark
Chang Gui Jian No. 5-2006-89	11-May-2006	Phase 1B	164,958	Block Nos. 1 to 8, and 10; Carpark and ancillary facilities
TOTAL:			<u>193,840</u>	

APPENDIX VI

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE GROUP

8. Pursuant to five Construction Works Commencement Permits issued by the Construction Bureau of Wujin District, Changzhou City to Changzhou Great Gallop Properties Developments Limited, the construction works of the proposed development with a total planned gross floor area of 194,286 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
320483200604180101	18-Apr-2006	Phase 1A	12,156	Block Nos. 16 to 18
320483200605260101	26-May-2006	Phase 1B	106,633	Portion IB1 of Phase 1
320483200605260201	26-May-2006	Phase 1B	55,003	Block Nos. 7, 8, 10; Carpark and ancillary facilities
320483200605310301	31-May-2006	Phase 1A	16,726	Block Nos. 19 to 26; basement work
320483200610130101	13-Oct-2006	Phase 3	<u>3,768</u>	Sales Office
TOTAL:			<u><u>194,286</u></u>	

9. Pursuant to four Pre-sale Permits issued by the Changzhou Municipal Bureau of Housing Management to Changzhou Great Gallop Properties Developments Limited, Changzhou Great Gallop Properties Developments Limited was entitled to commence pre-sale of portion of the development with details as follows:

Permit No.	Date of Issue	No. of Phase	No. of Unit	Pre-sale GFA (sq.m.)	Portion of Development
Chang Wu (2006) Fang Yu Shou Zheng Di No.32	July-2006	1A	63 (residential)	12,159.18 (residential)	Block Nos. 16 to 18
Chang Wu (2006) Fang Yu Shou Zheng Di No.45	15-Sept-06	1B	523 (residential) 19 (commercial)	74,513.04 (residential) 2,420.5 (commercial)	Block Nos. 3 to 7
Chang Wu (2006) Fang Yu Shou Zheng Di No.53	19-Oct-06	1B	236 (residential)	31,518.88 (commercial)	Block Nos. 8 and 10
Chang Wu (2006) Fang Yu Shou Zheng Di No.59	12-Dec-06	1A	6 (Villa) 30 (Ancillary)	2,384.38 (Villa) 7,553.75 (Ancillary)	Block Nos. 19 to 26
TOTAL:			<u><u>877</u></u>	<u><u>130,549.73</u></u>	

10. As advised by the Group, 248 residential units with a total gross floor area of 32,831.02 sq.m. have been pre-sold for a total consideration of RMB138,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was included in our valuation of the market value of the property as above.
11. As advised by the Group, Phase 1 of the development is scheduled to be completed by June-2008. The total investment of Phase 1 is estimated to be RMB490,280,000, of which a sum of RMB284,220,000 has been paid as at the date of valuation.

12. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB758,000,000, inclusive of the parts and portions which have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.
13. The major certificates and relevant approvals of the property is summarized as follows:
- | | | |
|------|---|-----|
| i. | State-owned Land Use Rights Grant Contracts | Yes |
| ii. | State-owned Land Use Rights Certificate | Yes |
| iii. | Construction Land Use Planning Permit | Yes |
| iv. | Construction Project Planning Permits | Yes |
| v. | Construction Works Commencement Permits | Yes |
| vi. | Pre-sale Permit | Yes |
14. Changzhou Great Gallop Properties Developments Limited is a wholly-owned subsidiary of the Company.
15. Pursuant to a Mortgage Agreement, 2007 Nian Ying Zi Di No.C002 entered into between Changzhou Great Gallop Properties Developments Limited (the “mortgagor”) and Industrial and Commercial Bank of China, Changzhou Wujin Sub-Branch (the “mortgagee”) dated 18 January 2007, the land use rights of portion of the land held under Wu Guo Yong (2006) Di No. 1201725 with a site area of 204,189 sq.m. were subject to a mortgage in favour of the mortgagee for a term of 2 years commencing on 19 January 2007 and expiring on 18 January 2009 as security for a loan of RMB200,000,000 and interest thereon.
16. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Changzhou Great Gallop Properties Developments Limited legally owns the land use rights of the portion of the property with a site area of 239,473.9 sq.m. as mentioned in Note 5 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of mortgage;
 - (ii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
 - (iii) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Changzhou Great Gallop Properties Developments Limited. During the term of the mortgage, Changzhou Great Gallop Properties Developments Limited should not create a second charge on the mortgaged portion without prior written consent from the mortgagees; Changzhou Great Gallop Properties Developments Limited should not lease, transfer or bestow the mortgaged portion to any third party;
 - (iv) Changzhou Great Gallop Properties Developments Limited is entitled to freely sell the portion of the development as mentioned in Note 9 above in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portion of the property; and
 - (v) Changzhou Great Gallop Properties Developments Limited could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Changzhou Great Gallop Properties Developments Limited still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
3. Phases 1 and 2 Phoenix City Junction of Susheng Road and Xinghua Road Suzhou Industrial Park Suzhou City Jiangsu Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handed over for Phase 1 and Phase 2 of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Phoenix City”. The unsold portion of Phase 1 comprises 248 residential units with a total gross floor area of approximately 35,016.78 sq.m.; commercial spaces with a total gross floor area of approximately 4,932.70 sq.m. and 864 carparking spaces. The unsold portion of Phase 2 comprises 368 residential units with a total gross floor area of approximately 51,808.63 sq.m.; residential spaces and commercial spaces with total gross floor areas of approximately 91,774.84 sq.m. and 2,871.00 sq.m. respectively; and 920 carparking spaces. The subject development is erected on 3 parcels of land with a total site area of approximately 869,883.74 sq.m., in which Phases 1 and 2 comprise a total site area of approximately 196,554 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 5 January 2074 for residential uses.	As at the date of valuation, Phase 1 of the property has been completed while Phase 2 is under construction. Both Phase 1 and Phase 2 are held by the Group for sale.	1,240,000,000 <i>(100% Interest Attributable to the Enlarged Group: 1,240,000,000)</i>

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE GROUP

Notes:-

1. According to the development plan handed to us by the Group, Phases 1 and 2 of the subject development will comprise a total planned gross floor area of approximately 423,820 sq.m. upon completion with details as follows:

No. of Phase	Block Nos.	User	Planned Gross	Current Status
			Floor Area (sq.m.)	
Phase 1	Blocks D1 to D10	Residential	63,058	Completed
Phase 1	Block Nos. 1 to 14	Residential	107,356	Completed
Phase 1	N/A	Commercial	4,933	Under Construction
Phase 1	N/A	Car Parking	19,637	Completed
Phase 1	N/A	Club House	5,829	Completed
Phase 2	Block Nos. 1 to 24	Residential	183,336	Under Construction
Phase 2	N/A	Car Parking	36,800	Under Construction
Phase 2	N/A	Commercial	2,871	Under Construction
TOTAL:			<u>423,820</u>	

2. Pursuant to a State-owned Land Use Rights Grant Contract, Su Gong Yuan Rang (2004) No. 1 entered into between the State-owned Land and Real Estate Bureau of Suzhou Industrial Park (the “grantor”) and 蘇州工業園區順馳置地有限公司 (“Suzhou Industrial Park Sunco”) (the “grantee”) dated 6 January 2004, the land use rights of the subject development with a total site area of 869,883.74 sq.m. were granted to the grantee for a term of 70 years commencing on the date of the contract for residential uses at a consideration of RMB2,737,000,000.
3. Pursuant to an Approval Letter issued by the Real Estate Bureau of Suzhou Industrial Park to Suzhou Industrial Park Sunco dated 11 November 2004, the Real Estate Bureau of Suzhou Industrial Park agreed Suzhou Industrial Park Sunco to transfer its rights and obligations under the State-owned Land Use Rights Grant Contract as mentioned in Note 2 to 蘇州順馳地產有限公司 (currently known as 蘇州萬御地產有限公司 “Suzhou Junyu”).
4. Pursuant to three State-owned Land Use Rights Certificates issued by the People’s Government of Suzhou City, the land use rights of portion of the subject land with a total site area of 172,570.78 sq.m. were granted to Suzhou Junyu for residential uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area	Term
		(sq.m.)	
Su Gong Yuan Guo Yong (2004) Di No. 0155	16-Nov-2004	47,672.60	Expiring on 05-Jan-2074
Su Gong Yuan Guo Yong (2004) Di No. 0166	16-Nov-2004	39,089.82	Expiring on 05-Jan-2074
Su Gong Yuan Guo Yong (2004) Di No. 0172	20-Dec-2004	85,808.36	Expiring on 05-Jan-2074
TOTAL:		<u>172,570.78</u>	

5. Pursuant to a State-owned Land Use Rights Certificate, Su Gong Yuan Guo Yong (2006) Di No. 01101 issued by the People’s Government of Suzhou City to Suzhou Junyu dated 11 August 2006, the land use rights held under the three State-owned Land Use Rights Certificates as mentioned in Note 4 have been amalgamated into a land parcel with a new site area of 152,680.32 sq.m. The terms and user however remain unchanged.

6. Pursuant to another State-owned Land Use Rights Certificate, Su Gong Yuan Guo Yong (2005) Di No. 01044 issued by the People's Government of Suzhou City dated 12 April 2005, the land use rights of portion of the subject land with a site area of 42,723.73 sq.m. were granted to Suzhou Junyu for a term expiring on 5 January 2074 for residential uses.
7. Pursuant to four Construction Land Use Planning Permits issued by the Suzhou Industrial Park Planning and Construction Bureau to Suzhou Junyu, the proposed land use for the development on portion of the subject land with a total site area of 215,294.51 sq.m. (an aggregate of the site areas in Note 4 plus 42,723.73 sq.m. as mentioned in Note 6) was approved.
8. Pursuant to seven Construction Project Planning Permits issued by the Suzhou Industrial Park Planning and Construction Bureau to Suzhou Junyu, the proposed development with a total planned gross floor area of 389,733.48 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
No. 0952088	30-Jul-2004	Phase 1	27,579.20	Blocks D1 to D4
No. 0215998	22-Sep-2004	Phase 1	111,299.03	Block Nos. 1 to 14 and Club House
No. 0215958	30-Dec-2004	Phase 1	37,761.00	Blocks D5 to D10
No. 0215875	31-May-2005	Phase 1	19,637.35	Car Parks
No. 0215853	24-Jun-2005	Phase 2	46,932.10	Block Nos. 1 to 6
No. 0215801	20-Oct-2005	Phase 2	90,763.60	Block Nos. 7 to 18
No. 0215776	09-Dec-2005	Phase 2	<u>55,761.20</u>	Block Nos. 19 to 24
TOTAL:			<u><u>389,733.48</u></u>	

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE GROUP

9. Pursuant to ten Construction Works Commencement Permits issued by the Suzhou Industrial Park Planning and Construction Bureau to Suzhou Industrial Park Sunco and Suzhou Junyu, the construction works of the proposed development with a total planned gross floor area of 392,166 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	Grantee	No. of Phase	Approved GFA (sq.m.)	Portion of Development
320501200407300701	30-Jul-2004	Suzhou Industrial Park Sunco	Phase 1	27,579	Blocks D1 to D4
320501200409220101	22-Sep-2004	Suzhou Industrial Park Sunco	Phase 1	105,472	Block Nos. 1 to 14
320501200410190101	19-Oct-2004	Suzhou Industrial Park Sunco	Phase 1	5,829	Club House
320501200412310701	31-Dec-2004	Suzhou Sunco	Phase 1	12,000	Blocks D5 to D6
320501200412310801	31-Dec-2004	Suzhou Sunco	Phase 1	24,000	Blocks D7 to D10
320501200505310201	31-May-2005	Suzhou Sunco	Phase 1	19,637	Car Parking
320501200506240101	24-Jun-2005	Suzhou Sunco	Phase 2	46,932	Block Nos. 1 to 6
320501200510200101	20-Oct-2005	Suzhou Sunco	Phase 2	49,280	Block Nos. 7 to 12
320501200510200201	20-Oct-2005	Suzhou Sunco	Phase 2	45,676	Block Nos. 13 to 18
320501200512090101	09-Dec-2005	Suzhou Sunco	Phase 2	55,761	Block Nos. 19 to 24
TOTAL:				<u>392,166</u>	

10. Pursuant to four Pre-sale Permits issued by the State-owned Land and Real Estate Bureau of Suzhou Industrial Park to Suzhou Industrial Park Sunco, Suzhou Industrial Park Sunco was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	No. of Phase	No. of Units	Effective Period	Pre-sale GFA (sq.m.)	Portion of Development
(2004) Su Yuan Fang Yu Di No. 047	28-Sep-2004	Phase 1	140	Sep-2004 to Jun-2005	21,770.44	Blocks D1 to D4
(2004) Su Yuan Fang Yu Di No. 050	15-Oct-2004	Phase 1	126	Oct-2004 to Jun-2005	15,992.16	Block Nos. 2, 3 and 7
(2004) Su Yuan Fang Yu Di No. 052	17-Oct-2004	Phase 1	215	Oct-2004 to Jun-2005	24,901.72	Block Nos. 1, 4, 5 and 14
(2004) Su Yuan Fang Yu Di No. 056	17-Oct-2004	Phase 1	480	Nov-2004 to Dec-2006	57,924.58	Block Nos. 6, 8 to 13
TOTAL:			<u>961</u>		<u>120,588.90</u>	

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE GROUP

11. Pursuant to five Pre-sale Permits issued by the State-owned Land and Real Estate Bureau of Suzhou Industrial Park to Suzhou Junyu, Suzhou Junyu was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	No. of Phase	No. of Units	Effective Period	Pre-sale GFA (sq.m.)	Portion of Development
(2004) Su Yuan Fang Yu Di No. 066	22-Dec-2004	Phase 2	210	Dec-2004 to Dec-2005	34,240.80	Blocks D5 to D10
(2005) Su Yuan Fang Yu Di No. 024	13-Jul-2005	Phase 2	241	Expiring on Dec-2006	30,267.86	Block Nos. 1 to 5
(2005) Su Yuan Fang Yu Di No. 027	25-Jul-2005	Phase 2	94	Expiring on Dec-2006	11,749.44	Block No. 6
(2005) Su Yuan Fang Yu Di No. 057	21-Oct-2005	Phase 2	313	Expiring on Jun-2007	39,879.17	Block Nos. 7 to 12
(2005) Su Yuan Fang Yu Di No. 072	09-Dec-2005	Phase 2	139	Expiring on Dec-2006	9,662.16	Block No. 21
			<u>997</u>		<u>125,799.43</u>	
		TOTAL:	<u>997</u>		<u>125,799.43</u>	

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE GROUP

12. Pursuant to twenty four Commodity Housing Registration Certificates issued by the Planning and Construction Bureau of Suzhou Industrial Park to Suzhou Junyu, Phase 1 of the subject development comprising twenty four residential blocks with a total gross floor area of 170,413.92 sq.m. are certified to fit for occupation with details as follows:

Certificate No.	Date of Issue	No. of Phase	GFA (sq.m.)	Portion of Development
Su Yuan Fang (2006) Shang Zi Di No. 0656	02-Jul-2006	Phase 1	6,411.55	Block D1
Su Yuan Fang (2006) Shang Zi Di No. 0658	02-Jul-2006	Phase 1	6,411.88	Block D3
Su Yuan Fang (2006) Shang Zi Di No. 0657	02-Jul-2006	Phase 1	6,411.57	Block D2
Su Yuan Fang (2006) Shang Zi Di No. 0659	02-Jul-2006	Phase 1	6,411.48	Block D4
Su Yuan Fang (2006) Shang Zi Di No. 0660	02-Jul-2006	Phase 1	6,411.68	Block D5
Su Yuan Fang (2006) Shang Zi Di No. 0661	02-Jul-2006	Phase 1	6,411.69	Block D6
Su Yuan Fang (2006) Shang Zi Di No. 0700	07-Aug-2006	Phase 1	6,150.57	Block D7
Su Yuan Fang (2006) Shang Zi Di No. 0701	07-Aug-2006	Phase 1	6,147.54	Block D8
Su Yuan Fang (2006) Shang Zi Di No. 0702	07-Aug-2006	Phase 1	6,142.94	Block D9
Su Yuan Fang (2006) Shang Zi Di No. 0703	07-Aug-2006	Phase 1	6,147.47	Block D10
Su Yuan Fang (2006) Shang Zi Di No. 0686	07-Aug-2006	Phase 1	5,969.30	Block 1
Su Yuan Fang (2006) Shang Zi Di No. 0687	07-Aug-2006	Phase 1	6,112.34	Block 2
Su Yuan Fang (2006) Shang Zi Di No. 0688	07-Aug-2006	Phase 1	5,969.37	Block 3
Su Yuan Fang (2006) Shang Zi Di No. 0669	07-Aug-2006	Phase 1	9,350.90	Block 4
Su Yuan Fang (2006) Shang Zi Di No. 0690	07-Aug-2006	Phase 1	5,814.01	Block 5
Su Yuan Fang (2006) Shang Zi Di No. 0691	07-Aug-2006	Phase 1	5,899.28	Block 6
Su Yuan Fang (2006) Shang Zi Di No. 0692	07-Aug-2006	Phase 1	6,222.93	Block 7
Su Yuan Fang (2006) Shang Zi Di No. 0693	07-Aug-2006	Phase 1	9,090.98	Block 8
Su Yuan Fang (2006) Shang Zi Di No. 0694	07-Aug-2006	Phase 1	8,149.95	Block 9
Su Yuan Fang (2006) Shang Zi Di No. 0695	07-Aug-2006	Phase 1	8,149.95	Block 10
Su Yuan Fang (2006) Shang Zi Di No. 0696	07-Aug-2006	Phase 1	9,350.86	Block 11
Su Yuan Fang (2006) Shang Zi Di No. 0697	07-Aug-2006	Phase 1	9,091.08	Block 12
Su Yuan Fang (2006) Shang Zi Di No. 0698	07-Aug-2006	Phase 1	9,092.04	Block 13
Su Yuan Fang (2006) Shang Zi Di No. 0699	07-Aug-2006	Phase 1	9,092.56	Block 14
TOTAL:			<u>170,413.92</u>	

13. As advised by Suzhou Junyu, portion of the development have been pre-sold for a total consideration of RMB271,000,000. Although pre-sold, the legal conveyancing procedures of such portions are yet to be completed. Such figure was included in our valuation of the market value of the property as above. The salient details of these portions are listed out below:

No. of Phase	User	No. of Units Sold	Respective GFA (sq.m.)	Total Consideration (RMB)
Phase 1	Residential	118	16,957.39	86,000,000
Phase 2	Residential	419	40,036.43	185,000,000
TOTAL:			<u>56,993.82</u>	<u>271,000,000</u>

14. As advised by the Group, Phase 2 of the development is scheduled to be completed by August 2008. The total investment of Phases 1 and 2 is estimated to be RMB1,445,930,000, of which a sum of RMB1,211,200,000 has been paid as at the date of valuation.
15. In the course of our valuation, we have attributed no commercial value to part of the construction works with a commercial gross floor area of 7,803.70 sq.m. which are yet to be granted with proper State-owned Land Use Rights Certificate, Construction Project Planning Permit and Construction Works Commencement Permit to commence construction. For reference purposes, we are of the opinion that the market value of this portion in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and have been granted with all necessary title documents, would be RMB36,000,000 (interest attributable to the Enlarged Group: RMB36,000,000).
16. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB1,371,000,000 (interest attributable to the Enlarged Group: RMB1,371,000,000) inclusive of the portion without proper State-owned Land Use Rights Certificate and Construction Permits (as mentioned in Note 15 above) and the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.
17. The major certificates and relevant approvals of the property are summarized as follows:
- | | | |
|------|--|-----|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificates | Yes |
| iii. | Construction Land Use Planning Permits | Yes |
| iv. | Construction Project Planning Permits | Yes |
| v. | Construction Works Commencement Permits | Yes |
| vi. | Pre-sale Permits | Yes |
| vii. | Temporary Certificates of Completion | Yes |
18. Suzhou Junyu is a wholly-owned subsidiary of the Company.
19. Pursuant to a Mortgage Agreement, 1273-2007-001 entered into between Suzhou Junyu (the “mortgagor”) and China Construction Bank, Suzhou Cheng Zhong Sub-Branch (“the mortgagee”) dated 15 February 2007, the land use rights of two parcels of land held under Su Gong Yuan Guo Yong (2006) Di No. 01101 and Su Gong Yuan Guo Yong (2005) Di No.01044 and the construction works thereon were together subject to a mortgage in favour of the mortgagee to secure the loan of RMB150,000,000 granted under Loan Agreement 1273-2007-001.
20. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Suzhou Junyu legally owns the land use rights of portion of the property with a total site area of 195,404.05 sq.m. (as mentioned in Notes 5 and 6 above) and Suzhou Junyu is entitled to use, occupy and mortgage, the land use rights of the property during the land use rights term subject to the discharge of the mortgages;
 - (ii) For the land use rights of the remaining portion of the property with a site area of 1,149.95 sq.m., upon settlement of the outstanding land premium there will be no legal impediment for Suzhou Junyu to obtain the relevant State-owned Land Use Rights Certificate(s);
 - (iii) For the construction works which have been granted with Construction Project Planning Permit and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and having been granted with the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;

- (iv) For the buildings as mentioned in Note 12, there is no legal impediment to obtain the relevant Building Ownership Certificates; besides, Suzhou Junyu has the rights to transfer, lease and mortgage the building ownership rights of the unsold and unmortgaged portion of these premises.
- (v) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Suzhou Junyu. During the term of the mortgage, Suzhou Junyu should not create a second charge on the mortgaged portion without prior written consent from the mortgagees; Suzhou Junyu should not lease, transfer or bestow the mortgaged portion to any third party;
- (vi) Suzhou Junyu is entitled to freely sell part of the development in the market as mentioned in Notes 10 and 11 above subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portion of the property; and
- (vii) Suzhou Junyu could not transfer, lease or mortgage those portions of the property which were sold but yet to be handed over. Suzhou Junyu still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

APPENDIX VI

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE GROUP

VALUATION CERTIFICATE

GROUP II — PROPERTY INTERESTS HELD UNDER DEVELOPMENT BY THE GROUP IN THE PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
4. Phase 1 Parkvista Lot No. G4-1 Zhujiang New City Tianhe District Guangzhou City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 7,308.78 sq.m. on which a total gross floor area of approximately 72,410 sq.m. was planned to be built. The land use rights of the property were granted for a term of 70 years for residential uses; 40 years for commercial, entertainment and tourism uses and 50 years for other uses.	As at the valuation date, the property is under construction.	826,000,000 <i>(100% Interest Attributable to the Enlarged Group: 826,000,000)</i>

Notes:

- According to the development plan handed to us by the Group, Phase 1 of the subject development will comprise a total planned gross floor area of approximately 72,410 sq.m. upon completion with details as follows:

No. of Phase	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 1	Residential	54,255	Under Construction
Phase 1	Commercial	5,856	Under Construction
Phase 1	Ancillary Facilities	1,500	Under Construction
Phase 1	Carpark	<u>10,799</u>	Under Construction
TOTAL:		<u><u>72,410</u></u>	

- Pursuant to a State-owned Land Use Rights Grant Contract, Sui Guo Di Chu He [2004] No. 297 entered into between the Guangzhou Municipal Bureau of Land Resources and Housing Management (the “grantor”), 廣州市天河區獵德經濟發展公司 (the “1st grantee”), 廣州南雅房地產開發有限公司 (the “2nd grantee”) and RK Investment (GZ) Limited (the “3rd grantee”) (collectively, the “grantees”) on 31 August 2004, the land use rights of the subject land with a site area of 7,308.78 sq.m. were granted to the grantees for residential and commercial uses with details as follows:

APPENDIX VI

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE GROUP

Grantee	% Interest	Consideration	Payment Details
		Payable RMB	
廣州市天河區獵德經濟發展公司	30%	N/A	No payment required
廣州南雅房地產開發有限公司	10%	4,246,403	Pay by installments
RK Investment (GZ) Limited	60%	<u>25,478,404</u>	Pay by installments
TOTAL:		<u><u>29,724,807</u></u>	

3. Pursuant to a contract supplemental to the State-owned Land Use Rights Grant Contract mentioned in Note 2 above dated 29 June 2005, it is agreed by both the grantor and the grantees that the 1st grantee should be obliged to pay for its shares of the land use rights acquired as pursuant to the Contract at a consideration of RMB12,739,202, such that the total land premium is revised to RMB42,464,009.
4. Pursuant to a Guangzhou State-owned Land Use Rights Transfer Contract entered into between 廣州市天河區獵德經濟發展公司 (the “1st vendor”), 廣州南雅房地產開發有限公司 (the “2nd vendor”), RK Investment (GZ) Limited (the “3rd vendor”) and Guangzhou Junya Real Estate Limited (the “purchaser”), the land use rights of the subject land were transferred to the purchaser at a consideration of RMB42,464,009.
5. Pursuant to a State-owned Land Use Rights Certificate, Sui Guo Yong (2005) Di No. 10089 issued by the People’s Government of Guangzhou City on 1 June 2006, the land use rights of the subject land with a site area of 7,308.78 sq.m. were granted to Guangzhou Junya Real Estate Limited for a term of 70 years for residential uses; 40 years for commercial, entertainment and tourism uses and 50 years for other uses.
6. Pursuant to a Construction Land Use Planning Permit, Sui Gui Di Zheng (2007) No. 6 issued by the Guangzhou Municipal Bureau of Urban Planning to 廣州南雅置業有限公司 on 5 January 2007, the proposed land use for the development on the subject land with a total site area of 7,312 sq.m. was approved.
7. Pursuant to a Construction Project Planning Permit, Sui Gui Jian Zheng (2005) No. 747 issued by the Guangzhou Municipal Bureau of Urban Planning to 廣州市天河區獵德經濟發展公司, 廣州南雅房地產開發有限公司 and RK Investment (GZ) Limited dated 24 October 2005, the proposed development with a total planned gross floor area of 78,776 sq.m. was approved.
8. Pursuant to a Construction Works Commencement Permit, No. 440101200601250101 issued by the Guangzhou Municipal Committee of Construction to 廣州市天河區獵德經濟發展公司, 廣州南雅房地產開發有限公司 and RK Investment (GZ) Limited on 25 January 2006, the construction works of the proposed development with a total planned gross floor area of 78,776 sq.m. was approved to commence.
9. As advised by the Group, the development is scheduled to be completed by December 2007. The total investment of the development is estimated to be RMB374,572,000, of which a sum of RMB243,821,000 has been paid as at the date of valuation.
10. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB1,182,000,000.

11. The major certificates and relevant approvals of the property is summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Transfer Contract	Yes
iii.	State-owned Land Use Rights Certificate	Yes
iv.	Construction Land Use Planning Permit	Yes
v.	Construction Project Planning Permit	Yes
vi.	Construction Works Commencement Permit	Yes

12. Guangzhou Junya Real Estate Limited is a wholly-owned subsidiary of the Company.

13. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:

- (i) Guangzhou Junya Real Estate Limited legally owns the land use rights of the property mentioned in Note 5 with a site area of 7,308.78 sq.m. above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term;
- (ii) All land premium and transfer fee have been paid in full;
- (iii) The property is not subject to mortgage or any other encumbrances; and
- (iv) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of with the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates.

VALUATION CERTIFICATE

GROUP III — PROPERTY INTERESTS HELD BY THE GROUP FOR FUTURE
DEVELOPMENT IN THE PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
5. Phases 2 to 5 Royal City No. 88 Yan Zheng Dong Road Wujin District Changzhou City Jiangsu Province The PRC	The property comprises the undeveloped portion of a large-scale residential development (of which the property set out in this valuation report forms part) known as “Royal City”. The property has a total site area of approximately 371,235.60 sq.m. on which a total gross floor area of approximately 850,201.37 sq.m. was planned. The land use rights of portion of the property were granted for a term expiring on 17 March 2076 for residential uses.	As at the date of valuation, the property is vacant.	442,000,000 <i>(100% Interest Attributable to the Enlarged Group: 442,000,000)</i>

Notes:-

1. According to the development plan handed to us by the Group, Phases 2 to 5 of the subject development will comprise a total planned gross floor area of approximately 850,201 sq.m. upon completion with details as follows:

No. of Phase	User	Planned Gross Floor Area (sq.m.)	Current Status
Phases 2 to 5	Residential	679,953	Yet to Commence Construction
Phases 2 to 5	Commercial	9,297	Yet to Commence Construction
Phases 2 to 5	Car Parking	130,878	Yet to Commence Construction
Phases 2 to 5	Clubhouse	<u>30,073</u>	Yet to Commence Construction
TOTAL:		<u>850,201</u>	

2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Wujin District, Changzhou city (the “grantor”) and Changzhou Great Gallop Properties Developments Limited (the “grantee”) dated 16 June 2005, the land use rights of Lot No. 2005008 of the property with a site area of 337,861.8 sq.m. were granted to the grantee for a term of 70 years commencing on the date of the transfer of the land for residential uses at a consideration of RMB508,482,009.
3. Pursuant to another State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Wujin District, Changzhou city (the “grantor”) and Changzhou Great Gallop Properties Developments Limited (the “grantee”) dated 16 June 2005, the land use rights of Lot No. 2005009 of the property with a site area of 149,073.8 sq.m. were granted to the grantee for a term of 70 years commencing on the date of the transfer of the land for residential uses at a consideration of RMB190,814,464.

4. Pursuant to a Supplemental State-owned Land Use Rights Grant Contract entered into between the Bureau of Land Resources Bureau of Wujin District, Changzhou city (the “grantor”) and Changzhou Great Gallop Properties Developments Limited (the “grantee”) dated 30 November 2005 in relation to Lot No. 2005009 as mentioned in Note 3 above, the permitted plot ratio has been revised from 0.5 to 1.8 which was the same as that of Lot No. 2005008. An additional premium of RMB33,541,605 was charged for the extra plot ratio.
5. Pursuant to a State-owned Land Use Rights Certificate, Wu Guo Yong (2006) Di No. 1201725 issued by the People’s Government of Wujin District, Changzhou City on 29 April 2006, the land use rights of portion the subject land with a site area of 239,473.9 sq.m. (of which the property comprises a site area of 123,773.9 sq.m.) were granted to Changzhou Great Gallop Properties Developments Limited for a term expiring on 17 March 2076 for residential uses.
6. Pursuant to a Construction Land Use Planning Permit, Chang Gui Di No. 5-2005-85 issued by the Changzhou Municipal Bureau of Urban Planning to Changzhou Great Gallop Properties Developments Limited on 24 November 2005, the proposed land use for the development on the subject land with a site area of 486,643.23 sq.m. was approved.
7. Pursuant to a Mortgage Agreement, 2007 Nian Ying Zi Di No.C002 entered into between Changzhou Great Gallop Properties Developments Limited (the “mortgagor”) and Industrial and Commercial Bank of China, Changzhou Wujin Sub-Branch (the “mortgagee”) dated 18 January 2007, the land use rights of a portion of the land held under Wu Guo Yong (2006) Di No. 1201725 with an area of 204,189 sq.m. were subject to a mortgage in favour of the mortgagee for a term of 2 years commencing on 19 January 2007 and expiring on 18 January 2009 as security for a loan of RMB200,000,000 and interest thereon.
8. The major certificates and relevant approvals of the property is summarized as follows:

i. State-owned Land Use Rights Grant Contracts	Yes
ii. State-owned Land Use Rights Certificate	Yes (Part)
iii. Construction Land Use Planning Permit	Yes
9. In the course of our valuation, we have attributed no commercial value to portion of the property with a site area of approximately 247,461.70 sq.m. as the land premium has not been fully settled so that the portion of the property is yet to be granted with the State-owned Land Use Rights Certificate(s). For reference purposes, we are of the opinion that the market value of such portion in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and have been granted with all necessary title documents, would be RMB884,000,000.
10. Changzhou Great Gallop Properties Developments Limited is a wholly-owned subsidiary of the Company.
11. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
 - (i) Changzhou Great Gallop Properties Developments Limited legally owns the land use rights of portion of the property with a site area of approximately 123,773.9 sq.m. as mentioned in Note 5 and is entitled to use, occupy and mortgage the land use rights of such portion during the land use rights term subject to discharge of mortgage;

- (ii) For the land use rights of the remaining portion of the property with a site area of 247,461.70 sq.m. upon settlement of the outstanding land premium and the relevant taxes and expenses, there is no legal impediment for Changzhou Great Gallop Properties Developments Limited to obtain the relevant State-owned Land Use Rights Certificate(s); and
 - (iii) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Changzhou Great Gallop Properties Developments Limited. During the term of the mortgage, Changzhou Great Gallop Properties Development Limited should not create a second charge on the mortgaged portion without prior written consent from the mortgagees; Changzhou Great Gallop Properties Development Limited should not lease, transfer or bestow the mortgaged portion to any third party.
12. We have prepared our valuation on the assumption that the development of the property will be in compliance with the local planning regulations and approved by the relevant government authorities.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
6. Vista Panorama Lot No. 2005035 Southeast Corner of Nantian Park Hutang Town Wujin District Changzhou City Jiangsu Province The PRC	The property comprises a parcel of undeveloped site with a site area of approximately 126,931.6 sq.m. The total planned gross floor area of the property is approximately 495,171.00 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 25 July 2075 for residential uses.	As at the date of valuation, the property is vacant.	556,000,000 (100% Interest Attributable to the Enlarged Group: 556,000,000)

Notes:-

1. According to the development plan handed to us by the Group, the property will comprise a total planned gross floor area of approximately 495,171 sq.m. upon completion with details as follows:

User	Planned Gross Floor Area (sq.m.)	Current Status
Residential	385,797	Yet to Commence Construction
Commercial	15,000	Yet to Commence Construction
Ancillary Facilities	7,000	Yet to Commence Construction
Car Parking Levels	<u>87,374</u>	Yet to Commence Construction
TOTAL:	<u><u>495,171</u></u>	

2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between the Bureau of Land Resources of Wujin District, Changzhou City, (the “grantor”) and Changzhou Great Superior Properties Developments Limited (the “grantee”) dated 26 July 2005, the land use rights of the property with a site area of 126,931.6 sq.m. were granted to the grantee for a term of 70 years commencing on the date of the transfer of the land for residential uses at a consideration of RMB342,715,320.
3. Pursuant to a State-owned Land Use Rights Certificate, Wu Guo Yong (2006) Di No. 1205786 issued by the People’s Government of Wujin District, Changzhou City dated 21 November 2006, the land use rights of the subject land with a site area of 126,931.60 sq.m. were granted to Changzhou Great Superior Properties Developments Limited for a term of 70 years expiring on 25 July 2075 for residential uses.
4. Pursuant to a Construction Land Use Planning Permit, Chang Gui Di No. 5-2006-132 issued by the Changzhou Municipal Bureau of Urban Planning to Changzhou Great Superior Properties Developments Limited on 21 April 2006, the proposed land use for the development on the subject land with a site area of 127,546.57 sq.m. was approved.

5. The major certificates and relevant property is summarized as follows:
- | | | |
|------|--|-----|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificate | Yes |
| iii. | Construction Land Use Planning Permit | Yes |
6. Changzhou Great Superior Properties Developments Limited is a wholly-owned subsidiary of the Company.
7. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- (i) Changzhou Great Superior Properties Developments Limited legally owns the land use rights of the property with a site area of approximately 126,931.60 sq.m. as mentioned in Note 3 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term; and
- (ii) The property is not subject to mortgage or any other encumbrances.
8. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and approved by the relevant government authorities.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
7. Grand Metropolis No. 33 Hua Yuan Street Wujin District Changzhou City Jiangsu Province The PRC	The property comprises a parcel of undeveloped site with a site area of approximately 66,529.9 sq.m. The total planned gross floor area of the property is approximately 149,302 sq.m. The land use rights of the property were granted for a term of 40 years commencing on 30 June 2005 and expiring on 29 June 2045 for commercial uses.	As at the date of valuation, the property is vacant.	140,000,000 (100% Interest Attributable to the Enlarged Group: 140,000,000)

Notes:-

1. According to the development plan handed to us by the Group, the property will comprise a total planned gross floor area of approximately 149,302 sq.m. upon completion with details as follows:

User	Planned Gross Floor Area (sq.m.)	Current Status
Commercial	87,858	Yet to Commence Construction
Office	32,000	Yet to Commence Construction
Other	17,114	Yet to Commence Construction
Basement Carpark	<u>12,330</u>	Yet to Commence Construction
TOTAL:	<u><u>149,302</u></u>	

2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between the Bureau of Land Resources of Wujin District, Changzhou City (the “grantor”) and Changzhou Greatmind Properties Developments Limited (the “grantee”) dated 13 June 2005, the land use rights of the property with a site area of 66,588 sq.m. were granted to the grantee for a term of 40 years commencing on the date of the transfer of the land for commercial uses at a consideration of RMB49,941,000.
3. Pursuant to a State-owned Land Use Rights Certificate, Wu Guo Yong (2006) Di No. 1203541 issued by the People’s Government of Wujin District, Changzhou City on 28 July 2006, the land use rights of the property with a site area of 66,529.9 sq.m. were granted to the grantee for a term of 40 years expiring on 29 June 2045 for commercial uses.
4. Pursuant to a Construction Land Use Planning Permit, Chang Gui Di No. 5-2006-128 issued by the Changzhou Municipal Bureau of Urban Planning to Changzhou Greatmind Properties Developments Limited on 11 November 2006, the proposed land use for the development on the subject land with a site area of 66,588.21 sq.m. was approved.

5. The major certificates and relevant property is summarized as follows:
- | | | |
|------|--|-----|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificate | Yes |
| iii. | Construction Land Use Planning Permit | Yes |
6. Changzhou Greatmind Properties Developments Limited is a wholly-owned subsidiary of the Company.
7. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- (i) Changzhou Greatmind Properties Developments Limited legally owns the land use rights of the property with a site area of approximately 66,529.90 sq.m. as mentioned in Note 3 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term;
- (ii) All land premium have been paid in full; and
- (iii) The property is not subject to mortgage or any other encumbrances.
8. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and approved by the relevant government authorities.

APPENDIX VI

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE GROUP

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
8. Phase 2 Parkvista Lot No. G4-2 Zhujiang New City Tianhe District Guangzhou City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 7,119 sq.m. on which a total gross floor area of approximately 70,417 sq.m. was planned to be built. The land use rights of the property were granted for a term of 70 years for residential uses; 40 years for commercial, entertainment and tourism uses and 50 years for other uses.	As at the date of valuation, the property is vacant.	384,000,000 <i>(100% Interest Attributable to the Enlarged Group: 384,000,000)</i>

Notes:-

- According to the development plan handed to us by the Group, Phase 2 of the subject development will comprise a total planned gross floor area of approximately 70,417 sq.m. upon completion with details as follows:

No. of Phase	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 2	Residential	52,947	Yet to Commence Construction
Phase 2	Commercial	6,426	Yet to Commence Construction
Phase 2	Carpark	<u>11,044</u>	Yet to Commence Construction
TOTAL:		<u><u>70,417</u></u>	

- Pursuant to a State-owned Land Use Rights Grant Contract, Sui Guo Di Chu He (2005) No. 168 entered into between the Guangzhou Municipal Bureau of Land Resources and Housing Management (the “grantor”), 廣州市天河區獵德經濟發展公司 (the “1st grantee”), 廣州南雅房地產開發有限公司 (the “2nd grantee”) and RK Investment (GZ) Limited (the “3rd grantee”) on 9 December 2005, the land use rights of the subject land with a site area of 7,119.03 sq.m. were granted to the grantees for 70 years and 40 years for residential and commercial respectively, commencing upon the formal grant of the State-owned Land Use Rights Certificates with details as follows:

Grantee	% Interest	Consideration Payable RMB	Payment Details
廣州市天河區獵德經濟發展公司	30%	N/A	No Payment Required
廣州南雅房地產開發有限公司	10%	4,136,153	Pay by installments
RK Investment (GZ) Limited	60%	<u>24,816,939</u>	Pay by installments
TOTAL:		<u><u>28,953,092</u></u>	

3. Pursuant to a contract supplemental to the State-owned Land Use Rights Grant Contract mentioned in Note 2 above, it is agreed by both the grantor and grantees that the 1st grantee should be obliged to pay for its shares of the land use rights acquired as pursuant to the Contract at a consideration of RMB12,408,473, such that the total land premium is revised to RMB41,361,565.
4. Pursuant to a State-owned Land Use Rights Transfer Contract entered into between 廣州市天河區獵德經濟發展公司 (the “1st vendor”), 廣州南雅房地產開發有限公司 (the “2nd vendor”), RK Investment (GZ) Limited (the “3rd vendor”) and Guangzhou Junde Real Estate Limited (the “purchaser”), the land use rights of the subject land were transferred to the purchaser at a consideration of RMB42,700,000.
5. Pursuant to a State-owned Land Use Rights Certificate, Sui Guo Yong (2006) Di No. 01000040 issued by the People’s Government of Guangzhou City on 17 November 2006, the land use rights of the subject land with a site area of 7,119 sq.m. were granted to Guangzhou Junde Real Estate Limited for a term of 70 years for residential uses; 40 years for commercial, entertainment and tourism uses and 50 years for other uses.
6. Pursuant to a Construction Land Use Planning Permit, Sui Gui Di Zheng (2007) No. 204 issued by the Guangzhou Municipal Bureau of Urban Planning to Guangzhou Junde Real Estate Limited on 22 March 2007, the proposed land use for the development on the subject land with a total site area of 7,122 sq.m. (including 13 sq.m. for public roads) was approved.
7. Pursuant to a Mortgage Agreement, Kai Fang Kai Fa Di No.2007001 entered into between Guangzhou Junde Real Estate Limited (the “mortgagor”) and China Construction Bank, Guangzhou Economic Technology Development Zone Branch (the “mortgagee”) dated 19 March 2007, the land use rights held under Sui Gou Yong (2006) Di No.01000040 were subject to a mortgage in favour of the mortgagee for a term expiring 2 years after the expiry of valid litigation period of the loan agreement Kai Fang Kai Fa No.2007001 as a security for a loan of RMB150,000,000 and interest thereon.
8. The major certificates and relevant approvals of the property is summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Transfer Contract	Yes
iii.	State-owned Land Use Rights Certificate	Yes
iv.	Construction Land Use Planning Permit	Yes
9. Guangzhou Junde Real Estate Limited is a wholly-owned subsidiary of the Company.
10. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
 - (i) Guangzhou Junde Real Estate Limited legally owns the land use rights of the property with a site area of approximately 7,119 sq.m. as mentioned in Note 5 above and is entitled to use, occupy and mortgage the land use rights of such portion during the land use rights term subject to discharge of mortgage; and
 - (ii) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Guangzhou Junde Real Estate Limited. During the term of the mortgage, Guangzhou Junde Real Estate Limited should not create a second charge on the mortgaged portion without prior written consent from the mortgagees; Guangzhou Junde Real Estate Limited should not lease, transfer or bestow the mortgaged portion to any third party.
11. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and approved by the relevant government authorities.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
9. Lot R2 and R3 Phoenix City Junction of Susheng Road and Xinghua Road Suzhou Industrial Park Suzhou City Jiangsu Province The PRC	The property comprises two parcels of undeveloped sites with a total site area of approximately 673,329.74 sq.m. within a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Phoenix City”. The land use rights of the property were granted for a term of 70 years expiring on 5 January 2074 for residential uses.	As at the date of valuation, the property is vacant.	484,000,000 <i>(100% Interest Attributable to the Enlarged Group: 484,000,000)</i>

Notes:-

- Pursuant to a State-owned Land Use Rights Grant Contract, Su Gong Yuan Rang (2004) No. 1 entered into between the State-owned Land and Real Estate Bureau of Suzhou Industrial Park (the “grantor”) and Suzhou Industrial Park Sunco (the “grantee”) dated 6 January 2004, the land use rights of the subject development with a total site area of 869,883.74 sq.m. were granted to the grantee for a term of 70 years commencing on the date of the contract for residential uses at a consideration of RMB2,737,000,000.
- Pursuant to an Approval Letter issued by the Real Estate Bureau of Suzhou Industrial Park to Suzhou Industrial Park Sunco dated 11 November 2004, the Real Estate Bureau of Suzhou Industrial Park agreed Suzhou Industrial Park Sunco to transfer its rights and obligations under the State-owned Land Use Rights Grant Contract as mentioned in Note 1 to Suzhou Junyu.
- Pursuant to three State-owned Land Use Rights Certificates issued by the People’s Government of Suzhou City, the land use rights of portion of the property with a total site area of 123,950.32 sq.m. were granted to Suzhou Junyu for residential uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	Term
Su Gong Yuan Guo Yong (2005) Di No. 01050	26-Apr-2005	54,030.11	Expiring on 05-Jan-2074
Su Gong Yuan Guo Yong (2005) Di No. 01064	30-May-2005	34,956.25	Expiring on 05-Jan-2074
Su Gong Yuan Guo Yong (2005) Di No. 01066	02-Jun-2005	<u>34,963.96</u>	Expiring on 05-Jan-2074
TOTAL:		<u><u>123,950.32</u></u>	

4. The main development restrictions as pursuant to two Principle Planning Guidelines for Land Auction No. Su Yuan Tu Gua (2003) No. 12, Planning Nos. 59 and 60, are listed out below:

User	:	Residential
Plot Ratio	:	Not higher than 1.8
Commercial GFA	:	Not more than 100,000 square meters
Building Density	:	Not higher than 25%
Building Height	:	Not more than 25 storeys
Greenery Ratio	:	Not lower than 40%
Parking Requirements	:	1 Car Parking Space / Household
	:	2 Bicycle Parking Spaces / Household
	:	1 Motor Parking Spaces / Household

5. The major certificates and relevant approvals of the property are summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificates	Yes (Part)

6. Suzhou Junyu is a wholly-owned subsidiary of the Company.

7. In the course of our valuation, we have attributed no commercial value to portion of the property with a site area of approximately 549,379.42 sq.m. as the land premium has not been fully settled so that the portion of the property is yet to be granted with the State-owned Land Use Rights Certificate(s). For reference purposes, we are of the opinion that the market value of this portion in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and have been granted with all necessary title documents, would be RMB2,138,000,000 (interest attributable to the Enlarged Group: RMB2,138,000,000).

8. Pursuant to a Mortgage Agreement, 1273-2007-001 entered into between Suzhou Junyu (the “mortgagor”) and China Construction Bank, Suzhou City Central Sub-Branch (“the mortgagee”) dated 15 February 2007, the land use rights of two parcels of land held under Su Gong Yuan Guo Yong (2006) Di No. 01101 and Su Gong Yuan Guo Yong (2005) Di No.01044 and the construction works thereon were together subject to a mortgage in favour of the mortgagee to secure the loan of RMB150,000,000 granted under Loan Agreement 1273-2007-001;

9. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:

- (i) Suzhou Junyu legally owns the land use rights of portion of the property with a total site area of 123,950.32 sq.m. (as mentioned in Note 3 above) and Suzhou Junyu is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to the discharge of the mortgage;
- (ii) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Suzhou Junyu. During the term of the mortgage, Suzhou Junyu should not create a second charge on the mortgaged portion without prior written consent from the mortgagee; Suzhou Junyu should not lease, transfer or bestow the mortgaged portion to any third party.

VALUATION CERTIFICATE

GROUP IV — PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN THE
PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
10. Units 501 to 505 5th Floor Composite Building Meilin Toll Station of Meiguan Highway Baoan District Shenzhen City Guangdong Province The PRC	The property comprises five office units on level 5 of a 6-storey composite building completed in about 1994. The property has a gross floor area of approximately 135 sq.m. The property is leased to Sincere Mind Management Limited from an independent third party, named 深圳高速公路股份有限公司 for a term of 2 years commencing on 1 June 2006 and expiring on 31 May 2008 at a monthly rent of RMB2,995 exclusive of property taxes, management fees, water, electricity and sanitary charges.	As at the date of valuation, the property is occupied by the Group for office purposes.	No commercial value (100% Interest Attributable to the Enlarged Group: Nil)

Notes:-

- Pursuant to a tenancy agreement entered into between 深圳市高速公路股份有限公司 (the “lessor”) and Sincere Mind Management Limited (the “lessee”) dated 14 June 2006, Unit 501 of the property with a gross floor area of approximately 16 sq.m. was leased to the lessee for a term of 2 years commencing on 1 June 2006 and expiring on 31 May 2008 at a monthly rent of RMB379 exclusive of property taxes, management fees, water, electricity and sanitary charges.
- Pursuant to another tenancy agreement entered into between the lessor and lessee dated 14 June 2006, Units 502 to 505 of the property with a total gross floor area of approximately 119 sq.m. was leased to the lessee for a term of 2 years commencing on 1 June 2006 and expiring on 31 May 2008 at a monthly rent of RMB2,616 exclusive of property taxes, management fees, water, electricity and sanitary charges.
- Sincere Mind Management Limited is a wholly-owned subsidiary of the Company.
- We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
 - The tenancy is legal and binding under the PRC laws, 深圳市高速公路股份有限公司 has the rights to lease the property and Sincere Mind Management Limited has the rights to use and occupy the property pursuant to the tenancies; and
 - The tenancies have been registered with the relevant government authorities.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
11. Units 2708 and 2709 Nos. 136-138 Tiye East Road Tianhe District Guangzhou City Guangdong Province The PRC	The property comprises two office units on level 27 of a 28-storey composite building completed in about 1998. The property has a total gross floor area of approximately 257.841 sq.m. The property is leased to Guangzhou Junya Real Estate Limited and RK Investment (GZ) Limited from an independent third party, named 廣州金利來城市房產有限公司 for a term commencing on 1 January 2006 and expiring on 30 September 2007 at a total monthly rent of RMB33,519 as pursuant to two tenancy agreements as below.	As at the date of valuation, the property is occupied by the Group for office purposes.	No commercial value (100% Interest Attributable to the Enlarged Group: Nil)

Notes:-

- Pursuant to a tenancy agreement entered into between 廣州金利來城市房產有限公司 (the “lessor”) and Guangzhou Junya Real Estate Limited (the “1st lessee”) on 19 December 2005, Unit 2708 of the property with a gross floor area of approximately 136.197 sq.m. was leased to the 1st lessee for a term commencing on 1 January 2006 and expiring on 30 September 2007 at a monthly rent of RMB17,706.
- Pursuant to another tenancy agreement entered into between 廣州金利來城市房產有限公司 (the “lessor”) and RK Investment (GZ) Limited (the “2nd lessee”) on 19 December 2005, Unit 2709 of the property with a gross floor area of approximately 121.644 sq.m. was leased to the 2nd lessee for a term commencing on 1 January 2006 and expiring on 30 September 2007 at a monthly rent of RMB15,813.
- Guangzhou Junya Real Estate Limited and RK Investment (GZ) Limited are wholly-owned subsidiaries of the Company.
- We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
 - The tenancies are legal and binding under the PRC laws. 廣州金利來城市居產有限公司 has the rights to lease the property and Guangzhou Junya Real Estate Limited and RK Investment (GZ) Limited have the rights to use and occupy the property pursuant to the tenancy; and
 - The tenancies have been registered with the relevant government authorities.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
12. 4th Floor No. 156 Dingan Zhong Road Hutang Town Wujin District Changzhou City Jiangsu Province The PRC	The property comprises the whole of level 4 of a 6-storey office building completed in about 2001. The property has a gross floor area of approximately 1,200 sq.m. The property is leased to Changzhou Great Gallop Properties Developments Limited from an independent third party, named Industrial and Commercial Bank of China, Changzhou Branch for a term of 3 years commencing on 1 April 2006 and expiring on 31 March 2009 at a monthly rent of RMB10,417 exclusive of management fees and other outgoings.	As at the date of valuation, the property is occupied by the Group for office purposes.	No commercial value (100% Interest Attributable to the Enlarged Group: Nil)

Notes:-

- Pursuant to a tenancy agreement entered into between Industrial and Commercial Bank of China, Changzhou Branch (the “lessor”) and Changzhou Great Gallop Properties Developments Limited (the “lessee”), the property was leased to the lessee for a term of 3 years commencing on 1 April 2006 and expiring on 31 March 2009 at a monthly rent of RMB10,417 exclusive of management fees and other outgoings. The rights and obligations of the lessee have been set out in the first supplementary agreement to the tenancy dated 26 January 2006.
- Pursuant to the second supplementary agreement entered into between the lessor and the lessee dated 24 March 2006, the lessor agreed that 僑御地產集團有限公司 and their associated companies (including but not limited to: Changzhou Greatmind Properties Developments Limited, Changzhou Great Superior Properties Developments Limited, 常州置康物業服務有限公司, 常州利駿建築工程有限公司, 常州宏曦管理顧問有限公司 and the associated companies of the abovementioned companies) are entitled to use the property apart from the lessee and enjoy the same rights as the lessee without payment of any additional rent or charges.
- Changzhou Great Gallop Properties Development Limited is a wholly-owned subsidiary of the Company.
- We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
 - The tenancy and the supplementary agreements are legal and binding under the PRC laws. Industrial and Commercial Bank of China, Changzhou Branch has the rights to lease the property and Changzhou Great Gallop Properties Development Limited and the parties as mentioned in Note 2 above have the rights to use and the property as pursuant to the tenancy and the supplementary agreements; and
 - The tenancy has not been registered with the relevant government authorities. However, non-registration of the tenancy will not affect the validity of the tenancy.

VALUATION CERTIFICATE

GROUP V — PROPERTY INTERESTS LEASED AND OCCUPIED BY THE GROUP IN HONG KONG

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
13. 5th Floor, Tower 6 The Gateway No. 9 Canton Road Tsimshatsui Kowloon Hong Kong	The property comprises the whole of level 5 of a 30-storey office tower over a multi-storey commercial podium within a large-scale commercial development known as “The Gateway”. The subject development was completed in about 1982.	As at the date of valuation, the property is currently occupied by the Group for office purposes.	No commercial value <i>(100% Interest Attributable to the Enlarged Group: Nil)</i>
Section B of Kowloon Marine Lot No. 11 and the Extensions Thereto	The property has a gross floor area of approximately 12,869 sq.ft. The property is leased to Road King Infrastructure Management Limited from an independent third party, named Harbour City Estates Limited, for various terms expiring on 12 April 2008 at a total monthly rent of HK\$264,990.1 exclusive of rates, service charges and air-conditioning charges.		

Notes:-

- Pursuant to a Tenancy Agreement entered into between Harbour City Estates Limited (the “landlord”) and Road King Infrastructure Management Limited (the “tenant”), the property is leased to the tenant in two portions for separate terms as follows:

Suites 501-5 & 14: the tenancy is for a term commencing on 13 October 2005 and expiring on 12 April 2008 at a monthly rent of HK\$206,414.50 exclusive of rates, service charges and air-conditioning charges; and

Suite 506: the tenancy is for a term of 3 years commencing on 13 April 2005 and expiring on 12 April 2008 at a monthly rent of HK\$58,575.60 exclusive of rates, service charges and air-conditioning charges; in addition, the tenant shall be entitled to enjoy the use and occupation free of rent during the period from 13 April 2005 and expiring on 12 June 2005 but shall also be liable to pay the rates, service charges and air-conditioning charges.

- Road King Infrastructure Management Limited is a wholly-owned subsidiary of the Company.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from RHL Appraisal Ltd., an independent valuer, in connection with its valuation as at 31 March 2007 of the property interests held by Sunco A Group.

永利竹 評值顧問有限公司 | RHL Appraisal Ltd

Surveying Practices - Corporate Valuation and Property Consultancy
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30 June 2007

The Board of Directors
Road King Infrastructure Limited
5th Floor, Tower 6
The Gateway No. 9 Canton Road
Tsimshatsui, Kowloon
Hong Kong

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions to value the property interests in the People's Republic of China (the "PRC") held by Sunco Property Holdings Company Limited ("Sunco A") and its subsidiaries (hereinafter together referred to as the "Sunco A Group"), the shares of which Road King Infrastructure Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") propose to subscribe and acquire, and to transfer a certain portion to Elite Rich Investments Limited ("Elite Rich"), a wholly owned subsidiary of Wai Kee Holdings Limited ("Wai Kee"), the controlling shareholder of the Company, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 March 2007 (the "date of valuation"), herein attached being the valuation of the property interests held by the Sunco A Group as at the date of valuation.

BASIS OF VALUATION

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

PROPERTY INTERESTS CATEGORISATION

The property interests held by Sunco A Group are categorised as follows:

Group I — Property Interests Held by Sunco A Group for Sale in the PRC

Group II — Property Interests Held Under Development by Sunco A Group in the PRC

Group III — Property Interests Held by Sunco A Group for Future Development in the PRC

METHODS OF VALUATION

In valuing the property interests in Group I, we have valued the completed portion by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. For those property interests in Group I which are held for sale but are still in the process of construction, we have also adopted the same approach but additionally we have taken into consideration the development costs already spent and yet to be spent to reflect their existing state.

For those property interests in Group I which have been contracted to be sold (either completed or to be completed) but the formal conveyancing procedures of which are yet to be completed, we have valued this portion of property interests by adopting the considerations as stated in their respective Sale and Purchase Agreements.

In valuing the property interests in Group II which are held by Sunco A Group under development, the market value of the property interests will be formulated by the land value using the direct comparison approach plus the depreciated replacement cost of the buildings and structures erected on the land.

In assessing the land value, comparable land sales as available in the subject localities as well as benchmark land prices as published by the local government authority were analysed and carefully weighted against all the respective advantages and disadvantages of the property interest in order to arrive at a fair comparison of capital values of the land.

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the concerned properties in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. This method has been used due to the nature of the property interest and is a method of using current replacement costs to arrive at the value of the property interest as existing at the date of valuation.

In valuing the property interests in Group III which are held by Sunco A Group for future development, we have also adopted the direct comparison approach assuming sale of the property interests in their existing state with the benefit of vacant possession and by making reference to comparable land sales transactions as available in the subject localities as well as the relevant benchmark land prices.

VALUATION ASSUMPTIONS

As the property interests are held under long term Government Leases, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of their respective Government Leases without payment of any substantial sum of taxes or expenses. We have valued the property interests on an open market basis assuming sale with vacant possession.

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

In valuing the property interests which are currently under construction, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us. In arriving at our opinion of values, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the costs and fees to be expended to complete the developments.

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

VALUATION CONSIDERATIONS

For the purpose of our valuations:

- (i) Property interests held for sale refer to those developments which the whole or part thereof have been issued with the Pre-sale Consent(s) (預售許可證);
- (ii) Completed developments refer to those which the whole or part thereof have been issued with the Certificate(s) of Completion (竣工驗收證);
- (iii) Developments under construction refer to those which the whole or part thereof have been issued with the Construction Works Commencement Permit(s) (建設工程施工許可證) but is yet to be issued with the Certificate(s) of Completion (竣工驗收證); and

- (iv) Property interests held for future development refers to those which the whole or part thereof have been issued with State-owned Land Use Rights Grant Contract(s) (國有土地使用權出讓合同) or State-owned Land Use Rights Certificate(s) (國有土地使用權證) but is yet to be issued with the Construction Works Commencement Permit(s) (建設工程施工許可證).

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 to The Codes on Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission effective from October 2005; the RICS Appraisal and Valuation Standards (5th Edition) published by the Royal Institution of Chartered Surveyors and effective from May 2003; and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1 January 2005.

We have relied to a considerable extent on information given by the Sunco A Group and the Group, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, floor areas and all other relevant matters.

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

We have inspected the exterior and, where possible, the interior of the property interests. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property interests are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Sunco A Group and the Group. We have also been advised by the Sunco A Group and the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

TITLE INVESTIGATION

We have been shown copies of various title documents including State-owned Land Use Rights Grant Contracts, State-owned Land Use Rights Certificates and Building Ownership Certificates; construction approvals including the Construction Land Use Planning Permits, Construction Project Planning Permits, Construction Works Commencement Permits and Certificates for Completions, Pre-sale Consents and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the advice given by the Company's PRC legal adviser — Global Law Office, concerning the validity of Sunco A Group's titles to the property interests.

EXCHANGE RATE

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

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of

RHL Appraisal Ltd.

Serena S. W. Lau

CHKIS AAPI RPS(GP)

Managing Director

Shirley Y. F. Yeung

BSc HKIS MRICS

Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 15 years' experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Ms. Lau is an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as an eligible real estate appraiser in the PRC.

Ms. Shirley Y. F. Yeung is a Chartered Surveyor with over 7 years' experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Ms. Yeung is a member of The Royal Institution of Chartered Surveyors as well as a member of the Hong Kong Institute of Surveyors.

APPENDIX VII

**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

SUMMARY OF VALUES**GROUP I — PROPERTY INTERESTS HELD BY SUNCO A GROUP FOR SALE IN THE PRC**

No.	Property	Market Value in existing state as at 31 March 2007 RMB	Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at 31 March 2007 (%)	Value
				Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at 31 March 2007 RMB
1.	Blues International Apartments No. 117 Caihuying West Street Fengtai District Beijing City The PRC	1,760,000,000	88.46%	1,557,000,000
2.	Phases 1 and 2 Luoyang 1st Street Junction of Tiyu Da Road and Gucheng South Road Luoyang New District Luoyang City Henan Province The PRC	203,000,000	88.46%	180,000,000
3.	Phase 1 The Mansion Junction of Tiyu Da Road and Wenhua East Road Luoyang New District Luoyang City Henan Province The PRC	77,000,000	88.46%	68,000,000
4.	Phases 1 and 2 Sunco Town East of Nanchang Road Jianxi District Luoyang City Henan Province The PRC	284,000,000	88.46%	251,00,000

APPENDIX VII

**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

No.	Property	Market Value in existing state as at 31 March 2007 <i>RMB</i>	Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions (%)	Value Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at
				31 March 2007 <i>RMB</i>
5.	Zhengzhou 1st Street North of Nongye East Road Zhengdong New District Zhengzhou City Henan Province The PRC	414,000,000	88.46%	366,000,000
6.	International No. 1 Junction of Wai Huan Road and the Third City Centre Axis Zhengdong New District Zhengzhou City Henan Province The PRC	242,000,000	88.46%	214,000,000
7.	Phase 1 Central Special Zone Junction of Zhongyang Da Road and Taihang Road Zhengdong New District Zhengzhou City Henan Province The PRC	692,000,000	88.46%	612,000,000
8.	Phases 1 and 2A Unusual Landscape South of Shengfu Village Yinghai Town Jiaozhou Qingdao City Shandong Province The PRC	270,000,000	88.46%	239,000,000

APPENDIX VII

**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

No.	Property	Market Value in existing state as at 31 March 2007 <i>RMB</i>	Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions (%)	Value Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at
				31 March 2007 <i>RMB</i>
9.	Phases 1 and 2 The Heaven by Lakeside South of Zhongyuan Road Suzhou Industrial Park Suzhou City Jiangsu Province The PRC	592,000,000	88.46%	524,000,000
10.	Phases 1 and 2 Palen Villas Northeast of Jinyin Lake Ecological Tourist Area and West of Huanhu Road Dongxihu District Wuhan City Hubei Province The PRC	207,000,000	88.46%	183,000,000
SUB-TOTAL:		<u>4,741,000,000</u>		<u>4,194,000,000</u>

APPENDIX VII**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

**GROUP II — PROPERTY INTERESTS HELD UNDER DEVELOPMENT BY SUNCO A
GROUP IN THE PRC**

No.	Property	Market Value in existing state as at 31 March 2007 <i>RMB</i>	Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions (%)	Value
				Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at 31 March 2007 <i>RMB</i>
11.	Phase 2B Unusual Landscape South of Shengfu Village Yinghai Town Jiaozhou Qingdao City Shandong Province The PRC	56,000,000	88.46%	50,000,000
12.	Phase 3 The Heaven by Lakeside South of Zhongyuan Road Suzhou Industrial Park Suzhou City Jiangsu Province The PRC	187,000,000	88.46%	165,000,000
13.	Phase 3 Palen Villas Northeast of Jinyin Lake Ecological Tourist Area and West of Huanhu Road Dongxihu District Wuhan City Hubei Province The PRC	210,000,000	88.46%	186,000,000

APPENDIX VII**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

No.	Property	Market Value in existing state as at 31 March 2007 <i>RMB</i>	Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions (%)	Value Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at 31 March 2007 <i>RMB</i>
14.	Phase 2 Central Special Zone Junction of Zhongyang Da Road and Taihang Road Zhengdong New District Zhengzhou City Henan Province The PRC	206,000,000	88.46%	182,000,000
SUB-TOTAL:		659,000,000		583,000,000

APPENDIX VII**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

**GROUP III — PROPERTY INTERESTS HELD BY SUNCO A GROUP FOR FUTURE
DEVELOPMENT IN THE PRC**

No.	Property	Market Value in existing state as at 31 March 2007 <i>RMB</i>	Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions (%)	Value
				Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at 31 March 2007 <i>RMB</i>
15.	Phases 2 and 3 The Mansion Junction of Tiyu Da Road and Wenhua East Road Luoyang New District Luoyang City Henan Province The PRC	83,000,000	88.46%	73,000,000
16.	Phase 3 Sunco Town East of Nanchang Road Jianxi District Luoyang City Henan Province The PRC	133,000,000	88.46%	118,000,000
17.	Phases 3, 4 and 5 Central Special Zone Junction of Zhongyang Da Road and Taihang Road Zhengdong New District Zhengzhou City Henan Province The PRC	814,000,000	88.46%	720,000,000

APPENDIX VII**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

No.	Property	Market Value in existing state as at 31 March 2007 <i>RMB</i>	Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions (%)	Value Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at
				31 March 2007 <i>RMB</i>
18	Phases 3 and 4 Unusual Landscape South of Shengfu Village Yinghai Town Jiaozhou Qingdao City Shandong Province The PRC	115,000,000	88.46%	102,000,000
19.	A parcel of land located at Weishier Road Huaiyin District Jinan City Shandong Province The PRC	No commercial value	61.92%	Nil
SUB-TOTAL:		<u>1,145,000,000</u>		<u>1,013,000,000</u>
TOTAL:		<u><u>6,545,000,000</u></u>		<u><u>5,790,000,000</u></u>

APPENDIX VII

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS HELD BY SUNCO A GROUP FOR SALE IN THE PRC

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
1. Blues International Apartments No. 117 Caihuying West Street Fengtai District Beijing City The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handed over of a large-scale residential and commercial composite development known as “Blues International Apartments”. The unsold portion of the subject development comprises 22 residential units with a total gross floor area of approximately 3,260.29 sq.m.; 5 commercial units with a total gross floor area of approximately 620.35 sq.m.; residential spaces with a total gross floor area of approximately 42,889.87 sq.m.; commercial spaces with a total gross floor area of approximately 3,027 sq.m.; and 1286 carparking spaces. The subject development is erected on a parcel of land with a site area of approximately 79,719.1 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 27 May 2074 for residential uses; 40 years expiring on 27 May 2044 for ancillary facilities uses, and 27 May 2054 for underground carpark and office uses.	As at the date of valuation, the property is under construction and is held by Sunco A Group for sale.	1,760,000,000 <i>(88.46% Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: 1,557,000,000)</i>

Notes:-

- According to the development plan handed to us by Sunco A Group, the subject development will comprise a total planned gross floor area of approximately 266,825 sq.m. upon completion with details as follows:

Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Block Nos. 1 to 10	Residential	215,966	Under Construction
N/A	Club House	9,205	Under Construction
N/A	Commercial	3,027	Under Construction
N/A	Kindergarten	3,332	Under Construction
N/A	Car Parking	34,597	Under Construction
N/A	Boiler Room	698	Under Construction
TOTAL:		<u>266,825</u>	

2. Pursuant to a Land Bank Development Compensation Agreement, Jing Tu Zheng Chu [2004] No. 01 entered into between 北京市土地整理儲備中心 and 順馳置地(北京)房地產開發有限公司 (“Beijing Sunco 1”) on 13 April 2004, Beijing Sunco 1 is obliged to pay a sum of RMB265,000,000 as the compensation payable for the acquisition of the subject land. However, as pursuant to a supplementary agreement, No. Jing Tu Zheng Chu [2004] No. 01 Bu Chong No. 1 entered into between the two parties dated 7 September 2004, 北京市土地整理儲備中心 agreed to pay a sum of RMB4,000,000 to Beijing Sunco 1 as the demolition and resettlement fee involved in the acquisition.
3. Pursuant to an Agreement entered into between Beijing Sunco 1 and 北京順馳置地豐潤房地產開發有限公司 (“Beijing Sunco 2”) dated 11 May 2004, Beijing Sunco 1 had as per request by the local government set up a business entity named 北京順馳置地豐潤房地產開發有限公司. Beijing Sunco 2 should act on its behalf to sign the State-owned Land Use Rights Grant Contract and to handle the relevant procedures in the acquisition of the subject land. All of the rights and obligations of Beijing Sunco 1 under the Agreement as mentioned in Note 2 should thereafter be transferred to Beijing Sunco 2.
4. Pursuant to a State-owned Land Use Rights Grant Contract, Jing Fang Di Chu [He] Zi (2004) Di No. 503 entered into between the State-owned Land Resources and Real Estate Administrative Bureau of Beijing (the “grantor”) and Beijing Sunco 2 (the “grantee”) dated 28 May 2004, the land use rights of the subject land with a site area of 79,717.139 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses), 50 years (kindergarten) and 40 years (ancillary facilities uses) respectively commencing on the date of this Contract at a consideration of RMB247,000,000.
5. Pursuant to a Supplementary Agreement to the abovementioned State-owned Land Use Rights Grant Contract dated 18 August 2004, the site area was amended to 79,719.1 sq.m. (comprising Phase 1 land with a site area of 10,852.1 sq.m., Phase 2 land with a site area of 25,572.6 sq.m. and Phase 3 land with a site area of 43,294.4 sq.m.).

APPENDIX VII

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

6. Pursuant to six State-owned Land Use Rights Certificates issued by the People's Government of Beijing, the land use rights of the subject land with a total site area of 66,867.77 sq.m. were granted to Beijing Sunco 2 for residential and ancillary facilities uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	User / Term
Jing Feng Guo Yong (2004 Chu) Di No. 002077	14-Oct-2004	10,846.73	Residential: Expiring on 27-May-2074
Jing Feng Guo Yong (2004 Chu) Di No. 002154	27-Dec-2004	5,000.14	Residential: Expiring on 27-May-2074 Ancillary: Expiring on 27-May-2044
Jing Feng Guo Yong (2005 Chu) Di No. 002183	21-Jan-2005	9,726.33	Residential: Expiring on 27-May-2074 Ancillary: Expiring on 27-May-2044
Jing Feng Guo Yong (2005 Chu) Di No. 002307	08-May-2005	5,954.66	Residential: Expiring on 27-May-2074
Jing Feng Guo Yong (2005 Chu) Di No. 002494	17-Sep-2005	6,670.21	Residential: Expiring on 27-May-2074 Ancillary: Expiring on 27-May-2044
Jing Feng Guo Yong (2006 Chu) Di No. 002769	20-Nov-2006	28,669.70	Residential: Expiring on 27-May-2074 Ancillary: Expiring on 27-May-2044
TOTAL:		<u><u>66,867.77</u></u>	

7. Pursuant to another State-owned Land Use Rights Certificate, Jing Feng Guo Yong (2007 Chu) Di No. 002833 issued by the People's Government of Beijing to Beijing Sunco 2 dated 3 March 2007, the land use rights held under the six State-owned Land Use Rights Certificates as mentioned in Note 6 above and another site with an area of 5,953.93sq.m. have been amalgamated into a land parcel with a new site area of 72,821.70sq.m. The land use rights of site with an area of 72,821.7 sq.m. were granted for a term expiring on 27-May-2074 (residential uses); 27-May-2044 (ancillary facilities uses); and 27-May-2054 (Underground carpark and underground offices uses).
8. Pursuant to a Construction Land Use Planning Permit, 2004 Gui Di Zi No. 0157 issued by the Planning Committee of Beijing to Beijing Sunco 2 dated 20 September 2004, the proposed land use for the development on the subject land with a total site area of 79,717.139 sq.m. was approved.

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INTERESTS HELD BY THE SUNCO A GROUP**

9. Pursuant to seven Construction Project Planning Permits issued by the Planning Committee of Beijing to Beijing Sunco 2, the proposed development with a total planned gross floor area of 276,983.68 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
2004 Gui (Feng) Jian Zi No. 0263	13-Oct-2004	82,226.40	Block Nos. 2, 5 and 10
2004 Gui (Feng) Jian Zi No. 0355	28-Dec-2004	40,073.00	Block No. 3, Club House and Portion of Car Park
2005 Gui (Feng) Jian Zi No. 0022	05-Feb-2005	42,900.40	Block Nos. 8 and 9
2005 Gui (Feng) Jian Zi No. 0030	15-Mar-2005	26,106.40	Block No. 4 and Commercial
2005 Gui (Feng) Jian Zi No. 0039	23-Mar-2005	19,765.15	Block No. 1 and Kindergarten
2005 Gui (Feng) Jian Zi No. 0093	25-Apr-2005	65,214.80	Block Nos. 6 to 7 and Remaining Portion of Car Park
2006 Gui (Feng) Jian Zi No. 0067	27-Mar-2006	<u>697.53</u>	Boiler Room
	TOTAL:	<u><u>276,983.68</u></u>	

10. Pursuant to nine Construction Works Commencement Permits issued by the Construction Committee of Beijing to Beijing Sunco 2, the construction works of the proposed development with a total planned gross floor area of 273,651.53 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
00 (Jian) 2004-2672	18-Oct-2004	66,257.40	Block Nos. 5 and 10
00 (Jian) 2004-3042	26-Nov-2004	15,969.00	Block No. 2
00 (Jian) 2005-0099	13-Jan-2005	17,420.30	Block No. 3 and Club House
00 (Jian) 2005-0100	13-Jan-2005	22,652.70	Portion of the Car Park
00 (Jian) 2005-0613	04-Apr-2005	42,900.40	Block Nos. 8 and 9
00 (Jian) 2005-1363	30-Jun-2005	69,703.80	Block Nos. 1, 6 and 7 and commercial block
00 (Jian) 2005-1364	30-Jun-2005	11,944.00	Remaining Portion of Car Park
(2006) Shi Jian Zi No. 1731	08-Sept-2006	697.53	Boiler Room
(2006) Shi Jian Zi No. 1767	16-Sept-2006	<u>26,106.40</u>	Block Nos. 4 and Commercial
		<u><u>273,651.53</u></u>	

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

11. Pursuant to seven Pre-sale Permits issued by the Construction Committee of Beijing to Beijing Sunco 2, Beijing Sunco 2 was entitled to commence pre-sale of the development to the market with details as follows:

Permit No.	Date of Issue	Pre-sale GFA (sq.m.)	Portion of Development
Jing Fang Shou Zheng Zi (2004) No. 477	22-Oct-2004	40,602.00	Block No. 10 (excluding Units A101 and E103)
Jing Fang Shou Zheng Zi (2004) No. 561	29-Nov-2004	15,165.00	Block No. 2
Jing Fang Shou Zheng Zi (2005) No. 1	05-Jan-2005	22,237.36	Block No. 5
Jing Fang Shou Zheng Zi (2005) No. 32	30-Jan-2005	7,469.30	Block No. 3
Jing Fang Shou Zheng Zi (2005) No. 180	13-May-2005	19,476.67	Block No. 9
Jing Fang Shou Zheng Zi (2005) No. 489	24-Sep-2005	21,411.07	Block No. 7
Jing Fang Shou Zheng Zi (2006) No. 522	3-Dec-2006	46,765.62	Block Nos. 6 and 8 (excluding bicycle parking)
TOTAL:		<u>173,127.02</u>	

12. As advised by Sunco A Group, a portion of the development has been pre-sold for a total consideration of RMB1,167,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was included in our valuation of the market value of the property as above. The salient details of that portion are listed out below:

User	No. of Units Sold	Respective GFA (sq.m.)	Total Consideration RMB
Residential	1,199	146,995.71	1,136,000,000
Commercial	25	<u>1,992.55</u>	<u>31,000,000</u>
TOTAL:		<u>148,988.26</u>	<u>1,167,000,000</u>

13. As advised by Sunco A Group, the subject development is scheduled to be completed in December, 2007. The total investment of the development is estimated to be RMB1,547,854,000, of which a sum of RMB1,040,877,000 has been paid as at the date of valuation.
14. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB1,908,000,000 (interest attributable to the Enlarged Group: RMB1,688,000,000) inclusive of the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.

15. The major certificates and relevant approvals of the property is summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificates	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Project Planning Permits	Yes
v.	Construction Works Commencement Permits	Yes
vi.	Pre-sale Permits	Yes

16. Beijing Sunco 2 is a wholly-owned subsidiary of Sunco A.

17. Pursuant to a Mortgage Agreement, 2006 Nian Hai Dian Di Zi Di No. 0037 entered into between 北京順馳置地豐潤房地產開發有限公司 (the “mortgagor”) and Industrial and Commercial Bank of China, Beijing Haidian Sub-Branch, (the “mortgagee”), the land use rights of portion of the site held under Jing Feng Guo Yong (2006 Chu) Di No. 002769 with a site area of 19,365.16 sq.m. was subject to a mortgage in favour of the mortgagee to secure a loan with an amount of RMB140,000,000 for a term of 2 years commencing on 14 December 2006 and expiring on 13 December 2008.

18. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:

- (i) Beijing Sunco 2 legally owns the land use rights of the land parcels with a total site area of 72,821.7 sq.m. as mentioned in Note 7 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to the discharge of the mortgage;
- (ii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
- (iii) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Beijing Sunco 2. During the term of the mortgage, Beijing Sunco 2 should not create a second charge on the mortgaged portion without the prior written consent from the mortgagees; Beijing Sunco 2 should not lease, transfer or bestow the mortgaged portion to any third party;
- (iv) As Sunco A Acquisitions will not affect the ability of Beijing Sunco 2 as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions;
- (v) Beijing Sunco 2 is entitled to freely sell the portion of the development as mentioned in Note 11 in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portion of the property; and
- (vi) Beijing Sunco 2 could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Beijing Sunco 2 still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

APPENDIX VII

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
2. Phases 1 and 2 Luoyang 1st Street Junction of Tiyu Da Road and Gucheng South Road Luoyang New District Luoyang City Henan Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of a large-scale residential and commercial composite development known as “Luoyang 1st Street”. The unsold portion of Phase 1 comprises 2 residential units with a total gross floor area of approximately 506.79 sq.m. and 28 commercial units with a total gross floor area of approximately 8,393.65 sq.m.; The unsold portion of Phase 2 comprises 91 residential units with a total gross floor area of approximately 13,158.82 sq.m. and 28 commercial units with a total gross floor area of approximately 4,103.88 sq.m. The subject development is erected on 2 parcels of land with a total site area of approximately 129,637.4 sq.m. The land use rights of the property were granted for common terms of 70 years with the latest expiry date being 30 April 2074 for residential uses, and 40 years with the latest expiry date being 30 April 2044 for commercial uses.	As at the date of valuation, Phase 1 of the property has been completed while Phase 2 is under construction. Both Phase 1 and Phase 2 are held by Sunco A Group for sale.	203,000,000 <i>(88.46% Interest Attributable to the Enlarged Group Upon Completion Of Sunco A Acquisitions: 180,000,000)</i>

Notes:-

- According to the development plan handed to us by Sunco A Group, the subject development comprises two phases with a total planned gross floor area of approximately 155,212 sq.m. with details as follows:

No. of Phase	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 1	Block Nos. 1 to 27	Residential	70,838	Completed
Phase 1	Blocks S1 to S6	Commercial	20,989	Completed
Phase 1	N/A	Club House	2,200	Completed
Phase 1	N/A	Public Toilet	90	Completed
Phase 2	Block Nos. 1 to 15	Residential	49,219	Under Construction
Phase 2	Blocks S1 to S6	Commercial	11,834	Under Construction
Phase 2	N/A	Public Toilet	42	Under Construction
TOTAL:			<u>155,212</u>	

APPENDIX VII**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Luoyang City, Henan Province (the “grantor”) and 天津順馳地產有限公司 (the “grantee”) dated 30 April 2004, the land use rights of Phase 1 of the subject land with a site area of 85,235.203 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) respectively commencing on the date of the transfer of the land at a consideration of RMB43,469,950. However, pursuant to a Supplementary Agreement to the abovementioned State-owned Land Use Rights Grant Contract dated 22 July 2004, the site area was amended to 84,764.517 sq.m. and the land premium was revised to RMB43,229,903.67 accordingly.
3. Pursuant to another State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Luoyang City, Henan Province (the “grantor”) and 天津順馳地產有限公司 (the “grantee”) dated 30 April 2004, the land use rights of Phase 2 of the subject land with a site area of 44,872.864 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) commencing on the date of the transfer of the land at a consideration of RMB22,885,160.
4. As confirmed by 天津順馳地產有限公司, all of the rights and obligations of 天津順馳地產有限公司 under the State-owned Land Use Rights Grant Contracts as mentioned in Notes 2 and 3 should thereafter be transferred to 洛陽順馳房地產開發有限公司 (“Luoyang Sunco”). 天津順馳地產有限公司 committed that there should be no impediment in relation to the enforcement of the Contracts and Luoyang Sunco should be responsible for the development of the subject land.
5. Pursuant to two State-owned Land Use Rights Certificates issued by the People’s Government of Luoyang City, the land use rights of the subject land with a total site area of 129,637.4 sq.m. were granted to Luoyang Sunco for residential and commercial uses. The salient details are listed below:

Land Use Rights

Certificate No.	No. of Phase	Date of Issue	Site Area (sq.m.)	Term and User
Luo Shi Guo Yong (2004) Di No. 05002336	Phase 1	11-Aug-2004	84,764.5	Commercial: Expiring on 30-Apr-2044 Residential: Expiring on 30-Apr-2074
Luo Shi Guo Yong (2005) Di No. 05000355	Phase 2	17-Nov-2005	44,872.9	Commercial: Expiring on 29-Apr-2044 Residential: Expiring on 29-Apr-2074
			TOTAL:	<u>129,637.4</u>

6. Pursuant to two Construction Land Use Planning Permits, Nos. 04-082 and 04-083 issued by the State-owned Land Resources and City Planning Bureau of Luoyang City to Luoyang Sunco dated 6 July 2004, the proposed land use for the development on the subject land (Phases 1 and 2) with a total site area of 123,570.984 sq.m. was approved.

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INTERESTS HELD BY THE SUNCO A GROUP**

7. Pursuant to thirty four Construction Project Planning Permits issued by the City Planning Bureau of Luoyang City to 洛陽順馳房地產開發有限公司, the proposed development of Phase 1 with a total planned gross floor area of 95,245 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	No. of Phase	Portion of Development
05-611	17-Aug-2005	2,995.00	1	Block No. 15
05-612	17-Aug-2005	1,060.00	1	Block No. 17
05-613	17-Aug-2005	1,642.00	1	Block No. 19
05-614	17-Aug-2005	2,189.00	1	Block No. 24
05-615	17-Aug-2005	2,577.00	1	Block No. 25
05-616	17-Aug-2005	2,577.00	1	Block No. 26
05-617	17-Aug-2005	2,858.00	1	Block No. 27
05-618	17-Aug-2005	1,306.00	1	Block Nos. 24-26 (Commercial Portion)
05-619	17-Aug-2005	4,497.00	1	Block No. 1
05-620	17-Aug-2005	2,995.00	1	Block No. 2
05-621	17-Aug-2005	4,104.00	1	Block No. 3
05-622	17-Aug-2005	3,481.00	1	Block No. 4
05-623	17-Aug-2005	1,851.00	1	Block No. 5
05-624	17-Aug-2005	3,481.00	1	Block No. 6
05-625	17-Aug-2005	2,289.00	1	Block No. 7
05-626	17-Aug-2005	2,309.00	1	Block No. 8
05-627	17-Aug-2005	2,725.00	1	Block No. 9
05-628	17-Aug-2005	3,445.00	1	Block No. 10
05-629	17-Aug-2005	1,558.00	1	Block No. 11
05-630	17-Aug-2005	3,123.00	1	Block No. 12
05-631	17-Aug-2005	2,289.00	1	Block No. 13
05-632	17-Aug-2005	2,995.00	1	Block No. 14
05-633	17-Aug-2005	2,844.00	1	Block No. 16
05-634	17-Aug-2005	1,921.00	1	Block No. 18
05-635	17-Aug-2005	3,445.00	1	Block No. 20
05-636	17-Aug-2005	1,060.00	1	Block No. 21
05-637	17-Aug-2005	2,311.00	1	Block No. 22
05-833	16-Nov-2005	4,687.00	1	Block No. S1
05-834	16-Nov-2005	4,283.00	1	Block No. S2
05-835	16-Nov-2005	1,333.00	1	Block No. S3
05-836	16-Nov-2005	4,959.00	1	Block No. S4
05-837	16-Nov-2005	5,187.00	1	Block No. S5
05-838	16-Nov-2005	2,200.00	1	Club House
05-839	17-Aug-2005	<u>2,669.00</u>	<u>1</u>	Block No. 23
TOTAL:		<u>95,245.00</u>		

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**PROPERTY VALUATION OF THE PROPERTY
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8. Pursuant to twenty two Construction Project Planning Permits issued by the City Planning Bureau of Luoyang City to Luoyang Sunco, the proposed development of Phase 2 with a total planned gross floor area of 63,068.00 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	No. of Phase	Portion of Development
Luo Cheng Gui Zheng [2006] Di No. (314)	19-May-2006	3,160.00	2	Block No. 12
Luo Cheng Gui Zheng [2006] Di No. (315)	19-May-2006	2,203.00	2	Block No. 13
Luo Cheng Gui Zheng [2006] Di No. (316)	19-May-2006	1,400.00	2	Block No. 14
Luo Cheng Gui Zheng [2006] Di No. (317)	19-May-2006	3,384.00	2	Block No. S5
Luo Cheng Gui Zheng [2006] Di No. (458)	27-Jun-2006	3,842.00	2	Block No. 1
Luo Cheng Gui Zheng [2006] Di No. (459)	27-Jun-2006	1,190.00	2	Block No. S1
Luo Cheng Gui Zheng [2006] Di No. (460)	27-Jun-2006	2,575.00	2	Block No. 2
Luo Cheng Gui Zheng [2006] Di No. (461)	27-Jun-2006	1,780.00	2	Block No. 3
Luo Cheng Gui Zheng [2006] Di No. (462)	27-Jun-2006	1,903.00	2	Block No. S2
Luo Cheng Gui Zheng [2006] Di No. (463)	27-Jun-2006	4,753.00	2	Block No. 4
Luo Cheng Gui Zheng [2006] Di No. (464)	27-Jun-2006	5,450.00	2	Block No. 5
Luo Cheng Gui Zheng [2006] Di No. (465)	27-Jun-2006	3,858.00	2	Block No. 6
Luo Cheng Gui Zheng [2006] Di No. (466)	27-Jun-2006	5,180.00	2	Block No. 7
Luo Cheng Gui Zheng [2006] Di No. (467)	27-Jun-2006	3,575.00	2	Block No. 8
Luo Cheng Gui Zheng [2006] Di No. (468)	27-Jun-2006	4,890.00	2	Block No. 9
Luo Cheng Gui Zheng [2006] Di No. (469)	27-Jun-2006	2,903.00	2	Block No. 10
Luo Cheng Gui Zheng [2006] Di No. (470)	27-Jun-2006	3,173.00	2	Block No. 11
Luo Cheng Gui Zheng [2006] Di No. (471)	27-Jun-2006	1,851.00	2	Block No. S3
Luo Cheng Gui Zheng [2006] Di No. (472)	27-Jun-2006	1,851.00	2	Block No. S4
Luo Cheng Gui Zheng [2006] Di No. (473)	27-Jun-2006	2,035.00	2	Block No. 15
Luo Cheng Gui Zheng [2006] Di No. (474)	27-Jun-2006	2,070.00	2	Block No. S6
Luo Cheng Gui Zheng [2006] Di No. (475)	27-Jun-2006	42.00	2	Public Toilet
TOTAL:		<u><u>63,068.00</u></u>		

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9. Pursuant to thirty two Construction Work Commencement Permits issued by the Construction Committee of Luoyang City, the construction works of the proposed development with a total planned gross floor area of 90,914.8 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
2004-197	25-Aug-2004	1	4,497	Block No. 1
2004-198	25-Aug-2004	1	2,995	Block No. 2
2004-199	25-Aug-2004	1	4,104	Block No. 3
2004-200	25-Aug-2004	1	3,481	Block No. 4
2004-201	25-Aug-2004	1	1,851	Block No. 5
2004-202	25-Aug-2004	1	3,481	Block No. 6
2004-203	25-Aug-2004	1	2,289	Block No. 7
2004-204	25-Aug-2004	1	2,309	Block No. 8
2004-205	25-Aug-2004	1	2,725	Block No. 9
2004-206	25-Aug-2004	1	2,921	Block No. 10
2004-207	25-Aug-2004	1	1,550	Block No. 11
2004-208	25-Aug-2004	1	3,123	Block No. 12
2004-209	25-Aug-2004	1	2,289.7	Block No. 13
2004-210	25-Aug-2004	1	2,996	Block No. 14
2004-211	25-Aug-2004	1	2,996	Block No. 15
2004-212	25-Aug-2004	1	2,844.50	Block No. 16
2004-213	25-Aug-2004	1	1,060.10	Block No. 17
2004-214	25-Aug-2004	1	1,921.1	Block No. 18
2004-215	25-Aug-2004	1	1,601	Block No. 19
2004-216	25-Aug-2004	1	2,921.80	Block No. 20
2004-217	25-Aug-2004	1	1,060.10	Block No. 21
2004-218	25-Aug-2004	1	2,309.80	Block No. 22
2004-219	25-Aug-2004	1	2,802.80	Block No. 23
2004-220	25-Aug-2004	1	2,189.10	Block No. 24
2004-221	25-Aug-2004	1	2,577.20	Block No. 25
2004-222	25-Aug-2004	1	2,577.20	Block No. 26
2004-223	25-Aug-2004	1	2,858.60	Block No. 27
2004-224	25-Aug-2004	1	4,986.60	Block No. S1
2004-225	25-Aug-2004	1	4,235.00	Block No. S2
2004-226	25-Aug-2004	1	1,362.20	Block No. S3
2004-227	25-Aug-2004	1	5,000	Block No. S4
2004-228	25-Aug-2004	1	5,000	Block No. S5
TOTAL:			<u>90,914.8</u>	

10. Pursuant to a Report on Construction Work Commencement of the Large-scale Development Project in Luoyang City, the construction works of the proposed development of Phase 2 has been approved by the relevant government authorities and undertaken by various parties to commence.

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11. Pursuant to nine Pre-sale Permits issued by the Real Estate Market Administrative Office of Luoyang City to Luoyang Sunco, Luoyang Sunco was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	No. of Phase	Effective Period	Pre-sale GFA (sq.m.)	Portion of Development
Luo Fang Shi Shang Yu Zi Di No. Y04-034	24-Aug-2004	Phase 1	24-Aug-2004 to 31-Dec-2005	28,372.80	Block Nos. 1 to 4, 9, 12,13,16 and 22
Luo Fang Shi Shang Yu Zi Di No. Y04-036	10-Sep-2006	Phase 1	09-Dec-2004 to 31-Mar-2006	18,079.16	Block Nos. 5, 7, 8, 14, 15, 17 to 19, 21
Luo Fang Shi Shang Yu Zi Di No. Y04-042	02-Nov-2005	Phase 1	18-Oct-2004 to 31-Mar-2006	15,057.74	Block Nos. 6, 11, 24 to 26
Luo Fang Shi Shang Yu Zi Di No. Y04-063	02-Nov-2005	Phase 1	09-Dec-2004 to 31-Mar-2006	18,402.74	Commercial
Luo Fang Shi Shang Yu Zi Di No. Y04-058	17-Nov-2004	Phase 1	17-Nov-2004 to 31-Mar-2006	11,120.08	Block Nos. 10, 20, 23 and 27
Luo Fang Shi Shang Yu Zi Di No. Y06-032	07-Jun-2006	Phase 2	N/A	18,323.19	Block Nos. 12, 13, 14 and Commercial
Luo Fang Shi Shang Yu Zi Di No. Y06-039	27-Jun-2006	Phase 2	N/A	9,822.30	Block Nos. 7, 10 and 15
Luo Fang Shi Shang Yu Zi Di No. Y06-041	19-Jul-2006	Phase 2	N/A	21,740.95	Block Nos. 1 to 3, 5, 6 and 9
Luo Fang Shi Shang Yu Zi Di No. Y06-068	29-Nov-2006	Phase 2	N/A	11,166.58	Block No. 4, 8 and 11
TOTAL:				<u><u>152,085.54</u></u>	

12. Pursuant to two Completed Flat Sale Memorials issued by the Real Estate Market Administrative Office of Luoyang City to Luoyang Sunco, Luoyang Sunco was entitled to sale the completed units of portion of Phase 1 of the development to the market with details as follows:

Permit No.	Date of Issue	GFA (sq.m.)	Portion of Development
No. X06-002	23-Jan-2006	2,333.91	Block Nos. 17, 18, 19 and 21
No. X06-006	04-Apr-2006	<u>9,451.91</u>	Commercial
TOTAL:		<u><u>11,785.82</u></u>	

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

13. Pursuant to thirty four Building Ownership Certificates issued by the Real Estate Administrative Bureau of Luoyang City to Luoyang Sunco, the building ownership rights of various blocks of Phase 1 comprising a total gross floor area of 91,826.74 sq.m. are legally owned by Luoyang Sunco with details as follows:

Certificate No.	Block No.	Date of Issue	GFA (sq.m.)	User
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323572	Block 1	27-Dec-2005	4,497.86	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323573	Block 2	27-Dec-2005	2,995.95	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323574	Block 3	27-Dec-2005	4,050.89	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323575	Block 4	27-Dec-2005	3,481.65	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323576	Block 5	27-Dec-2005	1,851.88	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323577	Block 6	27-Dec-2005	3,481.65	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323578	Block 7	27-Dec-2005	2,288.21	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323579	Block 8	27-Dec-2005	2,310.97	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323580	Block 9	27-Dec-2005	2,685.86	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323567	Block 10	27-Dec-2005	3,401.84	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323597	Block 11	27-Dec-2005	1,558.80	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323596	Block 12	27-Dec-2005	3,118.50	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323595	Block 13	27-Dec-2005	2,288.21	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323594	Block 14	27-Dec-2005	2,995.95	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323593	Block 15	27-Dec-2005	2,995.95	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323592	Block 16	27-Dec-2005	2,814.06	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323591	Block 17	27-Dec-2005	1,043.52	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323590	Block 18	27-Dec-2005	1,885.73	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323589	Block 19	27-Dec-2005	1,641.56	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323588	Block 20	27-Dec-2005	3,401.84	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323587	Block 21	27-Dec-2005	1,043.52	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323586	Block 22	27-Dec-2005	2,310.97	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323585	Block 23	27-Dec-2005	2,661.43	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323584	Block 24	27-Dec-2005	2,165.47	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323583	Block 25	27-Dec-2005	2,565.49	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323582	Block 26	27-Dec-2005	2,565.49	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323581	Block 27	27-Dec-2005	2,734.98	Residential
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323571	Block S1	27-Dec-2005	4,575.20	Commercial
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323570	Block S2	27-Dec-2005	4,035.16	Commercial
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323569	Block S3	27-Dec-2005	1,328.99	Commercial
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323568	Block S4	27-Dec-2005	4,863.66	Commercial
Luo Shi Fang Quan Zheng (2005) Zi Di No. X323566	Block S5	27-Dec-2005	4,863.66	Commercial
Luo Shi Fang Quan Zheng (2005) Zi Di No. X325113	Block S6-1	30-Dec-2005	459.70	Commercial
Luo Shi Fang Quan Zheng (2005) Zi Di No. X325114	Block S6-2	30-Dec-2005	862.14	Commercial
TOTAL:			<u>91,826.74</u>	

APPENDIX VII

**PROPERTY VALUATION OF THE PROPERTY
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14. As advised by Sunco A Group, portions of Phases 1 and 2 of the development have been pre-sold for a total consideration of RMB122,000,000. Although pre-sold, the legal conveyancing procedures of such portions are yet to be completed. Such figure was included in our valuation of the market value of the property as above. The salient details of these portions are listed out below:

No. of Phase	User	No. of Units Sold	Respective GFA (sq.m.)	Total Consideration RMB
Phase 1	Residential	4	996.22	2,000,000
Phase 2	Residential	279	36,060.44	80,000,000
Phase 2	Commercial	63	<u>7,870.72</u>	<u>40,000,000</u>
TOTAL:			<u>44,927.38</u>	<u>122,000,000</u>

15. As advised by Sunco A Group, Phase 1 of the subject development has been completed and Phase 2 of the subject development is scheduled to be completed in 31 October 2007. The total investment of Phases 1 and 2 of the development is estimated to be RMB289,174,000, of which a sum of RMB229,364,000 has been paid as at the date of valuation.
16. In the course of our valuation, we have attributed no commercial value to the club house in Phase 1 with a gross floor area of 2,200 sq.m. which are yet to be granted with proper Construction Works Commencement Permit to commence construction. For reference purposes, we are of the opinion that the market value of this portion in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and have been granted with all necessary title documents, would be RMB8,800,000 (interest attributable to the Enlarged Group: RMB7,800,000).
17. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB223,000,000 (interest attributable to the Enlarged Group: RMB197,000,000) inclusive of the portion without proper Construction Works Commencement Permit (as mentioned in Note 16 above) and the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.
18. The major certificates and relevant approvals of the property is summarized as follows:

	Phase 1	Phase 2
i. State-owned Land Use Rights Grant Contract	Yes	Yes
ii. State-owned Land Use Rights Certificates	Yes	Yes
iii. Construction Land Use Planning Permits	N/A	Yes
iv. Construction Project Planning Permits	N/A	Yes
v. Report on Construction Works Commencement	N/A	Yes
vi. Pre-sale Permits	Yes	Yes
vii. Completed Flat Sale Memorials	Yes	No
viii. Building Ownership Certificates	Yes	No

19. Luoyang Sunco is a wholly-owned subsidiary of Sunco A.

20. Pursuant to a Mortgage Agreement, Jian Luo Fang Kai [2007] 001 — No. 01 entered into between Luoyang Sunco (the “mortgagor”) and China Construction Bank, Luoyang Branch (the “mortgagee”) dated 29 January 2007, the construction works of Phase 2 of Luoyang 1st Street with a total gross floor area of 41,540.67 sq.m. was subject to a mortgage in favour of the mortgagee for a term of 2 years commencing on 30 January 2007 and expiring on 29 January 2009 as security for a loan of RMB35,000,000.
21. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Luoyang Sunco legally owns the land use rights of the land parcels with a total site area of 129,637.40 sq.m. as mentioned in Note 5 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of mortgage;
 - (ii) Luoyang Sunco legally owns and is entitled to lease, mortgage and transfer the building ownership rights of the unsold portion of Phase 1 of the property;
 - (iii) All land premium has been paid in full;
 - (iv) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
 - (v) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Luoyang Sunco. During the term of the mortgage, Luoyang Sunco should not create a second charge on the mortgaged portion without the prior written consent from the mortgagee; Luoyang Sunco should not lease, transfer or bestow the mortgaged portion to any third party;
 - (vi) As Sunco A Acquisitions will not affect the ability of Luoyang Sunco as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions;
 - (vii) Luoyang Sunco is entitled to freely sell the portion of the development as mentioned in Note 11 in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portion of the property; and
 - (viii) Luoyang Sunco could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Luoyang Sunco still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
3. Phase 1 The Mansion Junction of Tiyu Da Road and Wenhua East Road Luoyang New District Luoyang City Henan Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handed over for Phase 1 of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “The Mansion”. The unsold portion of Phase 1 comprises 88 residential units with a total gross floor area of approximately 8,813.08 sq.m.; 6 commercial units with a total gross floor area of approximately 2,085.27 sq.m.; and 93 carparking spaces. The subject development is erected on a parcel of land with a site area of approximately 75,635.7 sq.m., in which Phase 1 comprises a site area of approximately 30,294 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 30 April 2074 for residential uses, and a term of 40 years expiring on 30 April 2044 for commercial uses.	As at the date of valuation, the property is completed and is held by Sunco A Group for sale.	77,000,000 <i>(88.46% Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: 68,000,000)</i>

Notes:-

- According to the development plan handed to us by Sunco A Group, Phase 1 of the subject development will comprise a total planned gross floor area of approximately 90,866 sq.m. upon completion with details as follows:

No. of Phase	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 1	Block Nos. 4, 9 to 13	Residential	38,088	Completed
Phase 1	Blocks S1 to S6, S8	Commercial	18,518	Completed
Phase 1	N/A	Carpark	<u>34,260</u>	Completed
TOTAL:			<u><u>90,866</u></u>	

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**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Luoyang City, Henan Province (the “grantor”) and 天津順馳地產有限公司 (the “grantee”) dated 30 April 2004, the land use rights of the subject land with a site area of 75,635.714 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) respectively commencing on the date of transfer of the land at a consideration of RMB39,708,750.
3. As confirmed by 天津順馳地產有限公司, all of the rights and obligations of 天津順馳地產有限公司 under the State-owned Land Use Rights Grant Contract as mentioned in Note 2 above should thereafter be transferred to 洛陽順馳房地產開發有限公司 (“Luoyang Sunco”). 天津順馳地產有限公司 committed that there should be no impediment in relation to the enforcement of the Contract and Luoyang Sunco should be responsible for the development of the subject land.
4. Pursuant to a State-owned Land Use Rights Certificate, Luo Shi Guo Yong (2004) Di No. 05002495 issued by the People’s Government of Luoyang City to Luoyang Sunco dated 6 December 2004, the land use rights of the subject land with a site area of 75,635.7 sq.m. were granted to Luoyang Sunco for a term of 40 years expiring on 30 April 2044 for commercial uses and a term of 70 years expiring on 30 April 2074 for residential uses.
5. Pursuant to a Construction Land Use Planning Permit, No. 04-128 issued by the City Planning Bureau of Luoyang City to Luoyang Sunco dated 22 September 2004, the proposed land use for the development on the subject land with a total site area of 75,635.714 sq.m. was approved.
6. Pursuant to thirteen Construction Project Planning Permits issued by the City Planning Bureau of Luoyang City to Luoyang Sunco, the proposed development with a total planned gross floor area of 58,429.82 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
No. 05-269	28-Apr-2005	Phase 1	1,816.57	Block S1
No. 05-270	28-Apr-2005	Phase 1	2,718.07	Block S2
No. 05-271	28-Apr-2005	Phase 1	2,684.96	Block S3
No. 05-272	28-Apr-2005	Phase 1	1,143.79	Block S4
No. 05-312	19-May-2005	Phase 1	3,951.90	Block S5
No. 05-313	19-May-2005	Phase 1	6,268.53	Block S6
No. 05-361	26-May-2005	Phase 1	4,484.00	Block No. 9
No. 05-362	26-May-2005	Phase 1	7,722.00	Block No. 10
No. 05-363	26-May-2005	Phase 1	4,848.00	Block No. 11
No. 05-364	26-May-2005	Phase 1	5,092.00	Block No. 12
No. 05-365	26-May-2005	Phase 1	8,206.00	Block No. 13
No. 05-602	08-Aug-2005	Phase 1	8,194.00	Block No. 4
No. 05-603	08-Aug-2005	Phase 1	<u>1,300.00</u>	Block No. S8
TOTAL:			<u>58,429.82</u>	

APPENDIX VII**PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP**

7. Pursuant to thirteen Construction Works Commencement Permits issued by the Construction Committee of Luoyang City to Luoyang Sunco, the construction works of the proposed development with a total planned gross floor area of 48,275.60 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
No. 2005-102	31-May-2005	Phase 1	1,816.60	Block No. S1
No. 2005-103	31-May-2005	Phase 1	2,140.60	Block No. S2
No. 2005-104	31-May-2005	Phase 1	1,483.50	Block No. S3
No. 2005-105	31-May-2005	Phase 1	953.50	Block No. S4
No. 2005-106	31-May-2005	Phase 1	1,258.40	Block No. S5
No. 2005-107	31-May-2005	Phase 1	777.00	Block No. S6
No. 2005-108	03-Jun-2005	Phase 1	4,484.00	Block No. 9
No. 2005-109	03-Jun-2005	Phase 1	7,722.00	Block No. 10
No. 2005-110	03-Jun-2005	Phase 1	4,848.00	Block No. 11
No. 2005-111	03-Jun-2005	Phase 1	5,092.00	Block No. 12
No. 2005-112	03-Jun-2005	Phase 1	8,206.00	Block No. 13
No. 2006-007	11-Jan-2006	Phase 1	8,194.00	Block No. 4
No. 2006-008	11-Jan-2006	Phase 1	1,300.00	Block No. S8
TOTAL:			<u>48,275.60</u>	

8. Pursuant to three Pre-sale Permits issued by the Real Estate Market Administrative Office of Luoyang City to Luoyang Sunco, Luoyang Sunco was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	No. of Phase	Effective Period	Pre-sale GFA (sq.m.)	Portion of Development
Luo Fang Shi Shang Yu Zi Di No. Y05-025	10-May-2005	Phase 1	10-May-2005 to 31-Dec-2006	19,286.02	Blocks S1 to S6, S8
Luo Fang Shi Shang Yu Zi Di No. Y05-043	25-Jul-2005	Phase 1	25-Jul-2005 to 31-Dec-2006	30,355.56	Block Nos. 9 to 13
Luo Fang Shi Shang Yu Zi Di No. Y05-074	02-Nov-2005	Phase 1	02-Nov-2005 to 31-Dec-2007	7,962.27	Block No. 4
TOTAL:				<u>57,603.85</u>	

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

9. Pursuant to eleven Building Ownership Certificates issued by the Real Estate Administrative Bureau of Luoyang City to Luoyang Sunco, the building ownership rights of various blocks comprising a total gross floor area of 17,302.46 sq.m. are legally owned by Luoyang Sunco with details as follows:

Certificate No.	Block No.	Date of Issue	GFA (sq.m.)	User
Luo Shi Fang Quan Zheng (2007) Zi Di No. X387102	Block S1	7-Mar-2007	1,644.06	Commercial
Luo Shi Fang Quan Zheng (2007) Zi Di No. X387103	Block S2	7-Mar-2007	2,663.55	Commercial
Luo Shi Fang Quan Zheng (2007) Zi Di No. X387104	Block S3	7-Mar-2007	2,589.40	Commercial
Luo Shi Fang Quan Zheng (2007) Zi Di No. X387105	Block S4	7-Mar-2007	1,193.50	Commercial
Luo Shi Fang Quan Zheng (2007) Zi Di No. X387106	Block S5	7-Mar-2007	342.29	Commercial
Luo Shi Fang Quan Zheng (2007) Zi Di No. X387107	Block S5	7-Mar-2007	816.52	Commercial
Luo Shi Fang Quan Zheng (2007) Zi Di No. X387108	Block S5	7-Mar-2007	1,772.72	Commercial
Luo Shi Fang Quan Zheng (2007) Zi Di No. X387109	Block S6	7-Mar-2007	2,044.97	Commercial
Luo Shi Fang Quan Zheng (2007) Zi Di No. X387110	Block S6	7-Mar-2007	1,250.19	Commercial
Luo Shi Fang Quan Zheng (2007) Zi Di No. X387111	Block S6	7-Mar-2007	1,412.53	Commercial
Luo Shi Fang Quan Zheng (2007) Zi Di No. X387112	Block S6	7-Mar-2007	<u>1,572.73</u>	Commercial
TOTAL:			<u><u>17,302.46</u></u>	

10. As advised by Sunco A Group, a portion of Phase 1 of the development has been pre-sold for a total consideration of RMB33,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was included in our valuation of the market value of the property as above. The salient details of that portion are listed out below:

No. of Phase	User	No. of Units Sold	Respective GFA (sq.m.)	Total Consideration RMB
Phase 1	Residential	63	7,590.56	19,000,000
Phase 1	Commercial	10	<u>2,039.97</u>	<u>14,000,000</u>
TOTAL:			<u><u>9,630.53</u></u>	<u><u>33,000,000</u></u>

11. As advised by Sunco A Group, Phase 1 of the development has been completed but is yet to be granted with the Certificate(s) of Completion. The total investment of Phase 1 is estimated to be RMB129,554,000, of which a sum of RMB111,322,000 has been paid as at the date of valuation.

12. The major certificates and relevant approvals of the property is summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificate	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Project Planning Permits	Yes
v.	Construction Works Commencement Permits	Yes
vi.	Pre-sale Permits	Yes
vii.	Building Ownership Certificates	Yes (Part)

13. Luoyang Sunco is a wholly-owned subsidiary of Sunco A.

14. Pursuant to a Mortgage Agreement, No. 2005-33 entered into between Luoyang Sunco (the “mortgagor”) and China Construction Bank Luoyang Branch (the “mortgagee”) dated 7 September 2005, portion of the land use rights held under Luo Shi Guo Yong (2004) Di No. 05002495 with a site area of 39,610.2 sq.m. were subject to a mortgage in favour of the mortgagee for a term of 2 years commencing on 7 September 2005 and expiring on 6 September 2007 as security for a loan of RMB30,000,000.

15. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:

- (i) Luoyang Sunco legally owns the land use rights of land parcels with a total site area of 75,635.7 sq.m. as mentioned in Note 4 above and Luoyang Sunco is entitled to use, occupy and mortgage the land use rights of the property during the land use rights terms subject to discharge of the mortgage;
- (ii) Luoyang Sunco legally owns the building ownership rights of portion of the property as mentioned in Note 9 above and is entitled to lease, mortgage and transfer the building ownership rights of the unsold portion of that portion of the property;
- (iii) All land premium has been paid in full;
- (iv) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
- (v) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Luoyang Sunco. During the term of the mortgage, Luoyang Sunco should not create a second charge on the mortgaged portion without the prior written consent from the mortgagees; Luoyang Sunco should not lease, transfer or bestow the mortgaged portion to any third party;
- (vi) As Sunco A Acquisitions will not affect the ability of Luoyang Sunco as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions;
- (vii) Luoyang Sunco entitled to freely sell the portion of the development mentioned in Note 8 above in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portion of the property; and
- (viii) Luoyang Sunco could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Luoyang Sunco still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
4. Phases 1 and 2 Sunco Town East of Nanchang Road Jianxi District Luoyang City Henan Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered for Phase 1 and Phase 2 of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Sunco Town”. The unsold portion of Phase 1 comprises 94 residential units with a total gross floor area of approximately 13,511.01 sq.m.; 23 commercial units with a total gross floor area of approximately 6,040.1 sq.m. and 25 carparking spaces. The unsold portion of Phase 2 comprises 168 residential units with a total gross floor area of approximately 27,112.18 sq.m.; residential spaces with a total gross floor area of approximately 32,343.86 sq.m.; and commercial spaces with a total gross floor area of approximately 5,268 sq.m. and 100 carparking spaces. The subject development is erected on a parcel of land with a site area of approximately 110,520.90 sq.m., in which Phases 1 and 2 comprise a total site area of approximately 62,553 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 1 December 2074 for residential uses, and a term of 40 years expiring on 1 December 2044 for commercial uses.	As at the date of valuation, the property is under construction and is held by Sunco A Group for sale.	284,000,000 <i>(88.46% Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: 251,000,000)</i>

APPENDIX VII

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

Notes:

1. According to the development plan handed to us by Sunco A Group, Phases 1 and 2 of the subject development will comprise a total planned gross floor area of approximately 170,995 sq.m. upon completion with details as follows:

No. of Phase	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 1	Block Nos. 1 to 8	Residential and Carpark	76,986	Completed
Phase 1	Block Nos. S1 to S6	Commercial	17,214	Completed
Phase 2	Block Nos. 9 to 11; 23 to 24	Residential and Carpark	66,554	Under Construction
Phase 2	Composite Building	Composite	4,973	Under Construction
Phase 2	Block Nos. A1 to A2	Commercial	<u>5,268</u>	Under Construction
TOTAL:			<u><u>170,995</u></u>	

2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Luoyang City, Henan Province (the “grantor”) and 洛陽順馳房地產開發有限公司 (Luoyang Sunco) (the “grantee”) dated 1 December 2004, the land use rights of the subject development with a total site area of 110,520.90 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) respectively commencing on the date of the transfer of the land at a consideration of RMB160,365,946.33.
3. Pursuant to three State-owned Land Use Rights Certificates issued by the People’s Government of Luoyang City, the land use rights of portion of the subject land with a total site area of 110,520.9 sq.m. were granted to Luoyang Sunco for residential and commercial uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	Term
Luo Shi Guo Yong (2005) Di No. 04002022	10-May-2005	53,321.80	Commercial: Expiring on 01-Dec-2044 Residential: Expiring on 01-Dec-2074
Luo Shi Guo Yong (2006) Di No. 04004919	26-May-2006	13,942.80	Commercial: Expiring on 01-Dec-2044 Residential: Expiring on 01-Dec-2074
Luo Shi Guo Yong (2007) Di No.0400376	1-Feb-2007	43,256.30	Commercial: Expiring on 01-Dec-2044 Residential: Expiring on 01-Dec-2074
TOTAL:		<u><u>110,520.90</u></u>	

4. Pursuant to a Construction Land Use Planning Permit, No. 05-028 issued by the City Planning Bureau of Luoyang City to Luoyang Sunco dated 25 April 2005, the proposed land use for the development on the land with a total site area of 109,107.10 sq.m. was approved.

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**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

5. Pursuant to sixteen Construction Project Planning Permits issued by the City Planning Bureau of Luoyang City to Luoyang Sunco, the proposed development with a total planned gross floor area of 153,781 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
No. 05-494	04-Jul-2005	Phase 2	4,973	Composite Building
No. 05-495	04-Jul-2005	Phase 2	2,350	Block A1
No. 05-496	04-Jul-2005	Phase 2	2,918	Block A2
No. 05-497	04-Jul-2005	Phase 1	7,579	Block No. 2
No. 05-498	04-Jul-2005	Phase 1	7,361	Block No. 3
No. 05-514	13-Jul-2005	Phase 1	10,545	Block No. 1
No. 05-515	13-Jul-2005	Phase 1	6,890	Block No. 4
No. 05-516	13-Jul-2005	Phase 1	8,328	Block No. 5
No. 05-517	13-Jul-2005	Phase 1	10,800	Block No. 6
No. 05-518	13-Jul-2005	Phase 1	14,195	Block No. 7
No. 05-519	13-Jul-2005	Phase 1	11,288	Block No. 8
Luo Cheng Gui Zheng [2006] Di No. (236)	11-Apr-2006	Phase 2	6,623	Block No. 9
Luo Cheng Gui Zheng [2006] Di No. (237)	11-Apr-2006	Phase 2	17,445	Block No. 10
Luo Cheng Gui Zheng [2006] Di No. (238)	11-Apr-2006	Phase 2	8,134	Block No. 11
Luo Cheng Gui Zheng [2006] Di No. (534)	13-Jul-2006	Phase 2	17,176	Block No. 23
Luo Cheng Gui Zheng [2006] Di No. (535)	13-Jul-2006	Phase 2	<u>17,176</u>	Block No. 24
TOTAL:			<u><u>153,781</u></u>	

6. Pursuant to a Report on Construction Works Commencement of the Medium to Large-scale Development Project in Luoyang City, the construction works of the proposed development has been approved by the relevant government authorities and undertaken by various parties to commence.

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

7. Pursuant to six Pre-sale Permits issued by the Real Estate Market Administrative Office of Luoyang City to Luoyang Sunco, Luoyang Sunco was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	No. of Phase	Effective Period	Pre-sale GFA (sq.m.)	Portion of Development
Luo Fang Shi Shang Yu Zi Di No. Y05-041	07-Jul-2005	Phase 1	07-Jul-2005 to 30-Jun-2007	19,810.38	Block Nos. 2 and 3, Commercial
Luo Fang Shi Shang Yu Zi Di No. Y05-046	28-Jul-2005	Phase 1	28-Jul-2005 to 30-Jun-2007	47,996.67	Block Nos. 1, 4, 6, 7 and 8
Luo Fang Shi Shang Yu Zi Di No. Y05-073	27-Oct-2005	Phase 1	27-Oct-2005 to 31-Dec-2006	8,178.58	Block No. 5
Luo Fang Shi Shang Yu Zi Di No. Y05-077	17-Nov-2005	Phase 1	17-Nov-2005 to 30-Jun-2007	4,898.23	Block No. 88# (Commercial)
Luo Fang Shi Shang Yu Zi Di No. Y06-024	24-Apr-2006	Phase 2	N/A	30,807.24	Block Nos. 9 to 11
Luo Fang Shi Shang Yu Zi Di No. Y07-003	25-Jan-2007	Phase 2	N/A	15,167.86	Block No. 23
TOTAL:				<u><u>126,858.96</u></u>	

8. As advised by Sunco A Group, portions of Phase 1 and Phase 2 of the development have been pre-sold for a total consideration of RMB37,000,000. Although pre-sold, the legal conveyancing procedures of such portions are yet to be completed. Such figure was included in our valuation of the market value of the property as above. The salient details of these portions are listed out below:

No. of Phase	User	No. of Units Sold	Respective GFA (sq.m.)	Total Consideration RMB
Phase 1	Residential	52	7,441.16	20,000,000
Phase 2	Residential	20	3,657.80	11,000,000
Phase 1	Commercial	5	<u>1,205.22</u>	<u>6,000,000</u>
TOTAL:			<u><u>12,304.18</u></u>	<u><u>37,000,000</u></u>

9. As advised by Sunco A Group, Phase 1 of the subject development has been completed but is yet to be granted with the Certificate(s) of Completion and Phase 2 is scheduled to be completed in May 2009. The total investment of Phases 1 and 2 is estimated to be RMB374,492,000, of which a sum of RMB245,367,000 has been paid as at the date of valuation.
10. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB384,000,000 (interest attributable to the Enlarged Group: RMB340,000,000) inclusive of the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

11. The major certificates and relevant approvals of the property are summarized as follows:

	Phase 1	Phase 2
i. State-owned Land Use Rights Grant Contract	Yes	Yes
ii. State-owned Land Use Rights Certificates	Yes	Yes
iii. Construction Land Use Planning Permit	Yes	Yes
iv. Construction Project Planning Permits	Yes	Yes
v. Report on Construction Works Commencement	Yes	Yes
vi. Pre-sale Permits	Yes	Yes

12. Luoyang Sunco is a wholly-owned subsidiary of Sunco A.

13. The property is subject to various mortgages as pursuant to four mortgage agreements at a total consideration of RMB100,500,000 with details as follows:

- (i) Pursuant to a Mortgage Agreement, Jian Luo Fang Fang Kai [2006] 001 entered into between Luoyang Sunco (the “mortgagor”) and China Construction Bank Luoyang Branch (the “mortgagee”) dated 17 January 2006, the land use rights held under Luo Shi Guo Yong (2005) Di No. 04002022 and the construction works thereon were together subject to a mortgage in favour of the mortgagee for a term of 2 years commencing on 10 January 2006 and expiring on 9 January 2008 at a consideration of RMB50,000,000.
- (ii) Pursuant to 3 Mortgage Agreements, (Xigong Branch) Nong Yin Di Zi No. 41902200800000351, No. 41902200800000352 and No. 41902200800000353 entered into between Luoyang Sunco (the “mortgagor”) and Agricultural Bank of China Luoyang Xigong Branch (the “mortgagee”) dated 23 January 2006, 28 February 2006 and 18 April 2006 respectively, the land use rights held under Luo Shi Guo Yong (2005) Di No. 04002022 and the construction works thereon were together subject to a mortgage in favour of the mortgagee at a total consideration of RMB50,500,000 with details as follows:

Mortgage Agreement No.	From	To	Consideration RMB
No. 41902200800000351	23-Jan-2006	22-Oct-2007	10,000,000
	23-Jan-2006	22-Jan-2008	20,000,000
No. 41902200800000352	28-Feb-2006	22-Jan-2008	13,000,000
No. 41902200800000353	18-Apr-2006	22-Jan-2008	7,500,000
TOTAL:			<u><u>50,500,000</u></u>

14. We have been provided with a legal opinion regarding the property interested by the Group’s PRC legal advisers, which contains, *inter alia*, the following:

- (i) Luoyang Sunco legally owns the land use rights of the land parcels with a total site area of 110,520.90 sq.m. in Note 3 above and Luoyang Sunco is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of the mortgages;
- (ii) All land premium has been paid in full;

- (iii) The mortgage agreements have been registered with the relevant government authorities and are therefore legal, valid and binding on Luoyang Sunco. During the term of the mortgage, Luoyang Sunco should not create a second charge on the mortgaged portions without the prior written consent from the mortgagees; Luoyang Sunco should not lease, transfer or bestow the mortgaged portions to any third party;
- (iv) As Sunco A Acquisitions will not affect the ability of Luoyang Sunco as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions;
- (v) For the construction works which have been granted with Construction Project Planning Permits and Report on Construction Works Commencement of the Medium to Large-scale Development Project in Luoyang City, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
- (vi) Luoyang Sunco entitled to freely sell the portion of development mentioned in Note 7 in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portion of the property; and
- (vii) Luoyang Sunco could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Luoyang Sunco still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
5. Zhengzhou 1st Street North of Nongye East Road Zhengdong New District Zhengzhou City Henan Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of Phases 1 to 4 of a large-scale residential and commercial composite development known as “Zhengzhou 1st Street”. The unsold portion of Phase 1 to Phase 3 comprises 5 commercial units with a total gross floor area of approximately 1,764.87 sq.m.; 190 basement units with a total gross floor area of approximately 4,113.67 sq.m. and 178 car parking spaces; The unsold portion of Phase 4 comprises 6 commercial units with a total gross floor area of approximately 1,840.83 sq.m.; 99 basement units with a total gross floor area of approximately 1,507.82 sq.m. and 61 car parking spaces. The subject development is erected on 6 parcels of land with a total site area of approximately 235,570.092 sq.m. The land use rights of the property were granted for various terms with the latest expiry date being 10 April 2076 for residential uses.	As at the date of valuation, the property is under construction and is held by Sunco A Group for sale.	414,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion Of Sunco A Acquisitions: RMB366,000,000)</i>

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

Notes:

1. According to the development plan handed to us by Sunco A Group, the subject development will be developed in four phases comprising a total planned gross floor area of approximately 297,433 sq.m. upon completion with details as follows:

No. of Phase	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 1	Blocks 9-Z1 to 9-Z13	Residential/ Commercial	34,219	Completed
Phase 1	N/A	Car Parking	1,857	Completed
Phase 1	N/A	Show Room	1,147	Completed
Phase 1	Blocks 10-Z1 to 10-Z15	Residential	49,525	Completed
Phase 1	N/A	Sales Office	3,398	Completed
Phase 1	N/A	Club House	4,184	Completed
Phase 1	N/A	Car Park	2,850	Completed
Phase 2	Blocks 5-Z1 to 5-Z13	Residential	33,744	Completed
Phase 2	Blocks 5-S1 to 5-S3	Commercial	6,087	Completed
Phase 2	N/A	Car Park	2,387	Completed
Phase 3	Blocks 6-Z1 to 6-Z21	Residential	45,022	Completed
Phase 3	Blocks 6-S1 to 6-S2	Commercial	6,413	Completed
Phase 3	N/A	Car Park	595	Completed
Phase 3	N/A	Underground Area	5,674	Completed
Phase 4	Blocks 11-Z1 to 11-Z24	Residential	88,040	Under Construction
Phase 4	Blocks 11-S1 to 11-S2	Commercial	5,552	Under Construction
Phase 4	N/A	Car Park	4,909	Under Construction
Phase 4	Block 11-Y	Kindergarten	1,830	Yet to Commence Construction
TOTAL:			297,433	

2. Pursuant to a State-owned Land Use Rights Grant Contract, Zheng Guo Tu Zi Jiao Yi He (2004) No. 009 entered into between the State-owned Land Resources Bureau of Zhengzhou City, Henan Province (the “grantor”) and 天津順馳地產有限公司 (the “grantee”) dated 29 April 2004, the land use rights of 12 parcels of land (of which the subject land forms part) with a total site area of 557,184.20 sq.m. were granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) commencing on the date of the grant of the formal State-owned Land Use Rights Certificates at a total consideration of RMB537,900,000.
3. Pursuant to Supplementary Agreement No. 1 of the abovementioned State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Zhengzhou City, Henan Province (the “grantor”) and 河南順馳地產有限公司 (“Henan Sunco”) (the “grantee”) dated 9 May 2004, the land use rights of two parcels of land with a total site area of 239,964.9 sq.m. (including the subject land with a site area of 235,570.4 sq.m. and the land for International No. 1 (Property 6) with a site area of 4,394.5 sq.m.) were granted to the grantee for residential and commercial uses at a total consideration of RMB231,659,700.

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**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

4. Pursuant to six State-owned Land Use Rights Certificates issued by the People's Government of Zhengzhou City, the land use rights of the subject development with a total site area of 235,570.092 sq.m. were granted to Henan Sunco for residential uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	Term
Zheng Guo Yong (2004) Zi Di No. 0896	03-Aug-2004	30,631.000	Expiring on 03-Aug-2074
Zheng Guo Yong (2004) Zi Di No. 0897	03-Aug-2004	47,281.600	Expiring on 03-Aug-2074
Zheng Guo Yong (2004) Zi Di No. 1302	11-Nov-2004	33,883.192	Expiring on 11-Nov-2074
Zheng Guo Yong (2005) Zi Di No. 0180	25-Mar-2005	47,713.900	Expiring on 25-Mar-2075
Zheng Guo Yong (2006) Zi Di No. 0142	13-Mar-2006	45,236.400	Expiring on 13-Mar-2076
Zheng Guo Yong (2006) Zi Di No. 0212	10-Apr-2006	<u>30,824.000</u>	Expiring on 10-Apr-2076
TOTAL:		<u><u>235,570.092</u></u>	

5. Pursuant to three Construction Land Use Planning Permits issued by the Land Planning Bureau of Zhengdong New District Administrative Committee to Henan Sunco, the proposed land use for the development on the land with a total site area of 235,570.4 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Site Area (sq.m.)
[2004] Zheng Dong Gui Di Guan Xu Zi Di No. (0020)	22-Jun-2004	Phases 2 and 3	81,597.294
[2004] Zheng Dong Gui Di Guan Xu Zi Di No. (0021)	22-Jun-2004	Phase 1	77,912.716
[2005] Zheng Dong Gui Di Guan Xu Zi Di No. (0024)	20-Sep-2005	Phase 4	<u>76,060.390</u>
TOTAL:			<u><u>235,570.400</u></u>

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6. Pursuant to seven Construction Project Planning Permits issued by the Land Planning Bureau of Zhengdong New District Administrative Committee to Henan Sunco, the proposed development with a total planned gross floor area of 326,883.04 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
[2004] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0011)	06-Aug-2004	Phase 1	91,555.02	Phase 1 excluding car park
[2005] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0003)	02-Feb-2005	Phase 2	42,216.77	Phase 2 (including commercial)
[2005] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0008)	05-Apr-2005	Phase 3	68,763.98	Phase 3
[2005] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0024)	08-Aug-2005	Phase 1	4,645.00	Car Park
[2005] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0046)	22-Nov-2005	Phase 2	2,387.00	Car Park
[2006] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0009)	20-Mar-2006	Phase 4	66,423.65	Blocks 11-Z11 to 11-Z24; 11-Y; 11-S2 and Car Park
[2006] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0019)	15-Apr-2006	Phase 4	50,891.62	Blocks 11-Z1 to 11-Z10; 11-S1 and Car Park
TOTAL:			<u><u>326,883.04</u></u>	

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7. Pursuant to twenty five Construction Works Commencement Permits issued by the Zhengdong New District Administrative Committee to Henan Sunco, the construction works of the proposed development with a total planned gross floor area of 320,848.90 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
410105200407170101	17-Jul-2004	Phase 1	18,528.00	N/A
410105200407170201	17-Jul-2004	Phase 1	16,309.00	N/A
410105200407170301	17-Jul-2004	Phase 1	20,310.00	N/A
410105200407170401	17-Jul-2004	Phase 1	21,626.00	N/A
410105200407170501	17-Jul-2004	Phase 1	22,169.00	N/A
410105200502030101	03-Feb-2005	Phase 2	15,642.46	Blocks 5-Z5 to 5-Z10; 5-S2
410105200502030201	03-Feb-2005	Phase 2	11,177.92	Blocks 5-Z1 to 5-Z4; 5-S1
410105200502030301	03-Feb-2005	Phase 2	11,384.26	Blocks 5-Z11 to 5-Z13; 5-S3
410105200504050101	05-Apr-2005	Phase 3	63,090.48	Blocks 6-Z1 to 6-Z21, 6-S1, 6-S2 and Car Park
410105200511030101	03-Nov-2005	Phase 1	1,200.00	Car Park
410105200511030201	03-Nov-2005	Phase 1	1,126.00	Car Park
410105200511030301	03-Nov-2005	Phase 1	811.00	Car Park
410105200511030401	03-Nov-2005	Phase 1	731.00	Car Park
410105200501030501	03-Nov-2005	Phase 1	839.00	Car Park
410105200512160101	16-Dec-2005	Phase 2	938.00	Car Park
410105200512160201	16-Dec-2005	Phase 2	616.00	Car Park
410105200512160301	16-Dec-2005	Phase 2	833.00	Car Park
410105200603210101	21-Mar-2006	Phase 4	14,365.22	Blocks 11-Z12, 11-Z13, 11-Z17, 11-Z18 and Car Park
410105200603210201	21-Mar-2006	Phase 4	16,656.88	Blocks 11-Z14, 11-Z15, 11-Z19 and 11-Z20
410105200603210301	21-Mar-2006	Phase 4	18,808.00	Blocks 11-Z21 to 11-Z24
410105200604170101	17-Apr-2006	Phase 4	32,344.00	Blocks 11-Z2 to 11-Z4; 11-Z6 to 11-Z10; Car Park
410105200605300101	30-May-2006	Phase 4	13,047.43	Blocks 11-Z1 and 11-Z5
410105200605300201	30-May-2006	Phase 4	12,743.93	Blocks 11-Z11 and 11-Z16
410105200609120101	12-Sep-2006	Phase 4	1,978.08	Block 11-S2
410105200609180101	18-Sep-2006	Phase 4	3,574.24	Block 11-S1
TOTAL:			<u>320,848.90</u>	

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8. Pursuant to thirteen Pre-sale Permits issued by the Real Estate Administrative Bureau of Zhengzhou City to Henan Sunco, Henan Sunco was entitled to commence pre-sale of the development to the market with details as follows:

Permit No.	Date of Issue	No. of Phase	No. of Units	Effective Period	Pre-sale GFA (sq.m.)	Portion of Development
(2004) Zheng Fang Guan Yu Xiao Zi Di No. D0011	24-Sep-2004	Phase 1	835	Oct-2004 to Oct-2005	83,744.55	C1 to C13, D1 to D15; C3 and C9
(2004) Zheng Fang Guan Yu Xiao Zi D Di No. D0012	15-Oct-2004	Phase 1	14	Oct-2004 to Oct-2005	3,397.69	D16 and D17
(2005) Zheng Fang Guan Yu Zi Di No. D0025	11-Oct-2005	Phase 2	35	From 03-Mar-2005	5,009.72	A3, A5, A6 and A8
(2005) Zheng Fang Guan Yu Zi Di No. D0027	11-Oct-2005	Phase 2	182	From 15-Mar-2005	24,466.36	A1, A2, A4, A7, A9 and A13
(2005) Zheng Fang Guan Yu Zi Di No. D0032	13-Oct-2005	Phase 2	28	From 27-Apr-2005	5,945.23	A1, A5 and A11
(2005) Zheng Fang Guan Yu Zi Di No. D0036	11-Oct-2005	Phase 3	355	From 08-Jun-2005	51,435.63	B1 to B23
(2005) Zheng Fang Guan Yu Zi Di No. D0038	31-Aug-2005	Phase 1	3	From 01-Sep-2005	1,061.49	C14
(2006) Zheng Fang Guan Yu Zi Di No. D0068	30-Mar-2006	Phase 4	178	From 24-Mar-2006	25,224.92	E12, E13, E15 to E18, E20 to E22
(2006) Zheng Fang Guan Yu Zi Di No. D0069	30-Mar-2006	Phase 4	101	From 24-Mar-2006	12,707.06	E14, E19, E23 and E24
(2006) Zheng Fang Guan Yu Zi Di No. D0073	11-May-2006	Phase 4	144	From 24-Apr-2006	24,111.31	E2 to E4, E6 to E10
(2006) Zheng Fang Guan Yu Zi Di No. D0103	25-Aug-2006	Phase 4	144	From 15-Aug-2006	20,423.68	E1, E5, E11, and E16
(2006) Zheng Fang Guan Yu Zi Di No. D0116	29-Sep-2006	Phase 4	8	From 18-Sep-2006	1,726.11	E26
(2006) Zheng Fang Guan Yu Zi Di No. D0117	13-Oct-2006	Phase 4	17	From 27-Sep-2006	2,899.59	E25
			TOTAL:		<u>262,153.34</u>	

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9. As advised by Sunco A Group, portion of Phase 4 of the development has been pre-sold for a total consideration of RMB356,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was included in our valuation of the market value of the property as above. The salient details of that portion are listed out below:

No. of Phase	User	No. of Units Sold	Respective GFA (sq.m.)	Total Consideration RMB
Phase 4	Residential	528	79,644.34	305,000,000
Phase 4	Commercial	57	<u>5,191.52</u>	<u>51,000,000</u>
TOTAL:			<u>84,835.86</u>	<u>356,000,000</u>

10. As advised by Sunco A Group, Phases 1 to 3 are completed but are yet to be granted with the Certificate(s) of Completion, the schedule completion date of Phase 4 is September 2007. The total investment is estimated to be RMB719,033,000 of which a sum of RMB613,526,000 has been paid as at the date of valuation.
11. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB418,000,000 (interest attributable to the Enlarged Group: RMB370,000,000) inclusive of the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.
12. The major certificates and relevant approvals of the property are summarized as follows:
- | | | |
|------|--|-----|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificates | Yes |
| iii. | Construction Land Use Planning Permits | Yes |
| iv. | Construction Project Planning Permits | Yes |
| v. | Construction Works Commencement Permits | Yes |
| vi. | Pre-sale Permits | Yes |
13. Henan Sunco is a wholly-owned subsidiary of Sunco A.
14. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- (i) Henan Sunco legally owns the land use rights of the land parcels with a total site area of 235,570.092 sq.m. mentioned in Note 4 above and Henan Sunco is entitled to use, occupy and mortgage the land use rights of the property;
- (ii) All land premium has been paid in full;
- (iii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;

- (iv) Henan Sunco is entitled to freely sell the portion of development in Note 8 above in the market; and
- (v) Henan Sunco could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Henan Sunco still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
6. International No. 1 Junction of Wai Huan Road and the Third City Centre Axis Zhengdong New District Zhengzhou City Henan Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of a commercial and office composite development known as “International No. 1”. The unsold portion of the subject development comprises 156 office units with a total gross floor area of approximately 18,395.96 sq.m.; 26 commercial units with a total gross floor area of approximately 8,557.61 sq.m. and 135 car parking spaces. The subject development is erected on a parcel of land with a site area of approximately 4,394.5 sq.m. The land use rights of the property were granted for a term expiring on 3 August 2044 for commercial uses.	As at the date of valuation, the property is under construction and is held by Sunco A Group for sale.	242,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB214,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, the subject development comprises a total planned gross floor area of approximately 58,364 sq.m. upon completion with details as follows:

User	Planned Gross Floor Area (sq.m.)	Current Status
Office	39,891	Under Construction
Commercial	8,558	Under Construction
Carpark	<u>9,915</u>	Under Construction
TOTAL	<u><u>58,364</u></u>	

- Pursuant to a State-owned Land Use Rights Grant Contract, Zheng Guo Tu Zi Jiao Yi He (2004) No. 009 entered into between the State-owned Land Resources Bureau of Zhengzhou City, Henan Province (the “grantor”) and 天津順馳地產有限公司 (the “grantee”) dated 29 April 2004, the land use rights of 12 parcels of land (of which the subject land forms part) with a total site area of 557,184.20 sq.m. were granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) commencing on the date of the grant of the formal State-owned Land Use Rights Certificates at a total consideration of RMB537,900,000.
- Pursuant to Supplementary Agreement No. 1 of the abovementioned State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Zhengzhou City, Henan Province (the “grantor”)

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and Henan Sunco (the “grantee”) dated 9 May 2004, the land use rights of two parcels of land with a total site area of 239,964.9 sq.m. (including the subject land with a site area of 4,394.5 sq.m. and the land for Zhengzhou 1st Street (Property 5) with a site area of 235,570.4 sq.m.) were granted to the grantee for residential and commercial uses at a total consideration of RMB231,659,700.

4. Pursuant to a document issued by Land Planning Bureau of Zhengdong New District Committee to Henan Sunco on 29 November 2005, as the actual plot ratio exceeded the permitted plot ratio of 3.18, an additional land premium of RMB1,011,800 should be settled by Henan Sunco.
5. As advised by Sunco A Group, the abovementioned additional land premium has been settled by Henan Sunco.
6. Pursuant to a State-owned Land Use Rights Certificate, Zheng Guo Yong (2004) Zi Di No. 0898 issued by the People’s Government of Zhengzhou City dated 3 August 2004, the land use rights of the subject development with a site area of 4,394.5 sq.m. were granted to Henan Sunco for a term expiring on 3 August 2044 for commercial uses.
7. Pursuant to a Construction Land Use Planning Permit, [2004] Zheng Dong Gui Di Guan Xu Zi No. (0027) issued by the Land Planning Bureau of Zhengdong New District Administrative Committee to Henan Sunco dated 21 July 2004, the proposed land use for the development on the subject land with a total site area of 4,394.464 sq.m. was approved.
8. Pursuant to a Construction Project Planning Permit, [2005] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0050) issued by the Land Planning Bureau of Zhengdong New District Administrative Committee to Henan Sunco dated 7 December 2005, the proposed development with a total planned gross floor area of 58,364 sq.m. was approved.
9. Pursuant to a Construction Works Commencement Permit, No. 410105200512100101 issued by the Zhengdong New District Administrative Committee to Henan Sunco dated 10 December 2005, the construction works of the proposed development with a total planned gross floor area of 58,364 sq.m. was approved to commence.
10. Pursuant to a Pre-sale Permit, (2006) Zheng Fang Guan Yu Zi Di No. D0085 issued by the Real Estate Administrative Bureau of Zhengzhou City to Henan Sunco dated 21 June 2006, Henan Sunco was entitled to commence pre-sale of the development to the market with details as follows:

User	No. of Units	Effective Period	Pre-sale GFA (sq.m.)
Office	416	From 07-June-2006	39,890.53
Commercial	<u>26</u>	From 07-June-2006	<u>8,557.61</u>
TOTAL:	<u>442</u>		<u>48,448.14</u>

11. As advised by Sunco A Group, a portion of the development comprising 260 office units with a total gross floor area of approximately 21,494.57 sq.m. has been pre-sold for a total consideration of RMB109,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was included in our valuation of the market value of the property as above.
12. As advised by Sunco A Group, the development is scheduled to be completed in June 2008. The total investment of the development is estimated to be RMB217,537,000, of which a sum of RMB116,564,000 has been paid as at the date of valuation.

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

13. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB280,000,000 (interest attributable to the Enlarged Group: RMB248,000,000) inclusive of the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.
14. The major certificates and relevant approvals of the property are summarized as follows:
- | | | |
|------|--|-----|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificate | Yes |
| iii. | Construction Land Use Planning Permit | Yes |
| iv. | Construction Project Planning Permit | Yes |
| v. | Construction Works Commencement Permit | Yes |
| vi. | Pre-sale Permit | Yes |
15. Henan Sunco is a wholly-owned subsidiary of Sunco A.
16. Pursuant to a Mortgage Agreement, No. 08610088 entered into between Henan Sunco (the “mortgagor”) and Bank of Communications, Beijing Asian Games Estate Branch (“the mortgagee”) dated 11 July 2006, 442 units of the subject development which were approved to commence pre-sale under (2006) Zheng Fang Guan Yu Zi Di No. D0085 were together subject to a mortgage in favour of the mortgagee to secure a loan of RMB65,000,000 under Loan Agreement No. 08610088 entered into between 北京順馳置地達興房地產開發有限公司 (the “borrower”) and the mortgagee. The mortgage will be for a term of one year commencing on 11 July 2006 and expiring on 11 July 2007.
17. Pursuant to a Security Agreement issued by 天津融創投資有限公司 to 天津順馳濱海置地有限公司 and Zhengzhou Keshu dated 11 October 2006, 天津融創投資有限公司 undertakes to secure the loan of the borrower (the “loan”) as mentioned in Note 15 above by all the assets held by itself. 天津融創投資有限公司 would repay the loan for the borrower once it is defaulted.
18. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Henan Sunco legally owns the land use rights of the land parcel with a site area of 4,394.50 sq.m. mentioned in Note 6 above and Henan Sunco is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of the mortgage;
 - (ii) All land premium has been paid in full;
 - (iii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
 - (iv) The mortgage agreements has been registered with the relevant government authorities and is therefore legal, valid and binding on Henan Sunco. During the term of the mortgage, Henan Sunco should not create a second charge on the mortgaged portion without the prior written consent from the mortgagee; Henan Sunco should not lease, transfer or bestow the mortgaged portion to any third party;
 - (v) As Sunco A Acquisitions will not affect the ability of Henan Sunco as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions;
 - (vi) Henan Sunco is entitled to freely sell the portion of development in Note 10 in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portion of the property; and
 - (vii) Henan Sunco could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Henan Sunco still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
7. Phase 1 Central Special Zone Junction of Zhongyang Da Road and Taihang Road Zhengdong New District Zhengzhou City Henan Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of Phase 1 of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Central Special Zone”. The unsold portion of Phase 1 comprises 171 residential units with a total gross floor area of approximately 30,899.84 sq.m.; 6 commercial units with a total gross floor area of approximately 5,250.06 sq.m. and 429 car parking spaces. The subject development is erected on 10 parcels of land with a total site area of approximately 304,586.64 sq.m., in which Phase 1 comprises a total site area of approximately 107,311.21 sq.m.. The land use rights of the property were granted for a term of 70 years expiring on 21 February 2075 for residential uses; and 40 years expiring on 21 February 2045 for commercial uses.	As at the date of valuation, the property is under construction and is held by Sunco A Group for sale.	RMB692,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB612,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, Phase 1 of the subject development will comprise a total planned gross floor area of approximately 211,348 sq.m. upon completion with details as follows:

Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Blocks 4-1 to 4-6	Residential	59,667	Under Construction
N/A	Car Parking	10,207	Under Construction
Blocks 5-1 to 5-15	Residential	109,181	Under Construction
Block 4-22	Commercial	3,255	Under Construction
Block 5-16	Sales Office	9,093	Under Construction
N/A	Car Parking	18,586	Under Construction
Block 5-17	Books Lounge	291	Under Construction
Block 4-21	Swimming Pool	1,068	Under Construction
TOTAL:		<u>211,348</u>	

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2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Zhengzhou City, Henan Province (the “grantor”) and 鄭州客屬房地產有限公司 (“Zhengzhou Keshu”) (the “grantee”) dated 14 January 2005, the land use rights of the subject development with a total site area of 304,586.66 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) respectively commencing on the date of the grant of the formal State-owned Land Use Rights Certificates at a consideration of RMB187,050,000. However, as per a document issued by Land Planning Bureau of Zhengdong New District Committee to Zhengzhou Keshu on 11 September 2006, as the actual plot ratio exceeds the permitted plot ratio by 0.141, an additional land premium of RMB2,944,070.94 should be settled by Zhengzhou Keshu.
3. As advised by Sunco A Group, the abovementioned additional land premium has been settled by Zhengzhou Keshu.
4. Pursuant to three State-owned Land Use Rights Certificates issued by the People’s Government of Zhengzhou City, the land use rights of the subject land with a total site area of 107,311.21 sq.m. were granted to Zhengzhou Keshu for commercial and residential uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	User(s) and Term
Zheng Guo Yong (2005) Zi Di No. 0128	14-Oct-2005	25,051.85	Commercial: Expiring on 21-Feb-2045 Residential: Expiring on 21-Feb-2075
Zheng Guo Yong (2005) Zi Di No. 0134	01-Mar-2005	45,280.71	Residential: Expiring on 21-Feb-2075
Zheng Guo Yong (2005) Zi Di No. 0135	01-Mar-2005	<u>36,978.65</u>	Residential: Expiring on 21-Feb-2075
	TOTAL:	<u><u>107,311.21</u></u>	

5. Pursuant to three Construction Land Use Planning Permits issued by the Land Planning Bureau of Zhengdong New District Committee to Zhengzhou Keshu, the proposed land use for the development on the subject land with a total site area of 107,311.21 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Site Area (sq.m.)
[2005] Zheng Dong Gui Di Guan Xu Zi No. (0008)	16-May-2005	Phase 1	25,051.85
[2005] Zheng Dong Gui Di Guan Xu Zi No. (0009)	16-May-2005	Phase 1	36,978.65
[2005] Zheng Dong Gui Di Guan Xu Zi No. (0011)	16-May-2005	Phase 1	<u>45,280.71</u>
	TOTAL:		<u><u>107,311.21</u></u>

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**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

6. Pursuant to three Construction Project Planning Permits issued by the Land Planning Bureau of Zhengdong New District Committee to Zhengzhou Keshu, the proposed development with a total planned gross floor area of 223,140.43 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
[2005] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0025)	17-Aug-2005	Phase 1	95,917.74	Blocks 5-3, 5-5, 5-7 to 5-15; 5-16, 5-17
[2005] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0026)	17-Aug-2005	Phase 1	50,602.70	Blocks 4-3 to 4-6; 4-21, 4-22 and Carpark
[2005] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0034)	13-Sep-2005	Phase 1	76,619.99	Blocks 4-1 to 4-2; 5-1 to 5-2; 5-4, 5-6 and Carpark
TOTAL:			<u>223,140.43</u>	

7. Pursuant to six Construction Works Commencement Permits issued by the Zhengdong New District Administrative Committee to Zhengzhou Keshu, the construction works of the proposed development with a total planned gross floor area of 223,140.46 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
410105200508180201	18-Aug-2005	Phase 1	50,602.73	Blocks 4-3 to 4-6; 4-21 and 4-22
410105200508180301	18-Aug-2005	Phase 1	24,151.74	Blocks 5-3, 5-5, 5-16 and 5-17
410105200508180401	18-Aug-2005	Phase 1	71,766.00	Blocks 5-7 to 5-15
410105200509150201	15-Sep-2005	Phase 1	38,756.39	Blocks 5-1, 5-2, 5-4, 5-6 and Carpark
410105200509150301	15-Sep-2005	Phase 1	8,439.00	Block 5-19
410105200509150401	15-Sep-2005	Phase 1	<u>29,424.60</u>	Block Nos. 4-1 and 4-2
TOTAL:			<u>223,140.46</u>	

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

8. Pursuant to five Pre-sale Permits issued by the Real Estate Administrative Bureau of Zhengzhou City to Zhengzhou Keshu, Zhengzhou Keshu was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	No. of Phase	No. of Units	Effective Period	Pre-sale GFA (sq.m.)	Portion of Development
(2005) Zheng Fang Guan Yu Zi Di No. D0041	09-Sep-2005	Phase 1	407	From 06-Sep-2005	63,410.45	A-5, A-6, B-7 to B-9, B-12, B-15, A-22 to B-16
(2005) Zheng Fang Guan Yu Zi Di No. D0043	08-Oct-2005	Phase 1	152	From 28-Sep-2005	21,603.39	B-11, B-13 and B-14
(2005) Zheng Fang Guan Yu Zi Di No. D0044	16-Nov-2005	Phase 1	282	From 28-Sep-2005	52,361.76	A-3, A-4, B-3 to B-6, B-10 and B-16
(2006) Zheng Fang Guan Yu Zi Di No. D0060	17-Jan-2006	Phase 1	94	From 30-Nov-2005	16,077.25	B-1 and B-2
(2006) Zheng Fang Guan Yu Zi Di No. D0071	25-Apr-2006	Phase 1	160	From 20-Mar-2005	26,632.50	A-1 and A-2

TOTAL: 180,085.35

9. As advised by Sunco A Group, a portion of Phase 1 of the subject development has been pre-sold for a total consideration of RMB518,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was included in our valuation of the market value of the property as above. The salient details of that portion are listed out below:

No. of Phase	User	No. of Units Sold	Respective GFA (sq.m.)	Total Consideration RMB
Phase 1	Residential	880	138,000.60	473,000,000
Phase 1	Commercial	38	<u>5,988.29</u>	<u>45,000,000</u>
TOTAL:			<u>143,988.89</u>	<u>518,000,000</u>

10. As advised by Sunco A Group, Phase 1 of the development is scheduled to be completed in September 2007. The total investment of Phase 1 is estimated to be RMB572,735,000, of which a sum of RMB411,994,000 has been paid as at the date of valuation.
11. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB704,000,000 (interest attributable to the Enlarged Group: RMB623,000,000) inclusive of the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.

12. The major certificates and relevant approvals of the property are summarized as follows:
- | | | |
|------|--|-----|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificates | Yes |
| iii. | Construction Land Use Planning Permits | Yes |
| iv. | Construction Project Planning Permits | Yes |
| v. | Construction Works Commencement Permits | Yes |
| vi. | Pre-sale Permits | Yes |
13. Zhengzhou Keshu is a wholly-owned subsidiary of Sunco A.
14. Pursuant to a Mortgage Agreement, Year 2006 Zheng Gong Yin Huai Zhi Di Zi Di No.30 entered into between Zhengzhou Keshu (the “mortgagor”) and Industrial and Commercial Bank of China, Zhengzhou Huaihe Road Branch (the “mortgagee”) dated 11 October 2006, the construction works of 206 units of the subject development which were approved to commence presale under Pre-sale Permits — (2005) Zheng Fang Guan Yu Zi Di No. D0041, No. D0043, No. D0044, No. D0060 and No.D0071 were together subject to a mortgage in favour of the mortgagee to secure a loan of RMB50,000,000 under Loan Agreement Year 2006 Zheng Gong Yin Huai Zhi Di Zi Di No.30 for a term of one year commencing on 27 October 2006 and expiring on 26 October 2007.
15. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Zhengzhou Keshu legally owns the land use rights of the land parcels with a total site area of 107,311.21 sq.m. mentioned in Note 4 above and Zhengzhou Keshu is entitled to use, occupy and mortgage land use rights of the property during the land use rights term subject to discharge of the mortgage;
 - (ii) All land premium has been paid in full;
 - (iii) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Zhengzhou Keshu. During the term of the mortgage, Zhengzhou Keshu should not create a second charge on the mortgaged portion without prior written consent from the mortgagee; Zhengzhou Keshu should not lease, transfer or bestow the mortgaged portion to any third party;
 - (iv) As Sunco A Acquisitions will not affect the ability of Zhengzhou Keshu as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions;
 - (v) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
 - (vi) Zhengzhou Keshu is entitled to freely sell the portion of development mentioned in Note 8 in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portion of the property; and
 - (vii) Zhengzhou Keshu could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Zhengzhou Keshu still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
8. Phases 1 and 2A Unusual Landscape South of Shengfu Village Yinghai Town Jiaozhou Qingdao City Shandong Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of Phases 1 and 2A of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Unusual Landscape”. The unsold portion of Phase 1 comprises 149 residential units with a total gross floor area of approximately 22,376.67 sq.m. and 51 commercial units with a total gross floor area of approximately 8,598.72 sq.m; the unsold portion of Phase 2A comprises 21 residential units with a total gross floor area of approximately 2,649.75 sq.m. The subject development is erected on a parcel of land with a site area of approximately 248,892 sq.m., in which Phases 1 and 2A comprises a site area of approximately 85,231 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 28 October 2074 for residential uses; and 40 years expiring on 28 October 2044 for commercial uses.	As at the date of valuation, the property is under construction and is held by Sunco A Group for sale.	RMB270,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon completion of Sunco A Acquisitions: RMB239,000,000)</i>

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Notes:

1. According to the development plan handed to us by Sunco A Group, Phases 1 and 2A of the subject development will comprise a total planned gross floor area of approximately 113,043 sq.m. upon completion with details as follows:

No. of Phase	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 1	Block Nos. 1 to 8, 12 to 21	Residential	81,964	Completed
Phase 1	Blocks A to C	Commercial	9,198	Completed
Phase 2A	Residential Nos. 9 to 11	Residential	18,193	Under Construction
Phase 1	N/A	Club House	2,449	Completed
Phase 1	N/A	Ancillary Room	829	Completed
Phase 1	N/A	Small Club House	410	Completed
TOTAL:			<u>113,043</u>	

2. Pursuant to a State-owned Land Use Rights Grant Contract, Jiao Tu He Zi (2004) No. 167 entered into between the State-owned Land Resources Bureau of Jiaozhou City, Shandong Province (the “grantor”) and 山東順馳融盛置地有限公司 (“Shandong Sunco”) (the “grantee”) dated 29 October 2004, the land use rights of the subject development with a site area of 248,892 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) respectively commencing on the date of the contract at a consideration of RMB136,000,000.
3. Pursuant to three State-owned Land Use Rights Certificates issued by the People’s Government of Jiaozhou City to Shandong Sunco, the land use rights of the subject development with a total site area of 248,892 sq.m. were granted to Shandong Sunco for commercial and residential uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	Term and User
Jiao Guo Yong (2004) Zi Di No. 15-30	27-Dec-2004	56,366.00	Residential: Expiring on 28-Oct-2074; Commercial: Expiring on 28-Oct-2044
Jiao Guo Yong (2005) Zi Di No. 15-5	03-Mar-2005	74,667.60	Residential: Expiring on 28-Oct-2074; Commercial: Expiring on 28-Oct-2044
Jiao Guo Yong (2006) Zi Di No. 15-54	05-Dec-2006	117,858.40	Residential: Expiring on 28-Oct-2074; Commercial: Expiring on 28-Oct-2044
TOTAL:		<u>248,892.00</u>	

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

4. Pursuant to a Construction Land Use Planning Permit, No. JG2004-527 issued by the Town Construction Bureau of Jiaozhou City to Shandong Sunco dated 9 December 2004, the proposed land use for the development on the land (of which the subject property forms part) with a total site area of 248,892 sq.m. was approved.
5. Pursuant to six Construction Project Planning Permits issued by the Town Construction Bureau of Jiaozhou City to Shandong Sunco, the proposed development with a total planned gross floor area of 117,658.34 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
JG2004-527	29-Aug-2005	Phase 1	14,538.90	Club House and Commercial Carpark Block Nos. 1 to 5 Block Nos. 6 to 10 Block Nos. 11 to 15 Block Nos. 16 to 21
JG2004-527	29-Aug-2005	Phase 1	4,431.00	
JG2004-527	27-Dec-2005	Phase 1	23,302.91	
JG2004-527	27-Dec-2005	Phases 1 and 2A	32,969.79	
JG2004-527	27-Dec-2005	Phases 1 and 2A	11,393.00	
JG2004-527	02-Mar-2006	Phase 1	31,022.74	
TOTAL:			<u>117,658.34</u>	

6. Pursuant to eleven Construction Works Commencement Permits issued by the Town Construction Bureau of Jiaozhou City to Shandong Sunco, the construction works of the proposed development with a total planned gross floor area of 114,235.1 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
370224200412300101215	30-Dec-2004	Phase 1	5,380.0	Clubhouse and Commercial Block No.16 Block Nos. 2, 3 and 5 Block No. 1 Block Nos. 6, 12 to 15 Block No. 7 Block No. 8 Block No. 9 Block Nos. 10 and 11 Block Nos. 17 to 21
370224200503170101024	17-Mar-2005	Phase 1	14,538.9	
370224200503170401027	17-Mar-2005	Phase 1	3,743.7	
370224200506070301084	7-Jun-2005	Phase 1	13,915.6	
370224200612220301191	22-Dec-2006	Phase 1	5,015.0	
370224200612220601193	22-Dec-2006	Phase 1	12,958.8	
370224200612220601194	22-Dec-2006	Phase 1	6,003.8	
370224200612220601195	22-Dec-2006	Phase 1	8,675.6	
370224200612220601196	22-Dec-2006	Phase 2A	7,806.7	
370224200612220601197	22-Dec-2006	Phase 2A	8,918.0	
370224200612220601198	22-Dec-2006	Phase 1	27,279.0	
TOTAL:			<u>114,235.1</u>	

APPENDIX VII

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

7. Pursuant to fifteen Pre-sale Permits issued by the Real Estate Administrative Bureau of Jiaozhou City to Shandong Sunco, Shandong Sunco was entitled to commence pre-sale of portion of the development to local and overseas purchasers with details as follows:

Permit No.	Date of Issue	Effective Period	Pre-sale GFA		Portion of Development
			Local	Overseas	
			Purchasers (sq.m.)	Purchasers (sq.m.)	
Qing Fang (Wai) Jiao Zhu Zi Di No. 20050003 Huan	21-Aug-2006	N/A	0.00	3,064.55	Block Nos. 4 and 8
Qing Jiao Fang Zhu Zi Di No. 20050020 Huan	18-Aug-2006	N/A	6,676.55	0.00	Block Nos. 5 to 7
Qing Jiao Fang Zhu Zi Di No. 20050026 Huan	18-Aug-2006	N/A	3,080.10	0.00	Block Nos. 1 to 3
Qing Jiao Fang Zhu Zi Di No. 20050029 Huan	18-Aug-2006	N/A	11,476.80	0.00	Commercial
Qing Jiao Fang Zhu Zi Di No. 20050039 Huan	21-Aug-2006	N/A	6,751.54	0.00	Block Nos. 4 and 8
Qing Jiao Fang Zhu Zi Di No. 20050046 Huan	18-Aug-2006	N/A	5,998.88	0.00	Block Nos. 12 to 15
Qing Jiao Fang Zhu Zi Di No. 20050052 Huan	24-Aug-2006	N/A	6,903.30	0.00	Block Nos. 16, 17, 18, 20
Qing Jiao Fang Zhu Zi Di No. 20050055 Huan	24-Aug-2006	N/A	8,044.92	0.00	Block Nos. 19 and 21
Qing Fang (Wai) Jiao Zhu Zi Di No. 20060001	27-Feb-2006	27-Feb-2006 to 26-Oct-2006	0.00	3,363.00	Block Nos. 16, 17, 18, 20
Qing Fang (Wai) Jiao Zhu Zi Di No. 20060002	27-Feb-2006	27-Feb-2006 to 26-Oct-2006	0.00	3,620.00	Block Nos. 19 and 21
Qing Fang (Wai) Jiao Zhu Zi Di No. 20060007	01-Jun-2006	12-Jun-2006 to 31-May-2007	0.00	2,016.60	Block No. 9
Qing Jiao Fang Zhu Zi Di No. 20060021	01-Jun-2006	12-Jun-2006 to 31-May-2007	5,780.89	0.00	Block No. 9
Qing Jiao Fang Zhu Zi Di No. 20060053	27-Sep-2006	N/A	4,359.68	0.00	Block 11
Qing Fang (Wai) Jiao Zhu Zi Di No. 20060053	27-Sep-2006	N/A	0.00	600.00	Block 11
Qing Jiao Fang Zhu Zi Di No. 20060072	15-Nov-2006	N/A	5,178.00	0.00	Block 10
TOTAL:			<u>64,250.66</u>	<u>12,664.15</u>	

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**PROPERTY VALUATION OF THE PROPERTY
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8. As advised by Sunco A Group, a portion of Phases 1 and 2A of the development has been pre-sold for a total consideration of RMB139,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was included in our valuation of the market value of the property as above. The salient details of that portion are listed out below:

No. of Phase	User	No. of Units Sold	Respective GFA (sq.m.)	Total Consideration RMB
Phase 1	Residential	209	27,186.59	88,000,000
Phase 2A	Residential	149	15,285.42	48,000,000
Phase 1	Commercial	6	599.78	3,000,000
TOTAL:			<u>43,071.79</u>	<u>139,000,000</u>

9. As advised by Sunco A Group, Phase 1 of the development has been completed but is yet to be granted with the Certificate(s) of Completion ; Phase 2A of the development is scheduled to be completed in June 2008. The total investment of Phases 1 and 2A is estimated to be RMB293,610,000, of which a sum of RMB220,896,000 has been paid as at the date of valuation.
10. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB276,000,000 (interest attributable to the Enlarged Group: RMB244,000,000) inclusive of the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.
11. The major certificates and relevant approvals of the property are summarized as follows:
- | | | |
|------|--|-----|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificates | Yes |
| iii. | Construction Land Use Planning Permit | Yes |
| iv. | Construction Project Planning Permits | Yes |
| v. | Construction Works Commencement Permits | Yes |
| vi. | Pre-sale Permits | Yes |
12. Shandong Sunco is a wholly-owned subsidiary of Sunco A.
13. The property is subject to various mortgages pursuant to three mortgage agreements as security for loans of an aggregate amount of RMB70,000,000 with details as follows:
- (i) Pursuant to a Mortgage Agreement, Fang Kai 2005-010 entered into between Shandong Sunco (the “mortgagor”) and China Construction Bank, Jiaozhou Sub-Branch (the “mortgagee”) dated 18 November 2005, the ownership rights of the construction works held under Jiao Lin Fang 2005 Ta Zheng Di No. 021143 were subject to a mortgage in favour of the mortgagee for a term commencing on 21 December 2005 and expiring on 19 June 2007 as security for a loan of RMB15,000,000.
- (ii) Pursuant to another Mortgage Agreement, Fang Kai 2005-011 entered into between Shandong Sunco (the “mortgagor”) and China Construction Bank, Jiaozhou Sub-Branch (the “mortgagee”) dated 18 November 2005, the land use rights held under Jiao Guo Yong (2005) Zi Di No. 15-5 were subject to a mortgage in favour of the mortgagee for a term commencing on 4 January 2006 and expiring on 19 June 2007 as security for a loan of RMB10,000,000.

- (iii) Pursuant to another Mortgage Agreement entered into between Shandong Sunco (the “mortgagor”) and Bank of China, Qingdao Xiangganglu Sub-Branch (the “mortgagee”) dated 19 March 2007, the land use rights held under Jiao Guo Yong (2006) Zi Di No. 15-54 with a site area of 117,858.40 sq.m. were subject to a mortgage in favour of the mortgagee for a term of 37 months commencing on 20 March 2007 and expiring on 20 April 2010 as security for a loan of RMB45,000,000.
14. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Shandong Sunco legally owns the land use rights of the land parcels with a total site area of 248,892 sq.m. as mentioned in Note 3 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to the discharge of the mortgages;
- (ii) All land premium has been paid in full;
- (iii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
- (iv) Shandong Sunco is entitled to freely sell the portion of the development mentioned in Note 7 above in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portion of the property;
- (v) The mortgage agreements have been registered with the relevant government authorities and are therefore legal, valid and binding on Shandong Sunco. During the term of the mortgage, Shandong Sunco should not create a second charge on the mortgaged portion without prior written consent from the mortgagees; Shandong Sunco should not lease, transfer or bestow the mortgaged portion to any third party;
- (vi) As Sunco A Acquisitions will not affect the ability of Shandong Sunco as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions;
- (vii) Shandong Sunco could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Shandong Sunco still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
9. Phases 1 and 2 The Heaven by Lakeside South of Zhongyuan Road Suzhou Industrial Park Suzhou City Jiangsu Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of Phase 1 and Phase 2 of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “The Heaven by Lakeside”. The unsold portion of Phase 1 comprises 151 residential units with a total gross floor area of approximately 22,493.66 sq.m.; 11 commercial units with a total gross floor area of approximately 2,659.94 sq.m. and 526 car parking spaces. The unsold portion of Phase 2 comprises 228 residential units with a total gross floor area of approximately 32,325.73 sq.m. and 340 car parking spaces. The subject development is erected on 3 parcels of land with a total site area of approximately 164,215.81 sq.m., in which Phases 1 and 2 comprise a total site area of approximately 102,261 sq.m. The land use rights of the property were granted for various terms with the latest expiry date being 21 May 2044 and 21 May 2074 for commercial and residential uses respectively.	As at the date of valuation, Phase 1 and Phase 2 of the property has been completed and are held by Sunco A Group for sale.	RMB592,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB524,000,000)</i>

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

Notes:

1. According to the development plan handed to us by Sunco A Group, Phases 1 and 2 of the subject development will comprise a total planned gross floor area of approximately 251,094 sq.m. upon completion with details as follows:

No. of Phase	Zone	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 1	Zone A	Blocks A1 to A10	Residential	62,709	Completed
Phase 1	Zone A	N/A	Car Parking	10,280	Completed
Phase 1	N/A	N/A	Club House	3,763	Completed
Phase 1	Zone B	Blocks B1 to B6	Residential	58,212	Completed
Phase 1	Zone B	N/A	Car Parking	10,095	Completed
Phase 1	Zone E	N/A	Commercial	8,185	Completed
Phase 2	Zone D	Blocks D1 to D7	Residential	82,221	Completed
Phase 2	Zone D	N/A	Car Parking	<u>15,629</u>	Completed
TOTAL:				<u><u>251,094</u></u>	

2. Pursuant to two State-owned Land Use Rights Grant Contracts entered into between the State-owned Land and Real Estate Bureau of Suzhou Industrial Park (the “grantor”) and 上海順馳投資有限公司 (the “grantee”) dated 22 October 2003, the land use rights of the subject development with a total site area of 164,215.81 sq.m. were agreed to be granted to the grantee for common terms of 70 years and 40 years commencing on the date of the contract for residential and commercial uses respectively. The salient details are listed below:

Agreement No.	Site Area (sq.m.)	User	Consideration (RMB)
Su Gong Yuan Rang (2003) No. 82	74,000.31	Commercial/ Residential	261,000,000
Su Gong Yuan Rang (2003) No. 83	<u>90,215.50</u>	Commercial/ Residential	<u>332,000,000</u>
TOTAL:	<u><u>164,215.81</u></u>		<u><u>593,000,000</u></u>

3. As confirmed by 上海順馳投資有限公司, all of the rights and obligations of 上海順馳投資有限公司 under the State-owned Land Use Rights Grant Contract as mentioned in Note 2 should thereafter be transferred to 蘇州工業園區順馳置地有限公司 (“Suzhou Industrial Park Sunco”). 上海順馳投資有限公司 committed that there should be no impediment in relation to the enforcement of the Contracts and Suzhou Industrial Park Sunco should be responsible for the development of the subject land.

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4. Pursuant to two State-owned Land Use Rights Certificates issued by the People's Government of Suzhou City, the land use rights of the subject development with a total site area of 164,215.81 sq.m. were granted to Suzhou Industrial Park Sunco for commercial and residential uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	Term
Su Gong Yuan Guo Yong (2004) Di No. 017	06-Feb-2004	74,000.31	Commercial: Expiring on 05-Feb-2044 Residential: Expiring on 05-Feb-2074
Su Gong Yuan Guo Yong (2004) Di No. 0167	25-Nov-2005	90,215.50	Commercial: Expiring on 21-May-2044 Residential: Expiring on 21-May-2074
TOTAL:		<u>164,215.81</u>	

5. The portion of the subject land held under Su Gong Yuan Guo Yong (2004) Di No. 017 as mentioned in Note 4 has been further subdivided as pursuant to two State-owned Land Use Rights Certificates with details as follows:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	User	Term
Su Gong Yuan Guo Yong (2006) Di No. 01012	24-Feb-2006	65,263.68	Residential	Expiring on 05-Feb-2074
Su Gong Yuan Guo Yong (2006) Di No. 01013	24-Feb-2006	8,736.68	Commercial	Expiring on 05-Feb-2044
TOTAL:		<u>74,000.36</u>		

6. Pursuant to two Construction Land Use Planning Permits, No. 0542174 and No. 0802652 respectively issued by the Suzhou Industrial Park Planning and Construction Bureau to Suzhou Industrial Park Sunco, the proposed land use for the development on the subject land with a total site area of 164,200.31 sq.m. was approved.

7. Pursuant to six Construction Project Planning Permits issued by the Suzhou Industrial Park Planning and Construction Bureau to Suzhou Industrial Park Sunco, the proposed development with a total planned gross floor area of 324,011.16 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
No. 0215860	22-Jun-2005	Phase 1	10,095.37	Basement Car Park of Zone B
No. 0215866	30-May-2005	Phase 1	10,279.92	Basement Car Park of Zone A
No. 0215978	29-Nov-2004	Phases 2 and 3	173,402.09	14 residential blocks in Zone C and Zone D
No. 0952078	26-Jun-2004	Phase 1	7,980.00	Commercial Units in Zone E
No. 0952124	03-Jun-2004	Phase 1	62,709.13	Blocks A1 to A10
No. 0952126	14-Jun-2004	Phase 1	<u>59,544.65</u>	Blocks B1 to B6
TOTAL:			<u>324,011.16</u>	

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

8. Pursuant to six Construction Works Commencement Permits issued by the Suzhou Industrial Park Planning and Construction Bureau to Suzhou Industrial Park Sunco, the construction works of the proposed development with a total planned gross floor area of 324,009 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
320501200406030101	03-Jun-2004	Phase 1	62,709	Blocks A1 to A10
320501200406140201	14-Jun-2004	Phase 1	59,545	Blocks B1 to B6
320501200408260501	26-Aug-2004	Phase 1	7,980	Commercial Units in Zone E
320501200411290101	29-Nov-2004	Phases 2 and 3	173,400	14 residential blocks in Zone C and Zone D
320501200505200101	20-May-2005	Phase 1	10,280	Basement Car Park of Zone A
320501200506220101	22-Jun-2005	Phase 1	<u>10,095</u>	Basement Car Park of Zone B
TOTAL:			<u><u>324,009</u></u>	

9. Pursuant to four Pre-sale Permits issued by the State-owned Land and Real Estate Bureau of Suzhou Industrial Park to Suzhou Industrial Park Sunco, Suzhou Industrial Park Sunco was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	No. of Phase	No. of Units	Effective Period	Pre-sale GFA (sq.m.)	Portion of Development
(2004) Su Yuan Fang Yu Di No. 021	09-Jun-2004	Phase 1	472	Jun-2004 to Dec-2005	62,709.16	Blocks A1 to A10
(2004) Su Yuan Fang Yu Di No. 034	16-Jul-2004	Phase 1	419	Jul-2004 to Dec-2005	58,212.29	Blocks B1 to B6
(2004) Su Yuan Fang Yu Di No. 041	10-Sep-2004	Phase 1	52	Sep-2004 to Jun-2005	8,184.77	Commercial Units (Zone E)
(2005) Su Yuan Fang Yu Di No. 013	15-Apr-2005	Phase 2	632	Expiring on Dec-2006	82,221.08	Blocks D1 to D7
TOTAL:			<u><u>1,575</u></u>		<u><u>211,327.30</u></u>	

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**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

10. Pursuant to three Certificates of Temporary Building Occupation issued by the Suzhou Industrial Park Planning and Construction Bureau to Suzhou Industrial Park Sunco, Phase 1 of the development has been certified to complete and available for (temporary) occupation with details as follows:

Permit No.	Date of Issue	No. of Phase	GFA (sq.m.)	Portion of Development
Lin 2006001	20-Jan-2006	Phase 1	62,709.00	Blocks A1 to A10
Lin 2006002	20-Jan-2006	Phase 1	59,544.65	Blocks B1 to B6
Lin 2006052	07-Sep-2006	Phase 1	<u>8,266.58</u>	Commercial Units (Zone E)
TOTAL:			<u><u>130,520.23</u></u>	

11. Pursuant to sixteen Commodity Housing Registration Certificates issued by the Suzhou Industrial Park Planning and Construction Bureau to Suzhou Industrial Park Sunco, Zones A and B of Phase 1 of the development have been certified to complete and have been properly registered in the Suzhou Industrial Park Planning and Construction Bureau as commodity housing with details as follows:

Permit No.	Date of Issue	GFA (sq.m.)	Portion of Development
Su Yuan Fang (2006) Shang Zi Di No. 0162	10-Mar-2006	9,912.18	Block 17
Su Yuan Fang (2006) Shang Zi Di No. 0163	10-Mar-2006	9,844.13	Block 18
Su Yuan Fang (2006) Shang Zi Di No. 0164	10-Mar-2006	5,427.00	Block 21
Su Yuan Fang (2006) Shang Zi Di No. 0165	10-Mar-2006	5,331.32	Block 22
Su Yuan Fang (2006) Shang Zi Di No. 0166	10-Mar-2006	6,003.14	Block 23
Su Yuan Fang (2006) Shang Zi Di No. 0167	10-Mar-2006	5,999.08	Block 24
Su Yuan Fang (2006) Shang Zi Di No. 0168	10-Mar-2006	5,459.67	Block 25
Su Yuan Fang (2006) Shang Zi Di No. 0169	10-Mar-2006	5,328.85	Block 28
Su Yuan Fang (2006) Shang Zi Di No. 0170	10-Mar-2006	5,918.32	Block 29
Su Yuan Fang (2006) Shang Zi Di No. 0171	10-Mar-2006	5,265.76	Block 30
Su Yuan Fang (2006) Shang Zi Di No. 0172	10-Mar-2006	9,918.27	Block 15
Su Yuan Fang (2006) Shang Zi Di No. 0173	10-Mar-2006	13,091.50	Block 16
Su Yuan Fang (2006) Shang Zi Di No. 0174	10-Mar-2006	9,918.27	Block 19
Su Yuan Fang (2006) Shang Zi Di No. 0175	10-Mar-2006	8,707.20	Block 20
Su Yuan Fang (2006) Shang Zi Di No. 0176	10-Mar-2006	9,918.27	Block 26
Su Yuan Fang (2006) Shang Zi Di No. 0177	10-Mar-2006	<u>7,934.50</u>	Block 27
TOTAL:		<u><u>123,977.46</u></u>	

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PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

12. As advised by Sunco A Group, portions of Phase 1 and Phase 2 of the development have been pre-sold for a total consideration of RMB172,000,000. Although pre-sold, the legal conveyancing procedures of such portions are yet to be completed. Such figure was included in our valuation of the market value of the property as above. The salient details of these portions are listed out below:

No. of Phase	User	No. of Units Sold	Respective GFA (sq.m.)	Total Consideration RMB
Phase 1	Residential	92	12,662.55	65,000,000
Phase 2	Residential	144	17,988.82	91,000,000
Phase 1	Commercial	6	<u>1,818.38</u>	<u>16,000,000</u>
TOTAL:			<u>32,469.75</u>	<u>172,000,000</u>

13. As advised by Sunco A Group, Phases 1 and 2 of the development have been completed but are yet to be granted with the Certificate(s) of Completion. The total investment of Phases 1 and 2 is estimated to be RMB1,012,667,000, of which a sum of RMB958,148,000 has been paid as at the date of valuation.

14. The major certificates and relevant approvals of the property is summarized as follows:

i.	State-owned Land Use Rights Grant Contracts	Yes
ii.	State-owned Land Use Rights Certificates	Yes
iii.	Construction Land Use Planning Permits	Yes
iv.	Construction Project Planning Permits	Yes
v.	Construction Works Commencement Permits	Yes
vi.	Pre-sale Permits	Yes

15. Suzhou Industrial Park Sunco is a wholly-owned subsidiary of Sunco A.

16. The property is subject to the following mortgage and encumbrances with details as follows:

- (i) Pursuant to a loan agreement entered into between Suzhou Industrial Park Sunco and 管龍元 dated 12 October 2006, 管龍元 agreed to pay Suzhou Industrial Park Sunco the consideration of purchasing a residential unit in accordance with the Agreement for Sale and Purchase previously entered into between Suzhou Industrial Park Sunco and 管龍元 before a specified date. Suzhou Industrial Park Sunco was granted the option to re-purchase this unit on or before 12 October 2007 at agreed consideration of RMB350,000 plus interests. If such option is not exercised, this unit will be regarded as being transferred to 管龍元 at RMB350,000 and Suzhou Industrial Park Sunco should be responsible for the completion of the conveyancing procedures.
- (ii) Pursuant to another loan agreement entered into between Suzhou Industrial Park Sunco and 駱建平 dated 12 October 2006, 駱建平 agreed to pay Suzhou Industrial Park Sunco the consideration of purchasing 3 residential units in accordance with the Agreement for Sale and Purchase previously entered into between Suzhou Industrial Park Sunco and 駱建平 before a specified date. Suzhou Industrial Park Sunco was granted the option to re-purchase these units on or before 12 October 2007 at agreed consideration of RMB1,260,000 plus interests. If such option is not exercised, these units will be regarded as being transferred to 駱建平 at RMB1,260,000 and Suzhou Industrial Park Sunco should be responsible for the completion of the conveyancing procedures.

17. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- i. Suzhou Industrial Park Sunco legally owns the land use rights of the land parcels with a total site area of 164,215.81 sq.m. mentioned in Note 4 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of the mortgages;
 - ii. The penalty for late payment of the land premium was exempted by the Government of the Suzhou Industrial Park and the limitation period for litigation of such penalty has expired;
 - iii. For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
 - iv. Suzhou Industrial Park Sunco is entitled to freely sell the portion of the development in Note 9 above in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portion of the property;
 - v. During the term of the mortgage, Suzhou Industrial Park Sunco should not create a second charge on the mortgaged portion of the property without the prior written consent from the mortgagees; Suzhou Industrial Park Sunco should not lease, transfer or bestow the mortgaged portion to any third party;
 - vi. As Sunco A Acquisitions will not affect the ability of Suzhou Industrial Park Sunco as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions; and
 - vii. Suzhou Industrial Park Sunco could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Suzhou Industrial Park Sunco still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
10. Phases 1 and 2 Palen Villas Northeast of Jinyin Lake Ecological Tourist Area and West of Huanhu Road Dongxihu District Wuhan City Hubei Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of Phases 1 and 2 of a large-scale residential development (of which the property set out in this valuation report forms part) known as “Palen Villas”. The unsold portion of Phases 1 and 2 comprises 191 residential units with a total gross floor area of approximately 27,300.62 sq.m. and 204 car parking spaces. The subject development is erected on a parcel of land with a site area of approximately 172,185.53 sq.m., in which Phases 1 and 2 comprise a total site area of approximately 118,933 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 19 June 2072 for residential uses.	As at the date of valuation, the property has been completed and is held by Sunco A Group for sale.	RMB207,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB183,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, Phases 1 and 2 of the subject development will comprise a total planned gross floor area of approximately 126,424 sq.m. upon completion with details as follows:

No. of Phase	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phases 1 and 2	Blocks G3 to G9; G11 to G19	Apartment	53,931	Completed
Phases 1 and 2	Blocks Y1 to Y15	Residential Flats	49,885	Completed
Phases 1 and 2	Blocks T1 to T13	House	16,028	Completed
Phases 1 and 2	N/A	Car Parking	<u>6,580</u>	Completed
TOTAL:			<u><u>126,424</u></u>	

- Pursuant to a State-owned Land Use Rights Grant Contract, No. WDP-2002-127 entered into between the State-owned Land Resources Bureau of Dongxihu District, Wuhan City, Hubei Province (the “grantor”) and 武漢能達實業發展有限公司 (“Wuhan Sunco”) (the “grantee”) dated 20 June 2002, the land use rights of the subject development with a site area of 172,186 sq.m. were agreed to be granted to the grantee for a term of 70 years commencing on the date of transfer of the land at a consideration of RMB28,400,460.

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3. Pursuant to a State-owned Land Use Rights Certificate, Dong Guo Yong (2006) Di No. 280212001 issued by the People's Government of Dongxihu District, Wuhan City dated 15 September 2006, the land use rights of the subject development with a site area of 172,185.53 sq.m. were granted to Wuhan Sunco for a term of 70 years expiring on 19 June 2072 for residential uses.
4. Pursuant to a Construction Land Use Planning Permit, [2004] Bu 020# issued by the City Planning Administration Bureau of Dongxihu District, Wuhan City to Wuhan Sunco on 5 April 2004, the proposed land use for the development on the land with a total site area of 307.32mu (or approximately 204,881.02 sq.m.) was approved.
5. Pursuant to two Construction Project Planning Permits issued by the City Planning and Administrative Bureau of Dongxihu District, Wuhan City to Wuhan Sunco, the proposed development with a total planned gross floor area of 121,593.22 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)
Wu Dong Gui Jian Zheng Zi [2004] No. 099	04-Nov-2004	Phase 1	35,125.00
Wu Dong Gui Jian Zheng Zi [2005] No. 005	14-Jan-2005	Phase 2	<u>86,468.22</u>
TOTAL:			<u><u>121,593.22</u></u>

6. Pursuant to nineteen Construction Works Commencement Permits issued by the Construction Bureau of Dongxihu District, Wuhan City to Wuhan Sunco, the construction works of the proposed development of Phases 1 and 2 with a total planned gross floor area of 121,562.22 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
42011220040729001	17-Dec-2004	Phase 1	15,082.00	Block Nos. 202 to 205
42011220040729001	17-Dec-2004	Phase 1	5,226.00	Block No. 206
42011220040729001	17-Dec-2004	Phase 1	3,462.00	Block Nos. 303 to 305
42011220050622002	25-Jul-2005	Phase 1	2,860.00	Block No. 106
42011220040729001	17-Dec-2004	Phase 1	6,532.00	Block Nos. 104 and 201
42011220050527002	29-Jul-2005	Phase 2	13,272.82	Block Nos. 207 to 210
42011220050527002	29-Jul-2005	Phase 2	13,268.56	Block Nos. 117 to 119
42011220050527002	29-Jun-2005	Phase 2	5,016.00	Block Nos. 115 and 116
42011220050527002	24-Jun-2005	Phase 2	5,366.53	Block Nos. 113 and 114
42011220050527002	16-Jun-2005	Phase 2	6,166.20	Block No. 112
42011220050527002	16-Jun-2005	Phase 2	5,862.82	Block No. 111
42011220050527002	09-Jun-2005	Phase 2	5,612.05	Block Nos. 108 and 109
42011220050527002	09-Jun-2005	Phase 2	4,660.90	Block Nos. 105 and 107
42011220050527002	02-May-2005	Phase 2	8,244.17	Block Nos. 103, 214 and 215
42011220050527002	29-Jul-2005	Phase 2	6,905.40	Block Nos. 211 and 213
42011220050527002	16-Jun-2005	Phase 2	1,281.82	Block No. 212
42011220050527002	16-Jun-2005	Phase 2	3,496.83	Block Nos. 306, 309 and 310
42011220050613001	25-Jul-2005	Phase 2	7,177.91	Block Nos. 301, 302, 311 to 313
42011220050527002	24-Jun-2005	Phase 2	<u>2,098.21</u>	Block Nos. 307 and 308
TOTAL:			<u><u>121,592.22</u></u>	

APPENDIX VII**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

7. Pursuant to two Pre-sale Permits issued by the City General Development Administrative Office of Wuhan City to Wuhan Sunco, Wuhan Sunco was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	No. of Phase	Pre-sale GFA (sq.m.)	Portion of Development
Wu Kai Guan Yu Shou [2005] No. 186	12-Oct-2005	Phases 1 and 2	112,665.00	Block Nos. 103 to 109, 111 to 116, 119, 201 to 215, 301 to 313
Wu Kai Guan Yu Shou [2006] No. 195	10-Jul-2006	Phases 1 and 2	8,917.90	Block Nos. 117 and 118
TOTAL:			<u>121,582.90</u>	

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**PROPERTY VALUATION OF THE PROPERTY
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8. Pursuant to forty three Certificates of Completion issued by the Construction Committee of Wuhan City to Wuhan Sunco, 43 blocks comprising a total gross floor area of 115,715 sq.m. are certified to have been completed with details as follows:

Permit No.	Date of Issue	No. of Phase	Portion of Development	GFA (sq.m.)
09-05-0376	27-Dec-2005	Phase2	Block306	1,446
09-05-0377	27-Dec-2005	Phase2	Block307	1,186
09-05-0378	27-Dec-2005	Phase2	Block308	1,006
09-05-0379	27-Dec-2005	Phase2	Block309	1,054
09-05-0380	27-Dec-2005	Phase2	Block310	1,083
09-05-0381	27-Dec-2005	Phase1	Block201	2,468
09-05-0382	27-Dec-2005	Phase2	Block214	2,389
09-05-0383	27-Dec-2005	Phase2	Block215	3,930
09-05-0384	27-Dec-2005	Phase2	Block105	1,456
09-05-0385	27-Dec-2005	Phase2	Block107	3,183
09-05-0386	27-Dec-2005	Phase1	Block301	1,004
09-05-0387	27-Dec-2005	Phase1	Block302	939
09-05-0388	27-Dec-2005	Phase1	Block206	5,125
09-05-0389	27-Dec-2005	Phase2	Block108	2,580
09-05-0390	27-Dec-2005	Phase2	Block109	2,953
09-05-0391	27-Dec-2005	Phase1	Block205	3,664
09-05-0392	27-Dec-2005	Phase1	Block203	3,759
09-05-0393	27-Dec-2005	Phase1	Block204	3,759
09-05-0394	27-Dec-2005	Phase1	Block303	939
09-05-0394	27-Dec-2005	Phase1	Block305	1,120
09-05-0395	27-Dec-2005	Phase1	Block304	958
09-06-0091	25-Apr-2006	Phase2	Block311	1,838
09-06-0092	25-Apr-2006	Phase2	Block312	1,617
09-06-0093	25-Apr-2006	Phase2	Block313	1,838
09-06-0094	25-Apr-2006	Phase2	Block106	2,815
09-06-0095	25-Apr-2006	Phase1	Block202	3,759
09-06-0096	25-Apr-2006	Phase2	Block103	1,711
09-06-0097	25-Apr-2006	Phase1	Block104	4,229
09-06-0122	26-Apr-2006	Phase2	Block112	6,191
09-06-0123	26-Apr-2006	Phase2	Block115	2,666
09-06-0124	26-Apr-2006	Phase2	Block116	2,446
09-06-0125	26-Apr-2006	Phase2	Block117	4,746
09-06-0126	26-Apr-2006	Phase2	Block118	4,150
09-06-0127	26-Apr-2006	Phase2	Block119	4,312
09-06-0128	26-Apr-2006	Phase2	Block207	5,067
09-06-0129	26-Apr-2006	Phase2	Block208	2,687
09-06-0130	26-Apr-2006	Phase2	Block209	1,266
09-06-0131	26-Apr-2006	Phase2	Block210	3,930
09-06-0132	26-Apr-2006	Phase2	Block212	1,266
09-06-0133	26-Apr-2006	Phase2	Block211	2,687
09-06-0134	26-Apr-2006	Phase2	Block111	5,210
09-06-0135	26-Apr-2006	Phase2	Block113	2,682
09-06-0136	26-Apr-2006	Phase2	Block114	2,601
TOTAL:				<u><u>115,715</u></u>

9. As advised by Sunco A Group, portions of Phase 1 and Phase 2 of the development comprising 185 residential units with a total gross floor area of approximately 26,237.88 sq.m. have been pre-sold for a total consideration of RMB98,000,000. Although pre-sold, the legal conveyancing procedures of such portions are yet to be completed. Such figure was included in our valuation of the market value of the property as above.
10. The major certificates and relevant approvals of the property are summarized as follows:
- | | | |
|------|--|-----|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificate | Yes |
| iii. | Construction Land Use Planning Permit | Yes |
| iv. | Construction Project Planning Permits | Yes |
| v. | Construction Works Commencement Permits | Yes |
| vi. | Pre-sale Permits | Yes |
| vii. | Certificates of Completion | Yes |
11. Wuhan Sunco is a wholly-owned subsidiary of Sunco A.
12. The property is subject to various mortgages pursuant to four mortgage agreements as security for various loans of an aggregate amount at a total consideration of RMB100,000,000 with details as follows:
- (i) Pursuant to a Mortgage Agreement, No. 02011381906001-06 entered into between Wuhan Sunco (the “mortgagor”) and Wuhan Urban Commercial Bank (the “mortgagee”) dated 26 July 2006, the ownership rights of portion of the construction works and the relevant land use rights of the subject development were together subject to a mortgage in favour of the mortgagee for a term of 1 year commencing on 6 June 2006 and expiring on 26 July 2007 as security for a loan of RMB30,000,000. As advised by Sunco A Group, the mortgage was discharged in May 2007.
- (ii) Pursuant to another Mortgage Agreement, No. 2006KF005-1 entered into between Wuhan Sunco (the “mortgagor”) and China Construction Bank, Hubei Branch (the “mortgagee”) dated 10 January 2007, the construction works held under Wu Fang Qi Shi Zi Di No. 2007001122 were subject to a mortgage in favour of the mortgagee as security for a loan of RMB34,000,000, in which a sum of RMB10,000,000 would be for a term commencing on 4 April 2006 and expiring on 15 January 2008 and the balance of RMB24,000,000 would be for a term commencing on 4 April 2006 and expiring on 4 April 2008. This mortgage also covered the consideration of the mortgages (iii) and (iv) below, making the maximum consideration to be RMB70,000,000.
- (iii) Pursuant to another Mortgage Agreement, No. 2006KF007 entered into between Wuhan Sunco (the “mortgagor”) and China Construction Bank, Hubei Branch (the “mortgagee”) dated 28 April 2006, the ownership rights of the construction works held under Wu Fang Qi Shi Zi Di No. 200605418 and the relevant land use rights were together subject to a mortgage in favour of the mortgagee for a term of 2 years commencing on 28 April 2006 and expiring on 27 April 2008 as security for a loan of RMB10,000,000.
- (iv) Pursuant to another Mortgage Agreement, No. 2006KF015 entered into between Wuhan Sunco (the “mortgagor”) and China Construction Bank, Hubei Branch (the “mortgagee”) dated 31 July 2006, the ownership rights of the completed units held under Wu Fang Shi Ta Zi Di Nos. 2006002149, 2006002156 to 2006002236 were together subject to a mortgage in favour of the mortgagee for a term of 2 years commencing on 31 July 2006 and expiring on 30 July 2008 as security for a loan of RMB26,000,000.

13. We have been provided with legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- (i) Wuhan Sunco legally owns the land use rights of the land parcels with a total site area of 172,185.53 sq.m. as mentioned in Note 3 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of the mortgages. However, prior consent from the State-owned Land Resources Bureau of Dongxihu District, Wuhan City, Hubei Province is needed;
 - (ii) All land premium has been paid in full;
 - (iii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
 - (iv) For the portion of development which has been granted with the Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
 - (v) The mortgage agreements have been registered with the relevant government authorities and are therefore legal, valid and binding on Wuhan Sunco. During the term of the mortgage, Wuhan Sunco should not create a second charge on the mortgaged portion without the prior written consent from the mortgagees; Wuhan Sunco should not lease, transfer or bestow the mortgaged portion to any third party;
 - (vi) As Sunco A Acquisitions will not affect the ability of Wuhan Sunco as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions;
 - (vii) Wuhan Sunco is entitled to freely sell the portion of the development mentioned in Note 7 above in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portion of the property; and
 - (viii) Wuhan Sunco could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Wuhan Sunco still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTERESTS HELD UNDER DEVELOPMENT BY SUNCO A GROUP
IN THE PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
11. Phase 2B Unusual Landscape South of Shengfu Village Yinghai Town Jiaozhou Qingdao City Shandong Province The PRC	The property comprises Phase 2B of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Unusual Landscape”. The total planned gross floor area of Phase 2B of the subject development is approximately 51,567 sq.m. The subject development is erected on a parcel of land with a site area of approximately 248,892 sq.m., in which Phase 2B comprises a site area of approximately 56,534 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 28 October 2074 for residential uses; and 40 years expiring on 28 October 2044 for commercial uses.	As at the date of valuation, the property is under construction.	RMB56,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB50,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, Phase 2B of the subject development will comprise a total planned gross floor area of approximately 51,567 sq.m. with details as follows:-

No. of Phase	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 2B	22, 23, 30 and 31	Residential	24,226	Under Construction
Phase 2B	24, 25 28 and 29	Residential	<u>27,341</u>	Yet to Commence Construction
TOTAL:			<u><u>51,567</u></u>	

APPENDIX VII

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

2. Pursuant to a State-owned Land Use Rights Grant Contract, Jiao Chu Tu Zi (2004) No. 167 entered into between the State-owned Land Resources Bureau of Jiaozhou City, Shandong Province (the “grantor”) and Shandong Sunco (the “grantee”) dated 29 October 2004, the land use rights of the subject land with a site area of 248,892 sq.m. (of which the subject property forms part) were agreed to be granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) respectively commencing on the date of the contract at a consideration of RMB136,000,000.

3. Pursuant to three State-owned Land Use Rights Certificates issued by the People’s Government of Jiaozhou City to Shandong Sunco, the land use rights of the subject land with a total site area of 248,892 sq.m. were granted to Shandong Sunco for commercial and residential uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	Term and User
Jiao Guo Yong (2004) Zi Di No. 15-30	27-Dec-2004	56,366.00	Residential: Expiring on 28-Oct-2074 Commercial: Expiring on 28-Oct-2044
Jiao Guo Yong (2005) Zi Di No. 15-5	03-Mar-2005	74,667.60	Residential: Expiring on 28-Oct-2074 Commercial: Expiring on 28-Oct-2044
Jiao Guo Yong (2006) Zi Di No. 15-54	05-Dec-2006	117,858.40	Residential: Expiring on 28-Oct-2074 Commercial: Expiring on 28-Oct-2044
		TOTAL:	<u>248,892.00</u>

4. Pursuant to a Construction Land Use Planning Permit, No. JG2004-527 issued by the Town Construction Bureau of Jiaozhou City to Shandong Sunco dated 9 December 2004, the proposed land use for the development on the land (of which the subject property forms part) with a total site area of 248,892 sq.m. was approved.

5. Pursuant to two Construction Project Planning Permits issued by the Planning Bureau of Jiaozhou City to Shandong Sunco, the proposed development with a total planned gross floor area of 51,563.6 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
JG-2006-1-046	17-Nov-2006	Phase 2	24,222.20	Block Nos. 22, 23, 30 and 31
JG-2006-1-067	20-Dec-2006	Phase 2	<u>27,341.40</u>	Block Nos. 24, 25, 28 and 29
			TOTAL:	<u>51,563.6</u>

6. Pursuant to a Construction Works Commencement Permit, No. 370224200612190101186 issued by the Town Construction Bureau of Jiaozhou City to Shandong Sunco dated 19 December 2006, Block Nos. 22, 23, 30 and 31 of the construction works of the proposed development of Phase 2B with a total planned gross floor area of 24,226.2 sq.m. was approved to commence.

7. As advised by Sunco A Group, Phase 2B of the subject development is expected to be completed in November 2008. The total investment of Phase 2B of the subject development is estimated to be RMB146,991,000, of which a sum of RMB54,756,000 had been paid as at the date of valuation.

APPENDIX VII

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

8. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB180,000,000 (interest attributable to the Enlarged Group: RMB159,000,000).
9. The major certificates and relevant approvals of the property are summarized as follows:
- | | | |
|------|--|-----|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificate | Yes |
| iii. | Construction Land Use Planning Permit | Yes |
| iv. | Construction Project Planning Permit | Yes |
| v. | Construction Work Commencement Permit | Yes |
10. Shandong Sunco is a wholly-owned subsidiary of Sunco A.
11. The property is subject to various mortgages pursuant to three mortgage agreements as security for loans of an aggregate amount of RMB70,000,000 with details as follows:
- (i) Pursuant to a Mortgage Agreement, Fang Kai 2005-010 entered into between Shandong Sunco (the “mortgagor”) and China Construction Bank, Jiaozhou Sub-Branch (the “mortgagee”) dated 18 November 2005, the ownership rights of the construction works held under Jiao Lin Fang 2005 Ta Zheng Di No. 021143 were subject to a mortgage in favour of the mortgagee for a term commencing on 21 December 2005 and expiring on 19 June 2007 as security for a loan of RMB15,000,000.
- (ii) Pursuant to another Mortgage Agreement, Fang Kai 2005-011 entered into between Shandong Sunco (the “mortgagor”) and China Construction Bank, Jiaozhou Sub-Branch (the “mortgagee”) dated 18 November 2005, the land use rights held under Jiao Guo Yong (2005) Zi Di No. 15-5 were subject to a mortgage in favour of the mortgagee for a term commencing on 4 January 2006 and expiring on 19 June 2007 as security for a loan of RMB10,000,000.
- (iii) Pursuant to a another Mortgage Agreement entered into between Shandong Sunco (the “mortgagor”) and Bank of China, Qingdao Xiangganglu Sub-Branch (the “mortgagee”) dated 19 March 2007, the land use rights held under Jiao Guo Yong (2006) Zi Di No. 15-54 with a site area of 117,858.40 sq.m. was subject to a mortgage in favour of the mortgagee for a term of 37 months commencing on 20 March 2007 and expiring on 20 April 2010 as security for a loan of RMB45,000,000.
12. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Shandong Sunco legally owns the land use rights of the land parcels with a total site area of 248,892 sq.m. as mentioned in Note 3 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to the discharge of the mortgages;
- (ii) All land premium has been paid in full;
- (iii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;

- (iv) The mortgage agreements have been registered with the relevant government authorities and are therefore legal, valid and binding on Shandong Sunco. During the term of the mortgage, Shandong Sunco should not create a second charge on the mortgaged portion without the prior written consent from the mortgagees; Shandong Sunco should not lease, transfer or bestow the mortgaged portion to any third party; and
- (v) As Sunco A Acquisitions will not affect the ability of Shandong Sunco as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
12. Phase 3 The Heaven by Lakeside South of Zhongyuan Road Suzhou Industrial Park Suzhou City Jiangsu Province The PRC	The property comprises Phase 3 of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “The Heaven by Lakeside”. The total planned gross floor area of Phase 3 of the subject development is approximately 101,777 sq.m. The subject development is erected on 3 parcels of land with a total site area of approximately 164,215.81 sq.m., in which the property (Phase 3) comprises a site area of approximately 61,954.81 sq.m. The land use rights of the property were granted for various terms with the latest expiry date being 21 May 2044 and 21 May 2074 for commercial and residential uses respectively.	As at the date of valuation, the property is under construction.	RMB187,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB165,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, Phase 3 of the subject development will comprise a total planned gross floor area of approximately 101,777 sq.m. upon completion with details as follows:

No. of Phase	Zone	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 3	Zone C	Blocks C1 to C7	Residential	88,408	Under Construction
Phase 3	Zone C	N/A	Car Parking	13,369	Yet to Commence Construction
TOTAL:				<u>101,777</u>	

APPENDIX VII

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

2. Pursuant to two State-owned Land Use Rights Grant Contracts entered into between the State-owned Land and Real Estate Bureau of Suzhou Industrial Park (the “grantor”) and 上海順馳投資有限公司 (the “grantee”) dated 22 October 2003, the land use rights of the subject development with a total site area of 164,215.81 sq.m. were agreed to be granted to the grantee for common terms of 70 years and 40 years commencing on the date of the contract for residential and commercial uses respectively. The salient details are listed below:

Agreement No.	Site Area (sq.m.)	User	Consideration RMB
Su Gong Yuan Rang (2003) No. 82	74,000.31	Commercial/Residential	261,000,000
Su Gong Yuan Rang (2003) No. 83	<u>90,215.50</u>	Commercial/Residential	<u>332,000,000</u>
TOTAL:	<u><u>164,215.81</u></u>		<u><u>593,000,000</u></u>

3. As confirmed by 上海順馳投資有限公司, all of the rights and obligations of 上海順馳投資有限公司 under the State-owned Land Use Rights Grant Contract as mentioned in Note 2 should thereafter be transferred to Suzhou Industrial Park Sunco. 上海順馳投資有限公司 committed that there should be no impediment in relation to the enforcement of the Contracts and Suzhou Industrial Park Sunco should be responsible for the development of the subject land.

4. Pursuant to two State-owned Land Use Rights Certificates issued by the People’s Government of Suzhou City, the land use rights of the subject development with a total site area of 164,215.81 sq.m. were granted to Suzhou Industrial Park Sunco for commercial and residential uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	Term
Su Gong Yuan Guo Yong (2004) Di No. 017	06-Feb-2004	74,000.31	Commercial: Expiring on 05-Feb-2044 Residential: Expiring on 05-Feb-2074
Su Gong Yuan Guo Yong (2004) Di No. 0167	25-Nov-2005	<u>90,215.50</u>	Commercial: Expiring on 21-May-2044 Residential: Expiring on 21-May-2074
TOTAL:		<u><u>164,215.81</u></u>	

5. The portion of the subject land held under Su Gong Yuan Guo Yong (2004) Di No. 017 as mentioned in Note 4 has been further subdivided as pursuant to two State-owned Land Use Rights Certificates with details as follows:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	User	Term
Su Gong Yuan Guo Yong (2006) Di No. 01012	24-Feb-2006	65,263.68	Residential	Expiring on 05-Feb-2074
Su Gong Yuan Guo Yong (2006) Di No. 01013	24-Feb-2006	<u>8,736.68</u>	Commercial	Expiring on 05-Feb-2044
TOTAL:		<u><u>74,000.36</u></u>		

6. Pursuant to two Construction Land Use Planning Permits, No. 0542174 and No. 0802652 issued by the Suzhou Industrial Park Planning and Construction Bureau to Suzhou Industrial Park Sunco, the proposed land use for the development on the subject land with a total site area of 164,200.31 sq.m. was approved.
7. Pursuant to a Construction Project Planning Permit, No. 0215978 issued by the Suzhou Industrial Park Planning and Construction Bureau to Suzhou Industrial Park Sunco dated 29 November 2004, the proposed development with a total planned gross floor area of 173,402.09 sq.m. (for Phase 2 and Phase 3) was approved.
8. Pursuant to a Construction Works Commencement Permit, No. 320501200411290101 issued by the Suzhou Industrial Park Planning and Construction Bureau to Suzhou Industrial Park Sunco on 29 November 2004, the construction works of the proposed development with a total planned gross floor area of 173,400 sq.m. (for Phase 2 and Phase 3) was approved to commence.
9. As advised by Sunco A Group, Phase 3 of the subject development is expected to be completed in November 2009. The total investment of Phase 3 of the subject development is estimated to be RMB371,468,000, of which a sum of RMB188,301,101 had been paid as at the date of valuation.
10. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB490,000,000 (interest attributable to the Enlarged Group: RMB433,000,000).
11. The major certificates and relevant approvals of the property is summarized as follows:

i. State-owned Land Use Rights Grant Contracts	Yes
ii. State-owned Land Use Rights Certificates	Yes
iii. Construction Land Use Planning Permits	Yes
iv. Construction Project Planning Permit	Yes
v. Construction Works Commencement Permit	Yes
12. Suzhou Industrial Park Sunco is a wholly-owned subsidiary of Sunco A.
13. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
 - i. Suzhou Industrial Park Sunco legally owns the land use rights of the land parcels with a total site area of 164,215.81 sq.m. mentioned in Note 4 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term;
 - ii. The penalty for late payment of the land premium was exempted by the Government of the Suzhou Industrial Park and the limitation period for litigation on such penalty has expired; and
 - iii. For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
13. Phase 3 Palen Villas Northeast of Jinyin Lake Ecological Tourist Area and West of Huanhu Road Dongxihu District Wuhan City Hubei Province The PRC	The property comprises Phase 3 of a large-scale residential development (of which the property set out in this valuation report forms part) known as “Palen Villas”. The total planned gross floor area of Phase 3 of the subject development is approximately 75,523 sq.m. The subject development is erected on a parcel of land with a site area of approximately 172,185.53 sq.m., in which Phase 3 comprises a site area of approximately 53,252.53 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 19 June 2072 for residential uses.	As at the date of valuation, the property is under construction.	RMB210,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB186,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, Phase 3 of the subject development will comprise a total planned gross floor area of approximately 75,523 sq.m. upon completion with details as follows:

No. of Phase	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 3	Blocks Y16 to Y19; Blocks 401 to 412	Residential	64,352	Under Construction
Phase 3	N/A	Commercial	3,071	Yet to Commence Construction
Phase 3	N/A	Car Parking	<u>8,100</u>	Yet to Commence Construction
TOTAL:			<u>75,523</u>	

- Pursuant to a State-owned Land Use Rights Grant Contract, No. WDP-2002-127 entered into between the State-owned Land Resources Bureau of Dongxihu District, Wuhan City, Hubei Province (the “grantor”) and 武漢能達實業發展有限公司 (“Wuhan Sunco”) (the “grantee”) dated 20 June 2002, the land use rights of the subject development with a site area of 172,186 sq.m. were agreed to be granted to the grantee for a term of 70 years commencing on the date of transfer of the land at a consideration of RMB28,400,460.
- Pursuant to a State-owned Land Use Rights Certificate, Dong Guo Yong (2006) Di No. 280212001 issued by the People’s Government of Dongxihu District, Wuhan City dated 15 September 2006, the land use rights of the subject development with a site area of 172,185.53 sq.m. were granted to Wuhan Sunco for a term of 70 years expiring on 19 June 2072 for residential uses.

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**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

4. Pursuant to a Construction Land Use Planning Permit, [2004] Bu 020# issued by the City Planning Administration Bureau of Dongxihu District, Wuhan City to Wuhan Sunco dated 5 April 2004, the proposed land use for the development on the land with a total site area of 307.32mu (or approximately 204,881.02 sq.m.) was approved.
5. Pursuant to a Construction Project Planning Permit, Wu Dong Gui Jian Zheng Zi [2005] No. 096 issued by the City Planning and Administrative Bureau of Dongxihu District, Wuhan City to Wuhan Sunco dated 10 October 2005, the proposed development with a total planned gross floor area of 81,101 sq.m. (including 72,105 sq.m. upper ground floor area and 8,996 sq.m. basement floor area) was approved.
6. Pursuant to four Construction Works Commencement Permits issued by the Construction Bureau of Dongxihu District, Wuhan City to Wuhan Sunco, the construction works of the proposed development of Phase 3 with a total planned gross floor area of 45,820 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
42011220051228005	30-May-2006	Phase 3	18,900.00	Blocks 411, 412, 216 to 219
42011220051228005	30-May-2006	Phase 3	6,388.00	Blocks 409 and 410
42011220051228005	30-May-2006	Phase 3	10,387.00	Blocks 403 and 404
42011220051228005	30-May-2006	Phase 3	<u>10,145.00</u>	Blocks 407 and 408
TOTAL:			<u><u>45,820.00</u></u>	

7. As advised by Sunco A Group, Phase 3 of the subject development is expected to be completed in 1 October 2008. The total investment of Phase 3 is estimated to be RMB189,093,000, of which a sum of RMB75,127,000 has been paid as at the date of valuation.
8. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB320,000,000 (interest attributable to the Enlarged Group: RMB283,000,000).
9. The major certificates and relevant approvals of the property are summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificate	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Construction Project Planning Permit	Yes
v.	Construction Works Commencement Permits	Yes
10. Wuhan Sunco is an wholly-owned subsidiary of Sunco A.
11. Pursuant to a Mortgage Agreement, No. 2006KF005-1 entered into between Wuhan Sunco (the “mortgagor”) and China Construction Bank, Hubei Branch (the “mortgagee”) dated 10 January 2007, the construction works held under Wu Fang Qi Shi Zi Di No. 2007001122 were subject to a mortgage in favour of the mortgagee as security for a loan of RMB34,000,000, in which a sum of RMB10,000,000 would be for a term commencing on 4 April 2006 and expiring on 15 January 2008 and the balance of RMB24,000,000 would be for a term commencing on 4 April 2006 and expiring on 4 April 2008. This mortgage also covered the consideration of other mortgages, making the maximum consideration to be RMB70,000,000.

12. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- (i) Wuhan Sunco legally owns the land use rights of the land parcels with a total site area of 172,185.53 sq.m. as mentioned in Note 3 above and is entitled to use, occupy and mortgage the land use rights of the property subject to discharge of the mortgages. However, prior consent from the State-owned Land Resources Bureau of Dongxihu District, Wuhan City, Hubei Province is needed;
 - (ii) All land premium has been paid in full;
 - (iii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and having been granted with the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
 - (iv) The mortgage agreements have been registered with the relevant government authorities and is therefore legal, valid and binding on Wuhan Sunco. During the term of the mortgage, Wuhan Sunco should not create a second charge on the mortgaged portion without the prior written consent from the mortgagee; Wuhan Sunco should not lease, transfer or bestow the mortgaged portion to any third party; and
 - (v) As Sunco A Acquisitions will not affect the ability of Wuhan Sunco as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential in this acquisition exercise.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
14. Phase 2 Central Special Zone Junction of Zhongyang Da Road and Taihang Road Zhengdong New District Zhengzhou City Henan Province The PRC	The property comprises Phase 2 of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Central Special Zone”. The total planned gross floor area of Phase 2 of the subject development is approximately 127,761 sq.m. The subject development is erected on a parcel of land with a site area of approximately 29,383.99 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 21 February 2075 for residential uses; and 40 years expiring on 21 February 2045 for commercial uses.	As at the date of valuation, the property is under construction.	RMB206,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon completion of Sunco A Acquisitions: RMB182,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, Phase 2 of the subject development will comprise a total planned gross floor area of approximately 122,761 sq.m. with details as follows:

No. of Phase	Block Nos.	User	Planned Gross	Current Status
			Floor Area (sq.m.)	
Phase 2	4-7# to 4-19#	Residential	115,863	Under Construction
Phase 2	Carpark	Carpark	6,898	Yet to Commence Construction
TOTAL:			<u>122,761</u>	

APPENDIX VII

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Zhengzhou City, Henan Province (the “grantor”) and Zhengzhou Keshu (the “grantee”) dated 14 January 2005, the land use rights of the subject land with a total site area of 304,586.66 sq.m. (of which the property forms part) were agreed to be granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) commencing on the date of the grant of the formal State-owned Land Use Rights Certificates at a consideration of RMB187,050,000. However, as per a document issued by Land Planning Bureau of Zhengdong New District Committee to Zhengzhou Keshu dated 11 September 2006, as the actual plot ratio exceeded the permitted plot ratio by 0.141, an additional land premium of RMB2,944,070.94 should be settled by Zhengzhou Keshu.
3. As advised by Sunco A Group, the abovementioned additional land premium has been settled by Zhengzhou Keshu.
4. Pursuant to a State-owned Land Use Rights Certificate, Zheng Guo Yong (2005) Zi Di No. 0127 issued by the People’s Government of Zhengzhou City dated 14 October 2005, the land use rights of the property with a total site area of 29,383.99 sq.m. were granted to Zhengzhou Keshu for residential and commercial uses for a term expiring on 21 February 2075 and 21 February 2045 respectively.
5. Pursuant to a Construction Land Use Planning Permit, [2005] Zheng Dong Gui Di Guan (Xu) Zi No. (0010) issued by the Land Planning Bureau of Zhengdong New District Committee to Zhengzhou Keshu dated 16 May 2005, the proposed land use for the development of a portion of the subject land with a site area of 29,383.99 sq.m. was approved.
6. Pursuant to two Construction Project Planning Permits issued by the Land Planning Bureau of Zhengdong New District Committee to Zhengzhou Keshu, the proposed development of Phase 2 with a total planned gross floor area of 122,760.99 sq.m. was approved with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)
[2006] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0038)	30-May-2006	Phase 2	115,863.23
[2006] Zheng Dong Gui Jian Guan (Xu) Zi Di (No. 0081)	30-Dec-2006	Phase 2	6,897.76
TOTAL:			<u>122,760.99</u>

7. Pursuant to two Construction Works Commencement Permits issued by the Zhengdong New District Administrative Committee to Zhengzhou Keshu, the construction works of the proposed development of Phase 2 with a total planned gross floor area of 122,760.99 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	No. of Phase	Approved GFA (sq.m.)	Portion of Development
410105200605313901	31-May-2006	Phase 2	115,863.23	Blocks 4-7 to 4-19
410105200612310101	31-Dec-2006	Phase 2	<u>6,897.76</u>	Carpark
TOTAL:			<u>122,760.99</u>	

8. As advised by the Sunco A Group, Phase 2 of the subject development is expected to be completed in May 2009. The total investment amount of Phase 2 is estimated to be RMB284,239,000, of which a sum of RMB56,309,000 has been paid as at the date of valuation.

9. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB442,000,000 (interest attributable to the Enlarged Group: RMB391,000,000).

10. The major certificates and relevant approvals of the property are summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificate	Yes
iii.	Construction Land Use Planning Permits	Yes
iv.	Construction Project Planning Permits	Yes
v.	Construction Works Commencement Permits	Yes

11. Zhengzhou Keshu is a wholly-owned subsidiary of Sunco A.

12. We have been provided with a legal opinion regarding the property interests by the Group's legal advisers, which contains, *inter alia*,
 - (i) Zhengzhou Keshu legally owns the land use rights of the land parcel with a site area of 29,383.99 sq.m. mentioned in Note 4 above and Zhengzhou Keshu is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term;

 - (ii) All land premium has been paid in full; and

 - (iii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permit, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and having been granted with the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates.

APPENDIX VII

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

VALUATION CERTIFICATE

GROUP III — PROPERTY INTERESTS HELD BY SUNCO A GROUP FOR FUTURE DEVELOPMENT IN THE PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
15. Phases 2 and 3 The Mansion Junction of Tiyu Da Road and Wenhua East Road Luoyang New District Luoyang City Henan Province The PRC	The property comprises 2 parcels of undeveloped sites with a total site area of approximately 45,341.7 sq.m. within a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “The Mansion”. The total planned gross floor area of Phases 2 and 3 of the subject development is approximately 129,795 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 30 April 2074 for residential uses, and a term of 40 years expiring on 30 April 2044 for commercial uses.	As at the date of valuation, the property is vacant.	RMB83,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB73,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, Phases 2 and 3 of the subject development will comprise a total planned gross floor area of approximately 129,795 sq.m. upon completion with details as follows:

No. of Phase	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 2	Residential	31,977	Yet to Commence Construction
Phase 2	Commercial	2,000	Yet to Commence Construction
Phase 3	Residential	90,818	Yet to Commence Construction
Phase 3	Commercial	5,000	Yet to Commence Construction
TOTAL:		<u>129,795</u>	

- Pursuant to a State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Luoyang City, Henan Province (the “grantor”) and 天津順馳地產有限公司 (the “grantee”) dated 30 April 2004, the land use rights of the subject development with a site area of 75,635.714 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) respectively commencing on the date of transfer of the land at a consideration of RMB39,708,750.

3. As confirmed by 天津順馳地產有限公司, all of the rights and obligations of 天津順馳地產有限公司 under the State-owned Land Use Rights Grant Contract as mentioned in Note 2 above should thereafter be transferred to Luoyang Sunco. 天津順馳地產有限公司 committed that there should be no impediment in relation to the enforcement of the Contract and Luoyang Sunco should be responsible for the development of the subject land.
4. Pursuant to a State-owned Land Use Rights Certificate Luo Shi Guo Yong (2004) Di No. 05002495 issued by the People's Government of Luoyang City to Luoyang Sunco dated 6 December 2004, the land use rights of the subject development with a site area of 75,635.7 sq.m. (of which the subject property forms part) were granted to Luoyang Sunco for a term of 70 years expiring on 30 April 2074 for residential uses and a term of 40 years expiring on 30 April 2044 for commercial uses.
5. Pursuant to a Construction Land Use Planning Permit, No. 04-128 issued by the City Planning Bureau of Luoyang City to Luoyang Sunco dated 22 September 2004, the proposed land use for the development on the subject land with a total site area of 75,635.714 sq.m. was approved.
6. The major certificates and relevant approvals of the property are summarized as follows:

i. State-owned Land Use Rights Grant Contract	Yes
ii. State-owned Land Use Rights Certificate	Yes
iii. Construction Land Use Planning Permit	Yes
7. Luoyang Sunco is a wholly-owned subsidiary of Sunco A.
8. Pursuant to a Mortgage Agreement, No. 2005-33 entered into between Luoyang Sunco (the "mortgagor") and China Construction Bank Luoyang Branch (the "mortgagee") dated 7 September 2005, portion of the land use rights held under Luo Shi Guo Yong (2004) Di No. 05002495 with a site area of 39,610.2 sq.m. were subject to a mortgage in favour of the mortgagee for a term of 2 years commencing on 7 September 2005 and expiring on 6 September 2007 as security for a loan of RMB30,000,000.
9. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
 - (i) Luoyang Sunco legally owns the land use rights of land parcels with a total site area of 75,635.7 sq.m. as mentioned in Note 4 above and Luoyang Sunco is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of the mortgage;
 - (ii) All land premium has been paid in full;
 - (iii) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Luoyang Sunco. During the term of the mortgage, Luoyang Sunco should not create a second charge on the mortgaged portion without the prior written consent from the mortgagee; Luoyang Sunco should not lease, transfer or bestow the mortgaged portion to any third party; and
 - (iv) As Sunco A Acquisitions will not affect the ability of Luoyang Sunco as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions.
10. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and approved by the relevant government authorities.

APPENDIX VII

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
16. Phase 3 Sunco Town East of Nanchang Road Jianxi District Luoyang City Henan Province The PRC	The property comprises a parcel of undeveloped site with a site area of approximately 47,967.9 sq.m. within a large-scale residential and commercial composite development with a site area of approximately 110,520.90 sq.m.(of which the property set out in this valuation report forms part) known as “Sunco Town”. The total planned gross floor area of Phase 3 of the subject development is approximately 180,000 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 1 December 2074 for residential uses, and a term of 40 years expiring on 1 December 2044 for commercial uses.	As at the date of valuation, the property is vacant.	RMB133,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB118,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, Phase 3 of the subject development will comprise a total planned gross floor area of approximately 180,000 sq.m. upon completion with details as follows:

User	Planned Gross Floor Area (sq.m.)	Current Status
Residential	166,792	Yet to Commence Construction
Ancillary	<u>13,208</u>	Yet to Commence Construction
TOTAL	<u><u>180,000</u></u>	

- Pursuant to a State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Luoyang City, Henan Province (the “grantor”) and Luoyang Sunco (the “grantee”) dated 1 December 2004, the land use rights of the subject land with a total site area of 110,520.90 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) respectively commencing on the date of the transfer of the land at a consideration of RMB160,365,946.33.

APPENDIX VII

PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE SUNCO A GROUP

3. Pursuant to three State-owned Land Use Rights Certificates issued by the People's Government of Luoyang City, the land use rights of portion of the subject land with a total site area of 110,520.9 sq.m. were granted to Luoyang Sunco for residential and commercial uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	Term
Luo Shi Guo Yong (2005) Di No. 04002022	10-May-2005	53,321.80	Commercial: Expiring on 1-Dec-2044; Residential: Expiring on 1-Dec-2074
Luo Shi Guo Yong (2006) Di No. 04004919	26-May-2006	13,942.80	Commercial: Expiring on 1-Dec-2044; Residential: Expiring on 1-Dec-2074
Luo Shi Guo Yong (2007) Di No.04003762	1-Feb-2007	43,256.30	Commercial: Expiring on 1-Dec-2044; Residential: Expiring on 1-Dec-2074
TOTAL:		<u>110,520.90</u>	

4. Pursuant to a Construction Land Use Planning Permit, No. 05-028 issued by the City Planning Bureau of Luoyang City to Luoyang Sunco dated 25 April 2005, the proposed land use for the development on the land with a total site area of 109,107.10 sq.m. was approved.
5. Pursuant to a Report on Construction Works Commencement of the Medium to Large-scale Development Project in Luoyang City, the construction works of the proposed development has been approved by the relevant government authorities and undertaken by various parties to commence.
6. The major certificates and relevant approvals of the property are summarized as follows:
- | | | |
|------|--|-----|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificate | Yes |
| iii. | Construction Land Use Planning Permit | Yes |
| iv. | Report on Construction Works Commencement | Yes |
7. Luoyang Sunco is a wholly-owned subsidiary of Sunco A.
8. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- (i) Luoyang Sunco legally owns the land use rights of the land parcels with a total site area of 110,520.90 sq.m. in Note 2 above and Luoyang Sunco is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term; and
- (ii) All land premium has been paid in full.
9. We have prepared our valuation based on the assumption that the development of the property will in compliance with the local planning regulations and approved by the relevant government authorities.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
17. Phases 3, 4 and 5 Central Special Zone Junction of Zhongyang Da Road and Taihang Road Zhengdong New District Zhengzhou City Henan Province The PRC	The property comprises six parcels of undeveloped sites with a total site area of approximately 167,891.44 sq.m. within a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Central Special Zone”. The land use rights of the property were granted for a term of 70 years expiring on 21 February 2075 for residential uses; 50 years expiring on 21 February 2055 for composite uses; and 40 years expiring on 21 February 2045 for commercial uses.	As at the date of valuation, the property is vacant.	RMB814,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB720,000,000)</i>

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract entered into between the State-owned Land Resources Bureau of Zhengzhou City, Henan Province (the “grantor”) and Zhengzhou Keshu (the “grantee”) dated 14 January 2005, the land use rights of the subject land with a total site area of 304,586.66 sq.m. (of which the property forms part) were agreed to be granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) commencing on the date of the grant of the formal State-owned Land Use Rights Certificates at a consideration of RMB187,050,000. However, as per a document issued by Land Planning Bureau of Zhengdong New District Committee to Zhengzhou Keshu dated 11 September 2006, as the actual plot ratio exceed the permitted plot ratio by 0.141, and an additional land premium of RMB2,944,070.94 should be settled by Zhengzhou Keshu.
- As advised by Sunco A Group, the abovementioned additional land premium has been settled by Zhengzhou Keshu.
- Pursuant to six State-owned Land Use Rights Certificates issued by the People’s Government of Zhengzhou City, the land use rights of the property with a total site area of 167,891.44 sq.m. were granted to Zhengzhou Keshu for residential, commercial and composite uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	User(s) and Term
Zheng Guo Yong (2005) Zi Di No. 0126	01-Mar-2005	53,290.50	Composite: Expiring on 21-Feb-2055
Zheng Guo Yong (2005) Zi Di No. 0129	01-Mar-2005	20,046.70	Composite: Expiring on 21-Feb-2055
Zheng Guo Yong (2005) Zi Di No. 0130	01-Mar-2005	10,943.51	Composite: Expiring on 21-Feb-2055
Zheng Guo Yong (2005) Zi Di No. 0131	01-Mar-2005	16,696.71	Commercial: Expiring on 21-Feb-2045
Zheng Guo Yong (2005) Zi Di No. 0132	01-Mar-2005	12,321.18	Commercial: Expiring on 21-Feb-2045
Zheng Guo Yong (2005) Zi Di No. 0133	01-Mar-2005	<u>54,592.84</u>	Residential: Expiring on 21-Feb-2075
TOTAL:		<u>167,891.44</u>	

4. The major certificates and relevant approvals of the property are summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificates	Yes

5. Zhengzhou Keshu is a wholly-owned subsidiary of Sunco A.

6. The property is subject to a mortgage as pursuant to a Mortgage Agreement, 2007 Nian Zheng Gong Yin Huai Zhi Di Zi Di No.3 entered into between Zhengzhou Keshu (the “mortgagor” and Industrial and Commercial Bank of China, Zhengzhou Huaihe Road Sub-Branch (the “mortgagee”) dated 10 February 2007, the land use right held under Zheng Guo Yong (2005) Zi Di No.0126 was subject to a mortgage in favour of the mortgagee to secure a loan of RMB50,000,000 under Loan Agreement 2007 Nian Zheng Gong Yin Huai Zhi Jie Zi Di No.3 for a term of one year commencing on 12 February 2007 and expiring on 11 February 2008.

7. We have been provided with a legal opinion regarding the property interests by the Group’s legal advisers, which contains, *inter alia*,
 - (i) Zhengzhou Keshu legally owns the land use rights of the land parcels with a total site area of 167,891.44 sq.m. as mentioned in Note 3 above and Zhengzhou Keshu is entitled to use, occupy or mortgage the land use rights of the property during the land use rights term subject to discharge of the mortgage subject to Note 7(i) below;
 - (ii) As advised by Sunco A Group, the three State-owned Land Use Rights Certificates (Zheng Guo Yong (2005) Zi Di Nos. 0129, 0130 and 0133) are being retained by an independent third party, Zhengzhou Keshu may not be able to complete the procedures for the transfer or mortgage of the land use rights, or development of these three parcels of land;
 - (iii) All land premium has been paid in full;
 - (iv) The mortgage agreement have been registered with the relevant government authorities and is therefore legal, valid and binding on Zhengzhou Keshu. During the term of the mortgage, Zhengzhou Keshu should not create a second charge on the mortgaged portion without the prior written consent from the mortgagee; Zhengzhou Keshu should not lease, transfer or bestow the mortgaged portion to any third party; and
 - (v) As Sunco A Acquisitions will not affect the ability of Zhengzhou Keshu as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions.

8. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and approved by the relevant government authorities.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
18. Phases 3 and 4 Unusual Landscape South of Shengfu Village Yinghai Town Jiaozhou Qingdao City Shandong Province The PRC	The property comprises Phases 3 and 4 of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Unusual Landscape”. The total planned gross floor area of Phases 3 and 4 of the subject development is approximately 157,758 sq.m. The subject development is erected on a parcel of land with a site area of approximately 248,892 sq.m., in which Phases 3 and 4 comprise a site area of approximately 107,127 sq.m. The land use rights of the property were granted for a term of 70 years expiring on 28 October 2074 for residential uses; and 40 years expiring on 28 October 2044 for commercial uses.	As at the date of valuation, the property is vacant.	RMB115,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB102,000,000)</i>

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract, Jiao Chu Tu Zi (2004) No. 167 entered into between the State-owned Land Resources Bureau of Jiaozhou City, Shandong Province (the “grantor”) and Shandong Sunco (the “grantee”) dated 29 October 2004, the land use rights of the subject land with a site area of 248,892 sq.m. (of which the subject property forms part) were agreed to be granted to the grantee for a term of 70 years (residential uses) and 40 years (commercial uses) respectively commencing on the date of the contract at a consideration of RMB136,000,000.

APPENDIX VII

**PROPERTY VALUATION OF THE PROPERTY
INTERESTS HELD BY THE SUNCO A GROUP**

2. Pursuant to three State-owned Land Use Rights Certificates issued by the People's Government of Jiaozhou City to Shandong Sunco, the land use rights of the subject development with a total site area of 248,892 sq.m. were granted to Shandong Sunco for commercial and residential uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	Term and User
Jiao Guo Yong (2004) Zi Di No. 15-30	27-Dec-2004	56,366.00	Residential: Expiring on 28-Oct-2074 Commercial: Expiring on 28-Oct-2044
Jiao Guo Yong (2005) Zi Di No. 15-5	03-Mar-2005	74,667.60	Residential: Expiring on 28-Oct-2074 Commercial: Expiring on 28-Oct-2044
Jiao Guo Yong (2006) Zi Di No. 15-54	05-Dec-2006	117,858.40	Residential: Expiring on 28-Oct-2074 Commercial: Expiring on 28-Oct-2044
TOTAL:		<u>248,892.00</u>	

3. Pursuant to a Construction Land Use Planning Permit, No. JG2004-527 issued by the Town Construction Bureau of Jiaozhou City to Shandong Sunco dated 9 December 2004, the proposed land use for the development on the land (of which the subject property forms part) with a total site area of 248,892 sq.m. was approved.

4. The major certificates and relevant approvals of the property are summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificate	Yes
iii.	Construction Land Use Planning Permit	Yes

5. Shandong Sunco is a wholly-owned subsidiary of Sunco A.

6. Pursuant to a Mortgage Agreement entered into between Shandong Sunco (the “mortgagor”) and Bank of China, Qingdao Xiangganglu Sub-Branch (the “mortgagee”) dated 19 March 2007, the land use rights held under Jiao Guo Yong (2006) Zi Di No. 15-54 with a site area of 117,858.40 sq.m. were subject to a mortgage in favour of the mortgagee for a term of 37 months commencing on 20 March 2007 and expiring on 20 April 2010 as security for a loan of RMB45,000,000.

7. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- (i) Shandong Sunco legally owns the land use rights of the land parcels with a total site area of 248,892 sq.m. as mentioned in Note 2 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to the discharge of the mortgage;
 - (ii) All land premium has been paid in full;
 - (iii) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Shandong Sunco. During the term of the mortgage, Shandong Sunco should not create a second charge on the mortgaged portion without the prior written consent from the mortgagees; Shandong Sunco should not lease, transfer or bestow the mortgaged portion to any third party; and
 - (iv) As Sunco A Acquisitions will not affect the ability of Shandong Sunco as a mortgagor to fulfill its obligation, the consent of the mortgagee is not essential for Sunco A Acquisitions.
8. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and approved by the relevant government authorities.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
19. A parcel of land located at Weishier Road Huaiyin District Jinan City Shandong Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 191,615 sq.m. planned for a large-scale residential development. The total planned gross floor area of the property is approximately 344,907 sq.m. The land use rights of the property were agreed to be granted for a term of 50 years for residential uses.	As at the date of valuation, the property is currently vacant.	No commercial value <i>(61.92% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: Nil)</i>

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract, Ji Guo Tu Zi He Zi No. [2004] entered into between State-owned Land Resources Bureau of Jinan City, Shandong Province (the “grantor”) and 山東志成投資建設股份有限公司 (the “grantee”) dated 28 August 2004, the land use rights of the subject land with a site area of 191,615 sq.m. were agreed to be granted to the grantee for a term of 50 years commencing on the date of the transfer of the land for residential uses at a consideration of RMB72,191,334.48.
- Pursuant to a Joint Venture Agreement entered into between 山東志成投資建設股份有限公司 and Jinan Sunco dated 15 November 2004, both parties agreed to co-operate in the development of the property in the way that 山東志成投資建設股份有限公司 shall be responsible for the land acquisitions and relevant land matters and Jinan Sunco shall be solely responsible for the development of the site including design and construction and to settle the construction cost.
- Pursuant to a Shares Transfer Agreement entered into between 天津順馳新地置業有限公司, 山東順馳地產有限公司 (“Party A”), 山東志成投資建設股份有限公司 and 孫順 (“Party B”) dated December 2004, Party B agreed to transfer its 100% equity interest in Jinan Sunco to Party A at a consideration of RMB354,680,000.
- Pursuant to a Transfer Agreement of the abovementioned Shares Transfer Agreement entered into between Party A, Sunco A WFOE and Zhengzhou Keshu (“Party C”), Party A agreed to transfer all the rights and obligations to Party C as stated in the Shares Transfer Agreement entered into between Party A and Party B.
- Pursuant to the Supplemental Agreement of Strategic Co-operation Agreement in relation to the Residential Project in Huaiyin District, Jinan City entered into between Party A, Party B and Party C dated 18 September 2006, Party B recognized the transfer of the rights and obligations as stated in the Transfer Agreement entered into between Party A and Party C; in addition, Party B agreed to apply for the State-owned Land Use Rights Certificates under the name of Jinan Sunco upon payment of all requisite agreed considerations by Party C to Party B.
- Pursuant to a Construction Land Use Planning Permit, No. (2005) Lu 01-03-222 issued by the Planning Bureau of Jinan City to 山東志成投資建設股份有限公司 dated 14 November 2005, the proposed land use for the development on the subject land with a total site area of 19.24 hectares was approved.

7. The major development restrictions pursuant to a Construction Land Planning Opinion, Ji Gui Guan Di Zi “2005” No. 222 issued by the Planning Bureau of Jinan City to 山東志成投資建設股份有限公司 dated 11 November 2005 is listed below:
- | | | |
|------------------------------------|---|--|
| Use | : | Residential and Ancillary Facilities |
| Net Site Area (sq.m.) — Plot 1 | : | 176,200 |
| Net Site Area (sq.m.) — Plot 2 | : | 6,900 |
| Maximum Plot Ratio (Plot 1) | : | 1.8 (Above Ground); 0.7 (Below Ground) |
| Building Density (Plot 1) | : | Not higher than 32% |
| Greenery Ratio (Plot 1) | : | Not lower than 35% |
| Development Restrictions of Plot 2 | : | To be confirmed |
8. The major certificates and relevant approvals of the property are summarized as follows:
- | | |
|---|-----|
| i. State-owned Land Use Rights Grant Contract | Yes |
| ii. State-owned Land Use Rights Certificate | No |
| iii. Construction Land Use Planning Permit | Yes |
9. Jinan Sunco will be a wholly-owned subsidiary of Sunco A upon the completion of Share Transfer Agreement as mentioned in Note 3, Transfer Agreement as mentioned in Note 4 and Supplemental Agreement as mentioned in Note 5.
10. In the course of our valuation, we have attributed no commercial value to the property as the land premium has not been fully settled so that the property is yet to be granted with the State-owned Land Use Rights Certificate(s). For reference purposes, we are of the opinion that the market value of the property in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and all necessary title documents have been granted, would be RMB389,000,000 (interest attributable to the Enlarged Group: RMB241,000,000).
11. We have been provided with legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*,
- The contract as mentioned in Note 2 above is legal, binding and enforceable between the parties in the respective agreements; and
 - The Joint Venture Agreement is subsisting and has not been cancelled or ceased to have effect.
12. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and approved by the relevant government authorities.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from RHL Appraisal Ltd., an independent valuer, in connection with its valuation as at 31 March 2007 of the property interests held by the New Project Companies.

永利行 估值顧問有限公司 | RHL Appraisal Ltd

Surveying Practices - Corporate Valuation and Property Consultancy
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30 June 2007

The Board of Directors
Road King Infrastructure Limited
5th Floor, Tower 6
The Gateway
No. 9 Canton Road
Tsimshatsui, Kowloon
Hong Kong

Dear Sirs,

INSTRUCTIONS

In accordance with your instructions to value the property interests held in the People's Republic of China (the "PRC") held by Sunco Property Holdings Company Limited ("Sunco A") and its subsidiaries (hereinafter together referred to as the "Sunco A Group"), the shares of which Road King Infrastructure Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") propose to subscribe and acquire, and to transfer a certain portion to Elite Rich Investments Limited ("Elite Rich"), a wholly owned subsidiary of Wai Kee Holdings Limited ("Wai Kee") the controlling shareholder of the Company, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 31 March 2007 (the "date of valuation"), herein attached being the valuation of the property interests held by 順馳置地(北京)房地產開發有限公司 ("Beijing Sunco 1"), 北京順馳置地達興房地產開發有限公司 ("Beijing Sunco 3"), 天津順馳新地置業有限公司 (Tianjin Sunco 2), 天津順馳融信置地有限公司 (Tianjin Sunco 3) and 河北順馳房地產開發有限公司 ("Hebei Sunco") (collectively, the "New Project Companies") and 上海順馳方城置業有限公司 ("Shanghai Fangcheng"), which the Sunco A Group proposed to acquire as at the date of valuation and has acquired as at the date of this letter.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

BASIS OF VALUATION

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

PROPERTY INTERESTS CATEGORISATION

The property interests held by the New Project Companies and Shanghai Fangcheng are categorised as follows:

- Group I — Property Interests Held by the New Project Companies and Shanghai Fangcheng for Sale in the PRC
- Group II — Property Interests Held Under Development by the New Project Companies and Shanghai Fangcheng in the PRC
- Group III — Property Interests Held by the New Project Companies and Shanghai Fangcheng for Future Development in the PRC

METHODS OF VALUATION

In valuing the property interests in Group I, we have valued the completed portion by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. For those property interests in Group I which are held for sale but are still in the process of construction, we have also adopted the same approach but additionally we have taken into consideration the development costs already spent and yet be spent to reflect their existing state.

For those property interests in Group I which have been contracted to be sold (either completed or to be completed) but the formal conveyancing procedures of which are yet to be completed, we have valued this portion of property interests by adopting the considerations as stated in their respective Sale and Purchase Agreements.

In valuing the property interests in Group II which are held by the New Project Companies and Shanghai Fangcheng under development, the market value of the property interests will be formulated by the land value using the direct comparison approach plus the depreciated replacement cost of the buildings and structures erecting on the land.

In assessing the land value, comparable land sales as available in the subject localities as well as benchmark land prices as published by the local government authority were analysed and carefully weighted against all the respective advantages and disadvantages of the property interest in order to arrive at a fair comparison of capital values of the land.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization”. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the concerned properties in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economic causes. This method has been used due to the nature of the property interest and is a method of using current replacement costs to arrive at the value of the property interest as existing at the date of valuation.

In valuing the property interests in Group III which are held by the New Project Companies and Shanghai Fangcheng for future development, we have also adopted the direct comparison approach assuming sale of the property interests in their existing state with the benefit of vacant possession and by making reference to comparable land sales transactions as available in the subject localities as well as the relevant benchmark land prices.

VALUATION ASSUMPTIONS

As the property interests are held under long term Government Leases, we have assumed that the owner has free and uninterrupted rights to use the property interests for the whole of the unexpired term of their respective Government Leases without payment of any substantial sum of taxes or expenses. We have valued the property interests on an open market basis assuming sale with vacant possession.

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

In valuing the property interests which are currently under construction, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us. In arriving at our opinion of values, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the costs and fees to be expended to complete the developments.

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

VALUATION CONSIDERATIONS

For the purpose of our valuations:

- (i) Property interests held for sale refer to those developments which the whole or part thereof have been issued with the Pre-sale Permits (預售許可證);

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

- (ii) Completed developments refer to those which the whole or part thereof have been issued with the Certificate(s) of Completion (竣工驗收證);
- (iii) Developments under construction refer to those which the whole or part thereof have been issued with the Construction Works Commencement Permit(s) (建設工程施工許可證) but is yet to be issued with the Certificate(s) of Completion (竣工驗收證); and
- (iv) Property interests held for future development refers to those which the whole or part thereof have been issued with State-owned Land Use Rights Grant Contract(s) (國有土地使用權出讓合同) or State-owned Land Use Rights Certificate(s) (國有土地使用權證) but is yet to be issued with the Construction Works Commencement Permit(s) (建設工程施工許可證).

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; Rule 11 to The Codes on Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission effective from February 2002; the RICS Appraisal and Valuation Standards (5th Edition) published by the Royal Institution of Chartered Surveyors and effective from May 2003; and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1 January 2005.

We have relied to a considerable extent on information given by the Sunco A Group and the Group, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, floor areas and all other relevant matters.

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

We have inspected the exterior and, where possible, the interior of the property interests. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property interests are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Sunco A Group and the Group. We have also been advised by the Sunco A Group and the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

TITLE INVESTIGATION

We have been shown copies of various title documents including State-owned Land Use Rights Grant Contracts, State-owned Land Use Rights Certificates and Building Ownership Certificates; construction approvals including the Construction Land Use Planning Permits, Construction Project Planning Permits, Construction Works Commencement Permits and Certificates for Completions, Pre-sale Permits and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the advice given by the Company's PRC legal adviser — Global Law Office, concerning the validity of titles of the New Project Companies and Shanghai Fangcheng to the property interests.

EXCHANGE RATE

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

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of

RHL Appraisal Ltd.

Serena S. W. Lau
FHKIS AAPI RPS(GP)
Managing Director

Shirley Y. F. Yeung
BSc MHKIS MRICS
Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor with over 15 years' experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Ms. Lau is an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as an eligible real estate appraiser in the PRC.

Ms. Shirley Y. F. Yeung is a Chartered Surveyor with over 7 years' experience in valuation of properties in Hong Kong, the PRC and the Asia Pacific Region. Ms. Yeung is a member of The Royal Institution of Chartered Surveyors as well as a member of the Hong Kong Institute of Surveyors.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

SUMMARY OF VALUES

**GROUP I — PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND
SHANGHAI FANGCHENG FOR SALE IN THE PRC**

No.	Property	Market Value in existing state as at 31 March 2007 RMB	Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions (%)	Value Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at 31 March 2007 RMB
1.	Blues County Yuhua District Shijiazhuang City Hebei Province The PRC	150,000,000	88.46%	133,000,000
2.	Phase 1 The River Side Jiading District Shanghai City The PRC	194,000,000	27.86%	54,000,000
3.	Phases 1, 2 and 3 Songs & Sea Daxing District Beijing City The PRC	458,000,000	88.46%	405,000,000
4.	Forest Creek Changping District Beijing City The PRC	717,000,000	88.46%	634,000,000
5.	The City Art Villa Baodi District Tianjin City The PRC	5,000,000	88.46%	4,000,000

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

No.	Property	Market Value in existing state as at 31 March 2007 RMB	Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions (%)	Value
				Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at 31 March 2007 RMB
6.	Foggy Creek Ji County Tianjin City The PRC	20,000,000	88.46%	18,000,000
7.	Phase 1 Mountain My Life Tianjin City The PRC	234,000,000	88.46%	207,000,000
8.	Phase 1 Lot No.1 Sun Town Hedong District Tianjin City The PRC	309,000,000	88.46%	273,000,000
9.	Lot No. 5 and Zhongxincheng Sun Town Hedong District Tianjin City The PRC	No Commercial Value	88.46%	Nil
SUB-TOTAL:		<u>2,087,000,000</u>		<u>1,728,000,000</u>

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

**GROUP II — PROPERTY INTERESTS HELD UNDER DEVELOPMENT BY THE NEW
PROJECT COMPANIES AND SHANGHAI FANGCHENG IN THE PRC**

No.	Property	Market Value in existing state as at 31 March 2007 RMB	Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions (%)	Value
				Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at 31 March 2007 RMB
10.	Phase 4 Songs & Sea Daxing District Beijing City The PRC	210,000,000	88.46%	186,000,000
	SUB-TOTAL:	<u>210,000,000</u>		<u>186,000,000</u>

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

**GROUP III — PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND
SHANGHAI FANGCHENG FOR FUTURE DEVELOPMENT IN THE PRC**

No.	Property	Market Value in existing state as at 31 March 2007 RMB	Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions (%)	Value
				Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at 31 March 2007 RMB
11.	Phases 2 to 4 The River Side Jiading District Shanghai City The PRC	No commercial value	27.86%	Nil
12.	Phases 5 to 9 Songs & Sea Daxing District Beijing City The PRC	No commercial value	88.46%	Nil
13.	Phases 2 to 4 Mountain My Life Ji County Tianjin City The PRC	296,000,000	88.46%	262,000,000
14.	Lot No. 7 Sun Town Hedong District Tianjin City The PRC	71,000,000	88.46%	63,000,000
15.	Phase 2 Lot No.1 Sun Town Hedong District Tianjin City The PRC	107,000,000	88.46%	95,000,000

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

No.	Property	Market Value	Interest	Value
		in existing state as at 31 March 2007 RMB	Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions (%)	Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions as at 31 March 2007 RMB
16.	Lot No.6, 9, 10, 25 and Xiaoerlou Area Sun Town Hedong District Tianjin City The PRC	765,000,000	88.46%	677,000,000
	SUB-TOTAL:	<u>1,239,000,000</u>		<u>1,097,000,000</u>
	TOTAL:	<u><u>3,536,000,000</u></u>		<u><u>3,011,000,000</u></u>

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

VALUATION CERTIFICATE

**GROUP I — PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND
SHANGHAI FANGCHENG FOR SALE IN THE PRC**

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
1. Blues County Yuhua District Shijiazhuang City Hebei Province The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handed over of a large-scale residential development known as “Blues County”. The unsold portion of the subject development comprises 90 residential units with a total gross floor area of approximately 16,590.83 sq.m.; residential spaces with a total gross floor area of approximately 121,559.09 sq.m., commercial spaces with a total gross floor area of 2,170 sq.m. and 538 carparking spaces. The subject development is erected on 3 parcels of land with a total site area of approximately 91,365.573 sq.m.. The land use rights of a portion of the property were granted for a term of 70 years expiring on 21 September 2073 for residential uses.	As at the date of valuation, the property is under construction and is held by Hebei Sunco for sale.	150,000,000 <i>(88.46% Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB133,000,000)</i>

Notes:-

- According to the development plan handed to us by Sunco A Group, the subject development comprises a total planned gross floor area of approximately 181,644 sq.m. with details as follows:

Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Villas in Zones A and B	Residential	34,320	Under Construction
Block Nos. 1 to 13 in Zone C	Residential	123,473	Under Construction
Basement Carpark	Carpark	18,181	Under Construction
Commercial	Commercial	2,170	Under Construction
Clubhouse	Clubhouse	3,500	Under Construction
TOTAL:		<u>181,644</u>	

- Pursuant to a State-owned Land Use Rights Grant Contract, (2003) No. 009 Gua Pai Di Kuai entered into between the Bureau of Land and Resources of Shijiazhuang (the “grantor”) and 河北順馳房地產開發有限公司 (Hebei Sunco) (the “grantee”) dated 22 September 2003, the land use rights of the subject land with a site area of 186,263.70 (in which the subject land forms part) were granted to the grantee for a term of 70 years (residential uses) commencing on the date of this Contract at a consideration of RMB597,000,000.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

3. Pursuant to a Supplementary Agreement entered into between the Bureau of Land and Resources of Shijiazhuang and Hebei Sunco dated 26 March 2007, the site area of the subject land was amended to 181,955.79sq.m.. However, pursuant to the same Supplementary Agreement, only the subject land with a site area of 91,365.573sq.m. will be granted to Hebei Sunco and the land premium was revised to RMB299,771,978.

4. Pursuant to a State-owned Land Use Rights Certificate, Yu Hua Guo Yong (2006) Di No.127 issued by the People's Government of Shijiazhuang to Hebei Sunco dated 18 April 2006, the land use rights of a portion of the subject land with a site area 47,530.33 sq.m. were granted to Hebei Sunco for a term of 70 years expiring on 21 September 2073 for residential uses.

5. Pursuant to a Construction Land Use Approval Certificate, Shi Jia Zhuang Shi (2007) Shi Tu Pi Zi Di No.010 issued by the Bureau of Land and Resources of Shijiazhuang to Hebei Sunco dated 13 February 2007, Hebei Sunco was permitted to use the portion of the subject land with a site area of 43,835.243 sq.m. for a term of 70 years expiring on 21 September 2073 for residential uses. The valid period of the Certificate will expire in Dec-2007.

6. Pursuant to a Construction Land Use Planning Permit, Shi Gui Guan Zheng Zi (2004) Di No.086 issued by the Urban Planning Bureau of Shijiazhuang City to Hebei Sunco dated 5 August 2004, the proposed land use for the development on the subject land with a total site area of 195,333.978 sq.m. (in which the subject land forms part) was approved.

7. Pursuant to two Construction Project Planning Permits issued by the Urban Planning Bureau of Shijiazhuang City to Hebei Sunco, portion of the proposed development with a total gross floor area of 43,529 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
Shi Jian Guan Zi (2004) Di No.195	7-Sep-2004	15,816.00	Blocks Nos. 1 to 12 in Zone B
Shi Jian Guan Zi (2004) Di No.272	1-Dec-2004	<u>27,713.00</u>	Block Nos. 8-10 in Zone C
TOTAL:		<u><u>43,529.00</u></u>	

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
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8. Pursuant to two Construction Works Commencement Permits issued by the Construction Bureau of Shijiazhuang to Hebei Sunco, a portion of the proposed development with a total gross floor area of 43,529 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
130101S040910101	1-Nov-2004	15,816.00	Block Nos. 1 to 12 in Zone B
130101S040910201	14-Jan-2005	27,713.00	Block Nos. 8-10 in Zone C and Basement Carpark
TOTAL:		<u>43,529.00</u>	

9. Pursuant to two Pre-sale Permits issued by the Housing Administration of Shijiazhuang City to Hebei Sunco, Hebei Sunco was entitled to commence pre-sale of a portion of the development to the market with details as follows:

Permit No.	Date of Issue	Effective Period	No. of Units	Pre-sale GFA (sq.m.)	Portion of Development
Di No.2006020	N/A	30-Apr-2006 to 31-Dec-2006	62	15,816	Block Nos. 1-12 in Zone B
Di No.2006021	N/A	30-Apr-2006 to 31-Dec-2006	110	27,713	Block Nos. 8-10 in Zone C
TOTAL:			172	<u>43,529</u>	

10. Pursuant to a Judgment from the Shijiazhuang City Intermediate People's Court, (2006) Shi Min Li Bao Zi Di No.00065 dated 9 August 2006, an order was attached to 49 residential units in Zone B and 74 residential units in Zone C, prohibiting the building ownership rights of those residential units being leased, mortgaged, or transferred without the consent of the Court.
11. As advised by Sunco A Group, the development comprising 82 residential units with a total gross floor area of approximately 16,529.23 sq.m. of the development have been pre-sold for a total consideration of RMB90,000,000. Out of the 82 residential units, 33 of which pre-sold for a total consideration of RMB42,000,000 are under the order of the Court as mentioned in Note 10 above. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Only the portion not subject to the Court order was included in our valuation of the market value of the property above.
12. As advised by Sunco A Group, the subject development is scheduled to be completed in July-2009. The total investment of the development is estimated to be RMB791,035,000, of which a sum of RMB448,631,000 has been paid as at the date of valuation.
13. In the course of our valuation, we have attributed no commercial value to the 90 unsold residential units and the 33 pre-sold residential units which are under the order of the Court as mentioned in Note 10 above, residential spaces of 57,945.09 sq.m., and clubhouse of 3,500 sq.m. which are yet to be granted with proper State-owned Land Use Rights Certificate and construction works of the residential space of 25,126 sq.m. which are yet to be granted with Construction Works Commencement Permit. For reference purposes, we are of the opinion that the market value of this portion in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and have been granted with all necessary title documents granted and the order of the Court lifted, would be RMB442,000,000 (interest attributable to the Enlarged Group: RMB391,000,000).

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

14. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB839,000,000 (interest attributable to the Enlarged Group: RMB742,000,000) inclusive of the portion with Court order, without proper State-owned Land Use Rights Certificates or Construction Works Commencement Permit (as mentioned in Note 13 above) and the parts and portions that have been contracted to be sold, the aggregate value of which is reflected at their total contracted amount.
15. The major certificates and relevant approvals of the property is summarized as follows:
- | | | |
|------|--|------------|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificates | Yes (Part) |
| iii. | Construction Land Use Planning Permits | Yes |
| iv. | Construction Project Planning Permits | Yes |
| v. | Construction Work Commencement Permit | Yes (Part) |
| vi. | Pre-sale Permits | Yes |
16. Hebei Sunco is a wholly-owned subsidiary of Sunco A as at the date of this letter.
17. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- (i) Hebei Sunco legally owns the land use rights of the land parcel with a site area of 47,530.33 sq.m. as mentioned in Note 4 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term except those portions of the property which are subject to the Court order mentioned in Note 10 above;
- (ii) For the land use rights of the remaining portion of the property with a site area of 43,835.243 sq.m., there is no legal impediment for Hebei Sunco to obtain the State-owned Land Use Rights Certificate.
- (iii) According to the Construction Land Use Approval Certificate as mentioned in Note 5 above, Hebei Sunco could proceed to register for the land use rights of that portion of site after settlement of all the land premium, taxes and relevant fees;
- (iv) The property is not subject to mortgage or any other encumbrances except the Judgment from the Intermediate People's Court mentioned in Note 10 above;
- (v) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
- (vi) Hebei Sunco is entitled to freely sell the portion of the development as mentioned in Note 9 above in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portions of the property and except those portions of the property which are subject to the Court order mentioned in Note 10 above; and
- (vii) Hebei Sunco could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Hebei Sunco still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007 RMB
2. Phase 1 The River Side Jiading District Shanghai City The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of Phase 1 of a large-scale residential development (of which the property set out in this valuation report forms part) known as “The River Side”. The unsold portion of Phase 1 comprises 45 residential units with a total gross floor area of approximately 9,968.55 sq.m. and residential spaces of approximately 55,285.30 sq.m. The subject development is erected on 2 parcels of land with a site area of approximately 301,616 sq.m in which Phase 1 comprises a site area of approximately 131,900 sq.m.. The land use rights of portion of the property were granted for a term of 70 years expiring on 2 March 2076 for residential uses.	As at the date of valuation, the property is under construction and is held by Shanghai Fangcheng for sale.	194,000,000 <i>(27.86% Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: 54,000,000)</i>

Notes:-

- According to the development plan handed to us by Sunco A Group, the subject development will comprise 104 residential blocks with a total planned gross floor area of approximately 70,513 sq.m. and a clubhouse with a total planned gross floor area of approximately 2,592 sq.m. upon completion.
- Pursuant to a State-owned Land Use Rights Grant Contract, Hu Jia Fang Di (2006) Chu Rang He Tong Di No.30 entered into between the Housing and Land and Resources Administration Bureau of Jiading District, Shanghai City (the “grantor”) and 上海順馳方城置業有限公司 (Shanghai Fangcheng) (the “grantee”) dated 3 March 2006, the land use rights of the subject land with a site area of 301,616 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) on the date of this Contract at a consideration of RMB95,025,000.
- Pursuant to a Shanghai Jiading District Land Acquisition Compensation Agreement, Hu Jia Fang Di (2006) Di No.18 entered into between the Housing and Land and Resources Administration Bureau of Jiading District, Shanghai City and Shanghai Fangcheng dated 3 March 2006, Shanghai Fangcheng is obliged to pay a sum of RMB221,725,000 as the compensation payable for the acquisition of the subject land.
- Pursuant to a Shanghai Certificate of Real Estate Ownership, Hu Fang Di Jia Zi (2006) Di No. 017446 issued by the Shanghai Municipal Housing and Land Resources Administration Bureau dated 8 September 2006, the land use rights of portion of the subject land with a site area of 77,302 sq.m. were granted to Shanghai Fangcheng for a term of 70 years commencing on 3 March 2006 and expiring on 2 March 2076 for residential uses.
- Pursuant to a Construction Land Use Planning Permit, Hu Jia Di (2006) No.14060531E00908 issued by the Shanghai Municipal City Planning Bureau of Shanghai City dated 31 May 2006, the proposed land use of the development on the subject land with a site area of 311,016 sq.m. was approved.

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6. Pursuant to a Construction Project Planning Permit, Hu Jia Jian (2006) 1406531F01613 issued by the City Planning Bureau of Jiading District, Shanghai City dated 31 May 2006, the proposed development with a planned gross floor area of 71,623 sq.m. was approved.
7. Pursuant to a letter, Jia Gui Jian [2007] No.74 issued by the City Planning Bureau of Jiading District, Shanghai City dated 26 February 2007, the planned gross floor area approved under the Construction Project Planning Permit in Note 6 above was amended to 75,149 sq.m.
8. Pursuant to four Construction Works Commencement Permits issued by the Construction Administrative Office of Shanghai City to Shanghai Fangcheng, the construction works of the proposed development with a total planned gross floor area of 70,513 sq.m. were approved to commence with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
0601JD0003D01 310222200604191619	25-Aug-2006	18,672	26 blocks
0601JD0003D02 310222200604191619	22-Sept-2006	25,087	39 blocks
0601JD0003D03 310222200604191619	17-Nov-2006	4,959	Block Nos. 27 to 34, 73
0601JD0003D04 310222200604191619	17-Nov-2006	<u>21,795</u>	Block Nos. 74 to 104
		<u>70,513</u>	

9. Pursuant to two Pre-sale Permits issued by the Housing and Land Resources Administration Bureau of Jiading District, Shanghai City to Shanghai Fangcheng, Shanghai Fangcheng was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	Pre-sale GFA (sq.m.)	Portion of Development
Jia Ding Fang Di (2007) Yu Zi No.0000085	26-Jan-2007	3,661.48	Block Nos. 2, 5, 14, 16 and 20
Jia Ding Fang Di (2007) Yu Zi No.0000224	22-Mar-2007	11,240.84	Block Nos. 3, 4, 6, 12, 13, 28, 40, 43, 44, 48 to 50, 58, 59, 60
		<u>14,902.32</u>	
	TOTAL	<u>14,902.32</u>	

10. As advised by Sunco A Group, 19 residential units of the development with a total gross floor area of 4,569.77 sq.m. have been pre-sold for a total consideration of RMB30,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was included in our valuation of the market value of the property above.
11. In the course of our valuation, we have attributed no commercial value to the portion of the residential spaces with a total planned gross floor area of 38,071 sq.m. and the clubhouse with a planned gross floor area of 2,592 sq.m. which are yet to be granted with proper State-owned Land Use Rights Certificate. For reference purposes, we are of the opinion that the market value of this portion in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and all necessary title documents have been granted, would be RMB143,000,000 (interest attributable to the Enlarged Group: RMB40,000,000).
12. As advised by Sunco A Group, the development is schedule to be completed in April 2008. The total investment of the development is estimated to be RMB359,463,000, of which a sum of RMB213,983,000 has been paid as at the date of valuation.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

13. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB489,000,000 (interest attributable to the Enlarged Group: RMB136,000,000) inclusive of the portion without proper State-owned Land Use Rights Certificate (as mentioned in Note 11 above) and the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.
14. The major certificates and relevant approvals of the property is summarized as follows:
- | | | |
|------|---|------------|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | Shanghai Certificate of Real Estate Ownership | Yes (Part) |
| iii. | Construction Land Use Planning Permits | Yes |
| iv. | Construction Project Planning Permits | Yes |
| v. | Construction Works Commencement Permits | Yes |
| vi. | Pre-sale Permits | Yes |
15. Shanghai Fangcheng is a 31.5%-owned associated company of Sunco A as at the date of this letter.
16. Pursuant to a Mortgage Agreement, 02002061080023 entered into between Shanghai Fangcheng (the “mortgagor”) and Shanghai Rural Commercial Bank, Jiading Branch (the “mortgagee”) dated 11 December 2006, the ownership of the construction works with a planned gross floor area of 18,493.70 sq.m. and the land use rights under the construction works were together subject to a mortgage in favour of the mortgagee for a term of 2 years commencing on 11 December 2006 and expiring on 10 December 2008 as security for a loan of RMB55,000,000 and interest thereon.
17. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Shanghai Fangcheng legally owns the land use rights of the land parcel with a site area of 77,302 sq.m. as mentioned in Note 4 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of mortgage;
- (ii) For the parcel of land which is yet to be granted with a proper State-owned Land Use Rights Certificate, upon settlement of the outstanding land premium and relevant taxes and expenses, and fulfilment of its obligations under the State-owned Land Use Rights Grant Contract there will be no legal impediment for Shanghai Fangcheng to obtain the relevant State-owned Land Use Rights Certificates;
- (iii) The compensation amount in Note 3 has been fully settled;
- (iv) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
- (v) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Shanghai Fangcheng. During the term of the mortgage, Shanghai Fangcheng should not create a second charge on the mortgaged portion without the prior written consent from the mortgagee; Shanghai Fangcheng should not lease, transfer or bestow the mortgaged portion to any third party;
- (vi) As Sunco A Acquisitions will not affect the ability of Shanghai Fangcheng as a mortgagor, the consent of the mortgagee is not essential for Sunco A Acquisitions;
- (vii) Shanghai Fangcheng is entitled to freely sell the portion of the development as mentioned in Note 9 above in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portions of the property; and
- (viii) Shanghai Fangcheng could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Shanghai Fangcheng still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2007 RMB
3. Phases 1, 2 and 3 Songs & Sea Daxing District Beijing The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handed over for Phases 1, 2 and 3 of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Songs & Sea”. The unsold portion of Phases 1 and 2 comprises 41 residential units with a total gross floor area of approximately 7,910.54 sq.m.; 105 basement units with a total gross floor area of approximately 2,103.81 sq.m.. The unsold portion of Phase 3 comprises 38 residential units with a total gross floor area of approximately 5,065.38 sq.m.; 28 basement units with a total gross floor area of approximately 355.10 sq.m., and 175 carparking spaces. The subject development is erected on nine parcels of land with a site area of approximately 284,892.80 sq.m., in which Phases 1 to 3 comprise a total site area of approximately 91,877.46 sq.m. The land use rights of the property were granted for a common term of 70 years expiring on 18 February 2074 for residential uses, and a term of 50 years expiring on 18 February 2054 for composite uses.	As at the date of valuation, Phases 1 and 2 of the property is completed and Phase 3 of the property is under construction Phases 1 to 3 are held by Beijing Sunco 3 for sale.	458,000,000 <i>(88.46% Interest Attributable to the Enlarged Group Upon Completion of the Sunco A Acquisitions: RMB405,000,000)</i>

Notes:

1. According to the development plan handed to us by Sunco A Group, Phases 1 to 3 of the subject development will comprise a total planned gross floor area of approximately 198,660 sq.m. upon completion with details as follows:

No. of Phase	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phases 1 and 2	Block Nos. 1 to 12	Residential	125,085	Completed
Phases 1 and 2	Basement Carpark	Carpark	10,991	Completed
Phase 3	Block Nos. 13 to 20	Residential	62,584	Under Construction
			<u>198,660</u>	

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

2. Pursuant to a State-owned Land Use Rights Grant Contract, Jing Di Chu (He) Zi (2003) Di No.1154 entered into between the State-owned Land Resources and Housing Administration Bureau, Beijing City (the “grantor”) and 順馳置地(北京)房地產開發有限公司 (Beijing Sunco 1) (the “grantee”) dated 8 December 2003, the land use rights of the subject development with a total site area of 284,892.80 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) and 50 years (composite uses) respectively commencing on the date of this Contract at a consideration of RMB905,000,000.

3. Pursuant to a Supplementary Agreement to the abovementioned State-owned Land Use Rights Grant Contract dated 19 February 2004, all of the rights and obligations of Beijing Sunco 1 under the Contract as mentioned in Note 2 above should thereafter be transferred to 北京順馳置地達興房地產開發有限公司 (Beijing Sunco 3).

4. Pursuant to another Supplementary Agreement to the abovementioned State-owned Land Use Rights Grant Contract dated 26 September 2004, the site was broken down into 6 Sections (comprising Section 1 with a site area of 54,028.68 sq.m.; Section 2 with a site area of 36,065 sq.m.; Section 3 with a site area of 44,145 sq.m.; Section 4 with a site area of 31,238.32 sq.m.; Section 5 with a site area of 30,511 sq.m. and Section 6 with a site area of 88,904.8 sq.m.)

5. Pursuant to three State-owned Land Use Rights Certificates issued by the People’s Government of Daxing District, Beijing, the land use rights of portion of the subject land with a total area of 111,268.08 sq.m. were granted to Beijing Sunco 3 for residential and composite uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	Term
Jing Xing Guo Yong (2004 Chu) Zi Di No.62	3-Mar-2004	54,028.68	Residential: Expiring on 18-Feb-2074 Composite: Expiring on 18-Feb-2054
Jing Xing Guo Yong (2005 Chu) Zi Di No.015	17-Jan-2005	37,848.78	Residential: Expiring on 18-Feb-2074
Jing Xing Guo Yong (2006 Chu) Zi Di No.243	28-Dec-2006	19,390.62	Residential: Expiring on 18-Feb-2074 Composite: Expiring on 18-Feb-2054
TOTAL:		<u><u>111,268.08</u></u>	

6. Pursuant to two Construction Land Use Planning Permits issued by the Urban Planning Committee of Beijing City to Beijing Sunco 3, the proposed land use for the development on the subject land with a total site area of 308,700.80 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Site Area (sq.m.)
2004 Gui (Da) Di Zi No.0018	31-Mar-2004	284,892.80
2005 Gui (Da) Di Zi No.0018	7-Jul-2005	<u>23,808.00</u>
TOTAL:		<u><u>308,700.80</u></u>

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7. Pursuant to nine Construction Project Planning Permits issued by the Urban Planning Committee of Beijing City to Beijing Sunco 3, the proposed development with a total planned gross floor area of 406,189.88 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
2004 Gui (Da) Jian Zi No.0057	28-Apr-2004	94,833.05	Block Nos. 2 to 6, 8 to 9, 11 to 12
2004 Gui (Da) Jian Zi No.0061	10-May-2004	15,155.04	Block Nos. 1 and 10
2004 Gui (Da) Jian Zi No.0072	24-May-2004	15,879.89	Block No. 7
2004 Gui (Da) Jian Zi No.0074	26-May-2004	10,991.23	Basement Carpark No. 1
2004 Gui (Da) Jian Zi No.0104	6-Jul-2004	89,267.70	Block Nos. 13 to 23 and northern portion of Basement Carpark No.2
2004 Gui (Da) Jian Zi No.0116	26-Aug-2004	45,276.00	Block Nos.24 to 29
2004 Gui (Da) Jian Zi No.0142	26-Oct-2004	8,101.00	Southern portion of Basement Carpark No.2
2005 Gui (Da) Jian Zi No.0019	8-Mar-2005	109,600.97	Block Nos.45 to 55, Basement Carpark No.3 and clubhouse
2005 Gui (Da) Jian Zi No.0095	14-Oct-2005	<u>17,085.00</u>	Commercial
	Total	<u><u>406,189.88</u></u>	

8. Pursuant to eight Construction Works Commencement Permits issued by the Construction Committee of Beijing City to Beijing Sunco 3, the construction works of the proposed development with a total planned gross floor area of 269,061.72 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
00 (Jian) 2004.1160	26-May-2004	35,567.84	Block Nos.8 to 12
00 (Jian) 2004.1207	1-Jun-2004	65,036.79	Block Nos. 1, 2, 4 to 6
00 (Jian) 2004.1469	21-Jun-2004	8,600.00	Block No. 3
00 (Jian) 2004.1598	29-Jun-2004	26,871.12	Block No.7 and Basement Carpark No.1
00 (Jian) 2004.2033	9-Aug-2004	62,584.40	Block Nos.13 to 20
00 (Jian) 2005.0748	18-Apr-2005	52,946.97	Block Nos. 50 to 55, Clubhouse and Eastern portion of Basement Carpark No.3
00 (Jian) 2005.1409	5-Jul-2005	369.60	10k-Voltage customer sub- station
00 (Jian) 2005.2596	18-Nov-2005	<u>17,085.00</u>	Commercial
	Total	<u><u>269,061.72</u></u>	

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9. Pursuant to seven Pre-sale Permits issued by the State-owned Land Resources and Housing Administration Bureau, Beijing City to Beijing Sunco 3, Beijing Sunco 3 was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	Effective Period	Pre-sale GFA (sq.m.)	Portion of Development
Jing Fang Shou Zheng Zi (2004) No.223	17-Jun-2004	N/A	98,472.00	Block Nos. 1,2, 4 to 6, 8 to 12
Jing Fang Shou Zheng Zi (2004) No.248	2-Jul-2004	N/A	8,600.00	Block No. 3
Jing Fang Shou Zheng Zi (2004) No.291	21-Jul-2004	N/A	14,092.00	Block No.7
Jing Fang Shou Zheng Zi (2005) No.40	5-Feb-2005	N/A	28,344.65	Block Nos.13 to 16
Jing Fang Shou Zheng Zi (2005) No.60	4-Mar-2005	N/A	13,529.41	Block Nos.18 to 19
Jing Fang Shou Zheng Zi (2006) No.534	10-Dec-2006	N/A	7,286.06	Block No.17
Jing Fang Shou Zheng Zi (2007) No.9	11-Jan-2007	N/A	7,626.11	Block No.20
Total:			<u><u>177,950.23</u></u>	

10. Pursuant to five Certificates of Completion issued by the Construction Committee of Beijing City to Beijing Sunco 3, Phases 1 and 2 comprising a total gross floor area of 168,072.75 sq.m. are completed with details as follows:

Record No.	Date of Record	Approved GFA (sq.m.)	Portion of Development
05159	4-Nov-2005	65,036.79	Block Nos. 1, 2, 4 to 6
05160	4-Nov-2005	8,600.00	Block No. 3
05161	4-Nov-2005	26,871.12	Block Nos. 7 and Carpark No.1
05162	4-Nov-2005	35,567.84	Block Nos. 8 to 12
07036	28-Mar-2007	<u>31,997.00</u>	Block Nos. 13 to 16
TOTAL:		<u><u>168,072.75</u></u>	

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11. Pursuant to thirteen Building Ownership Certificates issued by the Construction Committee of Beijing City to Beijing Sunco 3, the building ownership rights of various blocks of the development comprising a total gross floor area of 124,939.95 sq.m. are legally owned by Beijing Sunco 3 with details as follows:

Certificate No.	Block No.	Date of Issue	GFA (sq.m.)	User
Jing Fang Quan Zheng Xing Gu Zi Di No. 00004900	11	26-Jan-2006	6,185.78	Residential
Jing Fang Quan Zheng Xing Gu Zi Di No.00004901	8	26-Jan-2006	8,676.47	Residential
Jing Fang Quan Zheng Xing Gu Zi Di No.00004930	2	7-Mar-2006	10,691.98	Residential
Jing Fang Quan Zheng Xing Gu Zi Di No.00004931	3	7-Mar-2006	6,172.80	Residential
Jing Fang Quan Zheng Xing Gu Zi Di No.00004932	3	7-Mar-2006	1,758.18	Commercial
Jing Fang Quan Zheng Xing Gu Zi Di No.00004933	5	7-Mar-2006	7,870.93	Residential
Jing Fang Quan Zheng Xing Gu Zi Di No.00004934	6	7-Mar-2006	23,392.82	Residential
Jing Fang Quan Zheng Xing Gu Zi Di No.00004935	4	7-Mar-2006	15,660.00	Residential
Jing Fang Quan Zheng Xing Gu Zi Di No.00004936	1	7-Mar-2006	7,365.31	Residential
Jing Fang Quan Zheng Xing Gu Zi Di No.00004937	7	7-Mar-2006	14,814.75	Residential
Jing Fang Quan Zheng Xing Gu Zi Di No.00004938	9	7-Mar-2006	7,492.30	Residential
Jing Fang Quan Zheng Xing Gu Zi Di No.00004939	10	7-Mar-2006	7,492.30	Residential
Jing Fang Quan Zheng Xing Gu Zi Di No.00004940	12	7-Mar-2006	7,366.33	Residential
TOTAL:			<u><u>124,939.95</u></u>	

12. As advised by Sunco A Group, portion of Phases 1 to 3 of the development has been pre-sold for a total consideration of RMB349,000,000. Although pre-sold, the legal conveyancing procedures of such portions are yet to be completed. Such figure was included in our valuation of the market value of the property as above. The salient details of these portions are listed out below:

No. of Phase	User	No. of Units Sold	Respective GFA (sq.m.)	Total Consideration (RMB)
Phases 1 to 3	Residential	546	63,045.73	348,000,000
Phases 1 to 2	Commercial	1	<u>105.34</u>	<u>1,000,000</u>
TOTAL:			<u><u>63,151.07</u></u>	<u><u>349,000,000</u></u>

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13. As advised by Sunco A Group, the scheduled completion date, total investment and the cost incurred as at the date of valuation for the different phases are listed below:

No. of Phase	Scheduled Date of Completion	Total Investment	Cost Incurred as at the Date of Valuation
Phases 1 to 2	Completed	545,077,000	495,909,000
Phase 3	June 2007	250,598,000	225,228,000

14. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB459,000,000 (interest attributable to the Enlarged Group: RMB406,000,000) inclusive of the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.

15. The major certificates and relevant approvals of the property are summarized as follows:

	Phases 1 to 2	Phase 3
i. State-owned Land Use Rights Grant Contract	Yes	Yes
ii. State-owned Land Use Rights Certificates	Yes	Yes
iii. Construction Land Use Planning Permit	Yes	Yes
iv. Construction Project Planning Permits	Yes	Yes
v. Construction Work Commencement Permits	Yes	Yes
vi. Pre-sale Permits	Yes	Yes
vii. Certificates of Completion	Yes	No
viii. Building Ownership Certificates	Yes	No

16. Beijing Sunco 3 is a wholly-owned subsidiary of Sunco A as at the date of this letter.

17. The property is subject to various mortgages pursuant to two mortgage agreements as security for loans of an aggregate amount of RMB180,000,000 with details as follows:

- (i) Pursuant to a Mortgage Agreement, Nong Yin Di Zi Di No.11902200500002519 entered into between Beijing Sunco 3 (the “mortgagor”) and Agricultural Bank of China, Beijing Xicheng District Sub-Branch (the “mortgagee”) dated 31 May 2005, the construction works of Block Nos. 17 and 20 with a total planned gross floor area of 16,274.3 sq.m. were subject to a mortgage in favour of the mortgagee for a term commencing on 1 December 2006 and expiring on 3 September 2007 as security for a loan of RMB80,000,000 and interest thereon.
- (ii) Pursuant to another Mortgage Agreement, 2007 Nian Hai Dian Di Zi Di No.0001 entered into between Beijing Sunco 3 (the “mortgagor”) and ICBC, Beijing Haidian Branch (the “mortgagee”) dated 26 January 2007, the land use rights and the construction works of Block Nos. 50 to 55 with a total planned gross floor area of 41,421.97 sq.m. were together subject to a mortgage in favour of the mortgagee for a term commencing on 31st January 2007 and expiring on 26 January 2009 as security for a loan of RMB100,000,000 and interest thereon.

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18. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- (i) Beijing Sunco 3 legally owns the land use rights of the land parcel with a site area of 111,268.08 sq.m. as mentioned in Note 5 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of the mortgages;
 - (ii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
 - (iii) As advised by Sunco A Group, the mortgage agreements have been registered with the relevant government authorities and if that statement is true, then the mortgage agreements will be legal, valid and binding on Beijing Sunco 3. During the term of the mortgage, Beijing Sunco 3 should not create a second charge on the mortgaged portion without prior written consent from the mortgagees; Beijing Sunco 3 should not lease, transfer or bestow the mortgaged portion to any third party;
 - (iv) As Sunco A Acquisitions will not affect the ability of Beijing Sunco 3 as a mortgagor, the consent of the mortgagee is not essential for Sunco A Acquisitions;
 - (v) Beijing Sunco 3 is entitled to freely sell the portion of the development as mentioned in Note 9 above in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portions of the property;
 - (vi) Beijing Sunco 3 legally owns the building ownership rights of the portion of the development as mentioned in Note 11 above and is entitled to freely use, lease, mortgage and transfer the building ownership rights of the unsold portions of the property and subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portions of the property;
 - (vii) Beijing Sunco 3 could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Beijing Sunco 3 still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
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VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
4. Forest Creek Changping District Beijing City The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of a large-scale residential development known as “Forest Creek”. The unsold portion of Phase 1 comprises 67 residential units with a total gross floor area of approximately 27,711.89 sq.m.; the unsold portion of Phase 2 comprises 64 residential units with a total gross floor area of approximately 23,625.95 sq.m. and approximately 13,776.28 sq.m. residential spaces The subject development is erected on 4 parcels of land with a total site area of approximately 360,503.66 sq.m. The land use rights of the property were granted for various terms with the latest expiry date being 14 March 2074 for residential uses, and 10 September 2043 for ancillary uses.	As at the date of valuation, the property is under construction and is held by Beijing Sunco 1 for sale.	RMB717,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB634,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, the subject development will be developed in two phases comprising a total planned gross floor area of approximately 196,736 sq.m. upon completion with details as follows:

No. of Phase	User	Planned Gross Floor Area (sq.m.)	Current Status
1	Residential	84,647	Completed
1	Clubhouse	6,616	Completed
2	Residential	<u>105,473</u>	Under Construction
TOTAL:		<u><u>196,736</u></u>	

- Pursuant to a State-owned Land Use Rights Grant Contract, Jing Di Chu (He) Zi (2003) Di No.720 entered into between the Beijing Municipal State-owned Land Resources and Housing Administration Bureau (the “grantor”) and 順馳置地(北京)房地產開發有限公司 (Beijing Sunco 1) (the “grantee”) dated 10 August 2003, the land use rights of a portion of the subject land with a site area of 73,461.97 sq.m. were granted to the grantee for a term of 70 years (residential uses) and 40 years (ancillary facilities uses) commencing on the date of this Contract at a consideration of RMB19,467,422.

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3. Pursuant to another State-owned Land Use Rights Grant Contract, Jing Di Chu (He) Zi (2004) Di No.100 entered into between the Beijing Municipal State-owned Land Resources and Housing Administration Bureau (the “grantor”) and Beijing Sunco 1 (the “grantee”) dated 11 September 2003, the land use rights of a portion of the subject land with a site area of 98,456.97 sq.m. were granted to the grantee for a term of 70 years (residential uses) and 40 years (ancillary facilities uses) commencing on the date of this Contract at a consideration of RMB26,091,097.

4. Pursuant to another State-owned Land Use Rights Grant Contract, Jing Di Chu (He) Zi (2004) Di No.0010 entered into between the Beijing Municipal State-owned Land Resources and Housing Administration Bureau (the “grantor”) and Beijing Sunco 1 (the “grantee”) dated 5 January 2004, the land use rights of a portion of the subject land with a site area of 86,824.81 sq.m. were granted to the grantee for a term of 70 years (residential uses) commencing on the date of this Contract at a consideration of RMB25,179,195.

5. Pursuant to another State-owned Land Use Rights Grant Contract, Jing Di Chu (He) Zi (2004) Di No.200 entered into between the Beijing Municipal State-owned Land Resources and Housing Administration Bureau (the “grantor”) and Beijing Sunco 1 (the “grantee”) dated 15 March 2004, the land use rights of a portion of the subject land with a site area of 98,306.95 sq.m. were granted to the grantee for a term of 70 years (residential uses) commencing on the date of this Contract at a consideration of RMB29,492,085.

6. Pursuant to four State-owned Land Use Rights Certificates issued by the Beijing Municipal State-owned Land Resources and Housing Administration Bureau, the land use rights of the subject development with a total site area of 360,503.66 sq.m. were granted to Beijing Sunco 1 for residential and ancillary facilities uses. The salient details are listed below:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	Term
Jing Chang Guo Yong (2003 Chu) Zi Di No.156	Nov-2003	76,914.93	Residential: Expiring on 9-Aug- 2073 Ancillary: Expiring on 9-Aug-2043
Jing Chang Guo Yong (2004 Chu) Zi Di No.001	15-Jan-2004	86,824.81	Residential: Expiring on 4-Jan-2074
Jing Chang Guo Yong (2004 Chu) Zi Di No.018	3-Mar-2004	98,456.97	Residential: Expiring on 10-Sept-2073 Ancillary: Expiring on 10-Sept-2043
Jing Chang Guo Yong (2004 Chu) Zi Di No.019	15-Mar-2004	98,306.95	Residential: Expiring on 14-Mar-2074
TOTAL:		<u><u>360,503.66</u></u>	

7. Pursuant to two Construction Land Use Planning Permits issued by the Beijing Municipal Committee of Urban Planning to Beijing Sunco 1, the proposed land use for the development on the land with a total site area of 362,498.43 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Site Area (sq.m.)
2003 Gui (Chang) Di Zi No.0086	21-Nov-2003	185,719.43
2003 Gui Di Zi No.0245	12-Jun-2003	<u>176,779.00</u>
Total		<u><u>362,498.43</u></u>

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

8. Pursuant to four Construction Project Planning Permits issued by the Beijing Municipal Committee of Urban Planning to Beijing Sunco 1, the proposed development with a total planned gross floor area of 204,788.89 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
2003 Chang Gui Jian Zi No.0172	18-Sept-2003	39,279.28	Club House and 42 Residential Blocks
2004 Gui (Chang) Jian Zi No.0009	5-Feb-2004	56,281.43	71 Residential Blocks
2004 Gui (Chang) Jian Zi No.0045	5-Apr-2004	58,322.88	76 Residential Blocks
2004 Gui (Chang) Jian Zi No.0046	5-Apr-2004	<u>50,905.30</u>	68 Residential Blocks
TOTAL:		<u><u>204,788.89</u></u>	

9. Pursuant to nine Construction Works Commencement Permits issued by the Beijing Municipal Committee of Construction to Beijing Sunco 1, the construction works of the proposed development with a total planned gross floor area of 204,788.89 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
00 (Jian) 2003.3164	24-Oct-2003	17,685.32	24 Residential Blocks
00 (Jian) 2003.3165	24-Oct-2003	21,593.96	18 Residential Blocks and Clubhouse
00 (Jian) 2004.0194	12-Feb-2004	24,369.03	32 Residential Blocks
00 (Jian) 2004.0512	19-Mar-2004	31,912.40	39 Residential Blocks
00 (Jian) 2004.0970	8-May-2004	20,920.59	28 Residential Blocks
00 (Jian) 2004.0971	8-May-2004	25,164.76	33 Residential Blocks
00 (Jian) 2004.0972	8-May-2004	29,974.36	39 Residential Blocks
00 (Jian) 2004.0973	8-May-2004	5,815.84	7 Residential Blocks
00 (Jian) 2004.0974	8-May-2004	<u>27,352.63</u>	37 Residential Blocks
TOTAL:		<u><u>204,788.89</u></u>	

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10. Pursuant to three Pre-sale Permits issued by the Beijing Municipal Land Resources and Housing Administration to Beijing Sunco 1, Beijing Sunco 1 was entitled to commence pre-sale of the development to the market with details as follows:

Permit No.	Date of Issue	Effective Period	Pre-sale GFA (sq.m.)	Portion of Development
Jing Fang Shou Zheng Zi (2003) No.329	N/A	Nov-2003 to Dec-2004	32,567	A1-3, 5-12; B1-3, 5-10; C1-3, 5-12; 15-18; D1-3, 5-7
Jing Fang Shou Zheng Zi (2004) No.43	24-Mar-2004	N/A	56,281	B11, 12, 15-32; C19-43, 45, 46, 48; D8-12, 15-32
Jing Fang Shou Zheng Zi (2004) No.313	30-Jul-2004	N/A	109,228	E1-3, 5-12, 15-23, 25-30; F1-3, 5-12; G1-3, 5-12, 15-19, 20-23, 25-31; H1-3, 5, 15-23, 25; G32, 33, 35-39, 50-53, 55-63, 65-69; H6-12, 15-21; I1-3, 5-12, 15-23, 25-31
TOTAL:			<u>198,076</u>	

11. Pursuant to twelve Certificates of Completion issued by the Beijing Municipal Committee of Construction to Beijing Sunco 1, portion of the construction works comprising a total gross floor area of 159,364.59 sq.m. are certified to have been completed with details as follows:

Record No.	Date of Record	Approved GFA (sq.m.)	Portion of Development
20041064	31-Dec-2004	2,159.96	Block Nos. A1-3, 8-10; B1-3, 6-7; C5-6, 9, 11-12, 17-18
20041065	31-Dec-2004	24,369.03	Block Nos. C22-24, 28-30, 34, 36, 40-42, 48, D8-12, 15-22, 27-32
20041066	31-Dec-2004	17,685.32	Block Nos. A5-7, 11-12, 15; B5, 8-10; C1-3, 7-8, 10, 15-16; D1-3, 5-7
20041067	31-Dec-2004	31,912.40	Block Nos. B11-12, 15-32; C19-21, 25-27, 31-33, 37-39, 43, 45-46; D23-26
2006.019	17-Apr-2006	14,725.34	Block Nos. I3, 7-10, 21-23, 25; G35, 36, 50, 56, 57, 61, 62, 67, 68
2006.020	17-Apr-2006	8,222.34	Block Nos. E5, 6, 20, 21; G1, 5, 20, 21, 28, 29
2006.021	17-Apr-2006	21,064.46	Block Nos. E10, 11, 22, 23, 25-30; G2, 3, 10, 17-19, 25-27, 32, 33; H1-3, 5-7
2006.022	17-Apr-2006	14,105.80	Block Nos. I16-18, 29-31; H8-12, 15-21
2007.009	12-Feb-2007	2,865.52	Block Nos. G37, 51, 52, 58 and 63
2007.010	12-Feb-2007	6,288.17	Block Nos. E8, 9, 12, 15 and 16; G8, 9, 16, 23 and 31
2007.011	12-Feb-2007	4,907.29	Block Nos. E7; G6-7, G11, 12, 15, 22 and 30
2007.012	12-Feb-2007	11,058.96	Block Nos. G38, 39, 53, 55, 59, 60, 65, 66, 69; I11, 12, 15, 26 to 28.
TOTAL:		<u>159,364.59</u>	

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12. As advised by Sunco A Group, 102 residential units with a total gross floor area 40,678.96 sq.m. have been pre-sold for a total consideration of RMB259,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was included in our valuation of the market value of the property as above.
13. As advised by Sunco A Group, Phase 1 of the development has been completed and Phase 2 is scheduled to be completed in December 2007. The total investment of Phases 1 and 2 is estimated to be RMB939,249,000, of which a sum of RMB729,991,000 has been paid as at the date of valuation.
14. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB815,000,000 (interest attributable to the Enlarged Group: RMB721,000,000) inclusive of the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.
15. The major certificates and relevant approvals of the property are summarized as follows:
- | | | |
|------|--|------------|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificates | Yes |
| iii. | Construction Land Use Planning Permits | Yes |
| iv. | Construction Project Planning Permits | Yes |
| v. | Construction Works Commencement Permits | Yes |
| vi. | Pre-sale Permits | Yes |
| vii. | Certificates of Completion | Yes (Part) |
16. Beijing Sunco 1 is a wholly-owned subsidiary of Sunco A as at the date of this letter.
17. The property is subject to various mortgages pursuant to two mortgage agreements at a total consideration of RMB174,930,000 with details as follows:
- (i) Pursuant to a Mortgage Agreement, 11902200500006066 Nong Yin Di Zi Di entered into between Beijing Sunco 1 (the “mortgagor”) and Agricultural Bank of China, Beijing Xicheng District Branch (the “mortgagee”) dated 9 November 2005, portion of the land use rights held under Jing Chang Guo Yong (2004 Chu) Zi Di No.019 and the construction works thereon with a planned total gross floor area of 32,166.38 sq.m. were together subject to a mortgage in favour of the mortgagee for a term expiring on 9 May 2007 at a consideration of RMB80,000,000.
- (ii) Pursuant to another Mortgage Agreement, LHXT(2005)029XTDY entered into between Beijing Sunco 1 (the “mortgagor”) and 聯華國際信託投資有限公司 dated 18 November 2005, 59 residential units with a total gross floor area of 25,642.72 sq.m. were together subject to a mortgage in favour of the mortgagee to secure the loan held under the Loan Agreement LHXT[2005]029XTJK at a consideration of RMB94,930,000. As advised by Sunco A Group, the mortgage is currently discharged.
18. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Beijing Sunco 1 legally owns the land use rights of the land parcel with a site area of 360,503.66 sq.m. as mentioned in Note 6 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of mortgage;

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- (ii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
- (iii) As advised by Sunco A Group, the mortgage agreements have been registered with the relevant government authorities and if such statement is true, then the mortgage agreements will be legal, valid and binding on Beijing Sunco 1. During the term of the mortgage, Beijing Sunco 1 should not create a second charge on the mortgaged portion without prior written consent from the mortgagees; Beijing Sunco 1 should not lease, transfer or bestow the mortgaged portion to any third party;
- (iv) As Sunco A Acquisitions will not affect the ability of Beijing Sunco 1 as a mortgagor, the consent of the mortgagee is not essential for Sunco A Acquisitions;
- (v) Beijing Sunco 1 is entitled to freely sell the portion of the development as mentioned in Note 10 in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portions of the property;
- (vi) Beijing Sunco 1 could not transfer, lease or mortgage those portions of the property which were sold but yet to be handed over. Beijing Sunco 1 still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

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VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
5. The City Art Villa Baodi District Tianjin City The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handed over of a residential and commercial development known as “The City Art Villa”. The unsold portion of Phase 1 of the subject development comprises 5 residential units with a total gross floor area of approximately 705.91 sq.m.; and the unsold portion of Phase 2 of the subject development comprises a commercial unit with a gross floor area of approximately 152.08 sq.m.. The subject development is erected on two parcels of land with a site area of approximately 134,460.30 sq.m. The land use rights of the property were granted for a common term of 70 years with the latest expiring on 17 January 2074 for residential uses.	As at the date of valuation, the property is completed and is held by Tianjin Sunco 3 for sale.	RMB5,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB4,000,000)</i>

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract, Bao Tu (2003) Di No. 065 entered into between the Bureau of Planning and Land Resources of Baodi District, Tianjin City (the “grantor”) and 天津順馳投資集團有限公司 (the “grantee”) dated 20 May 2003, the land use rights of portion of the subject development with a total site area of 105,549.49 sq.m. were granted to the grantee for a term of 70 years (residential uses) commencing on the date of the grant of the State-owned Land Use Rights Certificate at a total consideration of RMB47,496,000.
- Pursuant to another State-owned Land Use Rights Grant Contract, Bao Tu (2004) Di No. 001 entered into between the Bureau of Planning and Land Resources of Baodi District, Tianjin City (the “grantor”) and 天津順馳融信置地有限公司 (Tianjin Sunco 3) (the “grantee”) dated 11 January 2004, the land use rights of portion of the subject development with a total site area of 28,910.94 sq.m. were granted to the grantee for a term of 70 years (residential uses) commencing on the date of the grant of the State-owned Land Use Rights Certificate at a total consideration of RMB12,143,600.

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3. Pursuant to two State-owned Land Use Rights Certificates issued by the People's Government of Tianjin City, the land use rights of the subject development with a total site area of 134,460.30 sq.m. were granted to 天津順馳融信置地有限公司 (Tianjin Sunco 3) with details as follows:

Certificate No.	Date of Issue	Site Area (sq.m.)	Term
2004 Di Dan Guo Yong (2004) Di No. 036	18-Jan-2004	28,910.90	Residential: Expiring on 17 January 2074
Di Dan Guo Yong (2004 Geng) Di No. 089	2-Apr-2004	105,549.40	Residential: Expiring on 20 May 2073
TOTAL:		<u>134,460.30</u>	

4. Pursuant to two Construction Land Use Planning Permits issued by the Bureau of Planning and Land Resources of Baodi District, Tianjin City to Tianjin Sunco 3, the proposed land use on the land with a total site area of 134,460.43 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Site Area (sq.m.)
2003 Bao Tu Gui Zi Di No.032	4-May-2003	105,549.49
2004 Bao Tu Gui Zi Di No.002	18-Jan-2004	<u>28,910.94</u>
TOTAL:		<u>134,460.43</u>

5. Pursuant to five Certificates of Construction Project Planning Approval issued by the Bureau of Planning and Land Resources of Baodi District, Tianjin City to Tianjin Sunco 3, the proposed development with a total planned gross floor area of 165,082 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
04-039	24-Sept-2004	32,000	Phase 1 Residential, ancillary area
04-040	24-Sept-2004	27,200	Phase 2 Residential, ancillary area
04-041	24-Sept-2004	32,866	Residential Block No. 9-19
04-042	24-Sept-2004	33,800	Residential Block No.1-8
05-036	21-Apr-2005	39,216	Residential Nos.35-45 and D2 Commercial
TOTAL:		<u>165,082</u>	

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6. Pursuant to six Construction Works Commencement Permits issued by the Tianjin Municipal Committee of Construction, the construction works of the proposed development was approved to commence with details as follows:

Permit No.	Date of Issue	Portion of Development
Jin Jian Shi Xu 122243120030042	25-Jun-2003	Phase 1
Jin Jian Shi Xu 122243120030048	15-Aug-2003	Phase 2
Jin Jian Shi Xu 122243120030054	25-Oct-2003	Phase 3
		Block Nos. 1, 2, 5 to 8 of
Jin Jian Shi Xu 122243120030057	14-Nov-2003	Phase 4
Jin Jian Shi Xu 122243120040002	19-Mar-2004	Block Nos. 3, 4 of Phase 4
Jin Jian Shi Xu 122243120040009	12-Apr-2004	Phase 5

7. Pursuant to forty-six Pre-sale Permits issued by the Tianjin Municipal Housing Bureau to Tianjin Sunco 3, Tianjin Sunco 3 was entitled to commence pre-sale of the development to the market with details as follows:

Permit No.	Date of Issue	Portion of Development	Pre-sale GFA (sq.m.)
(2003) Jin Fang Shou Zi Di. No. 186-01	28-Aug-2003	Block No. 20	4,760.37
(2003) Jin Fang Shou Zi Di. No. 186-02	28-Aug-2003	Block No. 21	3,974.76
(2003) Jin Fang Shou Zi Di. No. 186-03	28-Aug-2003	Block No. 22	4,053.40
(2003) Jin Fang Shou Zi Di. No. 186-04	28-Aug-2003	Block No. 23	4,030.78
(2003) Jin Fang Shou Zi Di. No. 186-05	28-Aug-2003	Block No. 31	3,250.86
(2003) Jin Fang Shou Zi Di. No. 186-06	28-Aug-2003	Block No. 32	4,021.19
(2003) Jin Fang Shou Zi Di. No. 186-07	28-Aug-2003	Block No. 33	2,616.79
(2003) Jin Fang Shou Zi Di. No. 186-08	28-Aug-2003	Block No. 34	2,588.70
(2003) Jin Fang Shou Zi Di. No. 216-01	23-Sept-2003	Block No. 24	2,883.26
(2003) Jin Fang Shou Zi Di. No. 216-02	23-Sept-2003	Block No. 25	2,588.70
(2003) Jin Fang Shou Zi Di. No. 216-03	23-Sept-2003	Block No. 26	4,270.44
(2003) Jin Fang Shou Zi Di. No. 216-04	23-Sept-2003	Block No. 27	5,082.64
(2003) Jin Fang Shou Zi Di. No. 216-05	23-Sept-2003	Block No. 28	4,284.24
(2003) Jin Fang Shou Zi Di. No. 216-06	23-Sept-2003	Block No. 29	3,497.24
(2003) Jin Fang Shou Zi Di. No. 216-07	23-Sept-2003	Block No. 30	2,846.32
(2003) Jin Fang Shou Zi Di. No. 216-08	23-Sept-2003	Commercial Zone A	1,555.53
(2003) Jin Fang Shou Zi Di. No. 216-09	23-Sept-2003	Commercial Zone B	1,418.63
(2003) Jin Fang Shou Zi Di. No. 216-10	23-Sept-2003	Commercial Zone C	1,241.43
(2003) Jin Fang Shou Zi Di. No. 252-01	1-Nov-2003	Block No. 9	5,082.64
(2003) Jin Fang Shou Zi Di. No. 252-02	1-Nov-2003	Block No. 10	2,846.32
(2003) Jin Fang Shou Zi Di. No. 252-03	1-Nov-2003	Block No. 11	2,846.32
(2003) Jin Fang Shou Zi Di. No. 252-04	1-Nov-2003	Block No. 12	2,384.72
(2003) Jin Fang Shou Zi Di. No. 252-05	1-Nov-2003	Block No. 13	2,384.72
(2003) Jin Fang Shou Zi Di. No. 252-06	1-Nov-2003	Block No. 14	1,273.96
(2003) Jin Fang Shou Zi Di. No. 252-07	1-Nov-2003	Block No. 15	1,273.96
(2003) Jin Fang Shou Zi Di. No. 252-08	1-Nov-2003	Block No. 16	1,969.66
(2003) Jin Fang Shou Zi Di. No. 252-09	1-Nov-2003	Block No. 17	3,909.18
(2003) Jin Fang Shou Zi Di. No. 252-10	1-Nov-2003	Block No. 18	3,909.18

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Permit No.	Date of Issue	Portion of Development	Pre-sale GFA (sq.m.)
(2003) Jin Fang Shou Zi Di. No. 252-11	1-Nov-2003	Block No. 19	4,367.42
(2003) Jin Fang Shou Zi Di. No. 265-01	19-Nov-2003	Block No. 1	5,208.88
(2003) Jin Fang Shou Zi Di. No. 265-02	19-Nov-2003	Block No. 2	4,779.17
(2003) Jin Fang Shou Zi Di. No. 265-03	19-Nov-2003	Block No. 5	4,140.24
(2003) Jin Fang Shou Zi Di. No. 265-04	19-Nov-2003	Block No. 6	4,260.82
(2003) Jin Fang Shou Zi Di. No. 265-05	19-Nov-2003	Block No. 7	4,779.17
(2003) Jin Fang Shou Zi Di. No. 265-06	19-Nov-2003	Block No. 8	4,284.24
(2003) Jin Fang Shou Zi Di. No. 265-07	30-Mar-2004	Block No. 3	3,995.14
(2003) Jin Fang Shou Zi Di. No. 265-07	30-Mar-2004	Block No. 4	3,995.14
(2004) Jin Fang Shou Zi Di. No. 111-01	30-Apr-2004	Block No. 36	4,626.26
(2004) Jin Fang Shou Zi Di. No. 111-02	30-Apr-2004	Block No. 37	5,483.18
(2004) Jin Fang Shou Zi Di. No. 111-03	30-Apr-2004	Block No. 38	4,740.86
(2004) Jin Fang Shou Zi Di. No. 111-04	30-Apr-2004	Block No. 39	4,740.86
(2004) Jin Fang Shou Zi Di. No. 128-01	21-May-2004	Block No. 35	3,844.90
(2004) Jin Fang Shou Zi Di. No. 128-02	21-May-2004	Block No. 40	5,157.60
(2004) Jin Fang Shou Zi Di. No. 128-03	21-May-2004	Block No. 41	4,626.26
(2004) Jin Fang Shou Zi Di. No. 128-04	21-May-2004	Block No. 42	4,317.26
(2004) Jin Fang Shou Zi Di No. 171-01	28-Jun-2004	Commercial Zone D	<u>1,338.87</u>
TOTAL:			<u><u>165,532.21</u></u>

8. Pursuant to forty-six Certificates of Approval of Handover of Newly Completed Commodity Housing issued by the Construction Committee of Baodi District, Tianjin City to Tianjin Sunco 3, the subject property was permitted to handover with details as follows:

Permit No.	Date of Issue	Portion of Development
Jin Jian Fang Xu 2004-0054	26-Oct-2004	Block No. 10
Jin Jian Fang Xu 2004-0055	26-Oct-2004	Block No. 11
Jin Jian Fang Xu 2004-0056	18-Nov-2004	Block No. 3
Jin Jian Fang Xu 2004-0057	18-Nov-2004	Block No. 4
Jin Jian Fang Xu 2004-0058	18-Nov-2004	Block No. 5
Jin Jian Fang Xu 2004-0059	18-Nov-2004	Block No. 6
Jin Jian Fang Xu 2004-0060	18-Nov-2004	Block No. 7
Jin Jian Fang Xu 2004-0061	18-Nov-2004	Block No. 16
Jin Jian Fang Xu 2004-0062	18-Nov-2004	Block No. 8
Jin Jian Fang Xu 2004-0063	18-Nov-2004	Block No. 9
Jin Jian Fang Xu 2004-0064	18-Nov-2004	Block No. 17
Jin Jian Fang Xu 2004-0070	14-Dec-2004	Block No. 1
Jin Jian Fang Xu 2004-0071	14-Dec-2004	Block No. 2
Jin Jian Fang Xu 2004-0072	14-Dec-2004	Block No. 18
Jin Jian Fang Xu 2004-0073	14-Dec-2004	Block No. 19
Jin Jian Fang Xu 2004-0074	14-Dec-2004	Block No. 20

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
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Permit No.	Date of Issue	Portion of Development
Jin Jian Fang Xu 2004-0075	14-Dec-2004	Block No. 21
Jin Jian Fang Xu 2004-0076	14-Dec-2004	Block No. 22
Jin Jian Fang Xu 2004-0077	14-Dec-2004	Block No. 23
Jin Jian Fang Xu 2004-0078	14-Dec-2004	Block No. 31
Jin Jian Fang Xu 2004-0079	14-Dec-2004	Block No. 32
Jin Jian Fang Xu 2004-0080	14-Dec-2004	Block No. 33
Jin Jian Fang Xu 2004-0081	14-Dec-2004	Block No. 34
Jin Jian Fang Xu BZ2005-001	10-Jan-2005	Commercial Zone A
Jin Jian Fang Xu BZ2005-002	10-Jan-2005	Commercial Zone B
Jin Jian Fang Xu BZ2005-003	10-Jan-2005	Commercial Zone C
Jin Jian Fang Xu BZ2005-004	28-Apr-2005	Block No. 35
Jin Jian Fang Xu BZ2005-005	28-Apr-2005	Block No. 36
Jin Jian Fang Xu BZ2005-006	28-Apr-2005	Block No. 37
Jin Jian Fang Xu BZ2005-007	28-Apr-2005	Block No. 38
Jin Jian Fang Xu BZ2005-008	28-Apr-2005	Block No. 39
Jin Jian Fang Xu BZ2005-009	28-Apr-2005	Block No. 40
Jin Jian Fang Xu BZ2005-010	28-Apr-2005	Block No. 41
Jin Jian Fang Xu BZ2005-011	28-Apr-2005	Block No. 42
Jin Jian Fang Xu BZ2005-012	28-Apr-2005	Commercial Zone D
Jin Jian Fang Xu BZ2005-013	11-May-2005	Block No. 12
Jin Jian Fang Xu BZ2005-014	11-May-2005	Block No. 13
Jin Jian Fang Xu BZ2005-015	11-May-2005	Block No. 14
Jin Jian Fang Xu BZ2005-016	11-May-2005	Block No. 15
Jin Jian Fang Xu BZ2005-017	11-May-2005	Block No. 24
Jin Jian Fang Xu BZ2005-018	11-May-2005	Block No. 25
Jin Jian Fang Xu BZ2005-019	11-May-2005	Block No. 26
Jin Jian Fang Xu BZ2005-020	11-May-2005	Block No. 27
Jin Jian Fang Xu BZ2005-021	11-May-2005	Block No. 28
Jin Jian Fang Xu BZ2005-022	11-May-2005	Block No. 29
Jin Jian Fang Xu BZ2005-023	11-May-2005	Block No. 23

9. As advised by Sunco A Group, 8 residential units with a total gross floor area of 960.79 sq.m. have been presold for a total consideration of RMB2,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was included in our valuation of the market value of the property as above.

10. As advised by Sunco A Group, the total investment is estimated to be RMB228,590,000, of which a sum of RMB222,270,000 has been paid as the date of valuation.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

11. The major certificates and relevant approvals of the property are summarized as follows:

i.	State-owned Land Use Rights Grant Contract	Yes
ii.	State-owned Land Use Rights Certificate	Yes
iii.	Construction Land Use Planning Permit	Yes
iv.	Certificate of Construction Project Planning Approval	Yes
v.	Construction Works Commencement Permit	Yes
vi.	Pre-sale Permit	Yes
vii.	Certificates of Approval of Handover of Newly Completed Commodity Housing	Yes

12. Tianjin Sunco 3 is a wholly-owned subsidiary of Sunco A as at the date of this letter.

13. The property is subject to various mortgages pursuant to three mortgage agreements with details as follows:

- (i) Pursuant to an Agreement entered into between Tianjin Sunco 3 and 天津市寶邸區建築工程總公司 (“contractor 1”) dated 30 September 2004, residential units 12-2-301, 18-3-401 and 33-2-402 with a total gross floor area of 418.50 sq.m. were together subject to a mortgage in favour of contractor 1 to secure the outstanding construction fee;
- (ii) Pursuant to another Agreement entered into between Tianjin Sunco 3 and 天津市強健建築工程有限公司 (“contractor 2”) dated 20 October 2004, residential unit 22-1-401 with a gross floor area of 144.92 sq.m. was subject to a mortgage in favour of contractor 2 to secure the outstanding construction fee; and
- (iii) Pursuant to another Agreement entered into between Tianjin Sunco 3 and 河北建工集團有限責任公司 (“contractor 3”) dated 14 October 2004, residential unit 23-3-301 with a gross floor area of 145.34 sq.m. was subject to a mortgage in favour of contractor 3 to secure the outstanding construction fee.

14. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:

- (i) All land premium has been fully settled;
- (ii) The mortgage agreements as mentioned in Note 13 above have not been registered in the relevant government authorities and are therefore not enforceable. Tianjin Sunco 3 still owns the legal title of the units and therefore are free to transfer, lease or mortgage those units; and
- (iii) Tianjin Sunco 3 could not transfer, lease or mortgage those portions of the property which were sold but yet to be handed over. Tianjin Sunco 3 still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
6. Foggy Creek Ji County Tianjin City The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Foggy Creek”. The unsold portion of Phase 1 comprises 2 residential units with a total gross floor area of approximately 248.73 sq.m.; a commercial unit with a gross floor area of 539.47 sq.m.; 31 storage units and 2 carparking spaces. The unsold portion of Phase 2 comprises two residential units with a total gross floor area of approximately 194.69 sq.m.. The subject development is erected on a parcel of land with a total site area of approximately 114,901.20 sq.m.. The land use rights of the property were granted for a term of 70 years expiring on 14 November 2073 for residential uses.	As at the date of valuation, the property is completed and is held by Tianjin Sunco 3 for sale.	RMB20,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB18,000,000)</i>

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract entered into between the Planning and Land Resources Bureau of Ji County (the “grantor”) and 天津順馳融信置地有限公司 (Tianjin Sunco 3) (the “grantee”) dated 22 October 2003, the land use rights of the subject development with a total site area of 120,263.45 sq.m. were granted to the grantee for a term of 70 years (residential uses) commencing on the date of the grant of the State-owned Land Use Rights Certificate at a consideration of RMB129,800,000.
- Pursuant to a State-owned Land Use Rights Certificate, Ji Dan Guo Yong (2003) Di No.0075 issued by the Planning and Land Resources Bureau of Ji County dated 14 November 2003, the land use rights of the subject development with a site area of 114,901.2 sq.m. were granted to Tianjin Sunco 3 for a term expiring on 14 November 2073 for residential uses.
- Pursuant to a Construction Land Use Planning Permit, Ji Gui Di (2004) No.002 issued by the Planning and Land Resources Bureau of Ji County to Tianjin Sunco 3 dated 16 January 2004, the proposed land use for the development on the subject land with a total site area of 120,263.45 sq.m. was approved.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

4. Pursuant to three Construction Project Planning Permits issued by the Planning and Land Resources Bureau of Ji County to Tianjin Sunco 3, the proposed development with a total planned gross floor area of 130,747.94 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
Ji Gui Jian Zi (2004) No.096	16-Aug-2004	3,739.50	Clubhouse
Ji Gui Jian Zi (2004) No.097	17-Aug-2004	47,979.80	Residential Block Nos. 18 to 29
Ji Gui Jian Zi (2005) No.002	19-Jan-2005	<u>79,028.64</u>	Residential Block Nos. 1 to 17
TOTAL:		<u><u>130,747.94</u></u>	

5. Pursuant to six Construction Works Commencement Permits issued by the Construction Administrative Committee of Ji County to Tianjin Sunco 3, the construction works of the proposed development was approved to commence with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
1222521200408001	17-Aug-2004	33,110.08	Block Nos. 18 to 25
1222521200409001	2-Sept-2004	14,870.66	Block Nos. 26 to 29
Jin Jian Shi Xu 122252120040016	5-Apr-2004	N/A	Clubhouse
Jin Jian Shi Xu 122252120040026	17-May-2004	N/A	Block Nos. 10, 11, 16 and 17
Jin Jian Shi Xu 122252120040027	17-May-2004	N/A	Block Nos. 12 to 15
Jin Jian Shi Xu 122252120040029	17-Apr-2004	N/A	Block Nos. 1 to 9

6. Pursuant to thirty Pre-sale Permits issued by the Real Estate Administrative Bureau of Tianjin City to Tianjin Sunco 3, Tianjin Sunco 3 was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	Pre-sale GFA (sq.m.)	Portion of Development
(2004) Jin Fang Shou Zi Di No. 133-01	21-May-2004	4,234.06	Block No. 1
(2004) Jin Fang Shou Zi Di No. 133-02	21-May-2004	6,983.82	Block No. 2
(2004) Jin Fang Shou Zi Di No. 133-03	21-May-2004	4,517.72	Block No. 3
(2004) Jin Fang Shou Zi Di No. 133-04	21-May-2004	4,367.73	Block No. 4
(2004) Jin Fang Shou Zi Di No. 133-05	21-May-2004	4,367.73	Block No. 5
(2004) Jin Fang Shou Zi Di No. 133-06	21-May-2004	3,074.97	Block No. 6
(2004) Jin Fang Shou Zi Di No. 133-07	21-May-2004	4,677.36	Block No. 7
(2004) Jin Fang Shou Zi Di No. 133-08	21-May-2004	4,746.12	Block No. 8
(2004) Jin Fang Shou Zi Di No. 133-09	21-May-2004	3,186.56	Block No. 9
(2004) Jin Fang Shou Zi Di No. 133-10	21-May-2004	6,867.38	Block No. 10
(2004) Jin Fang Shou Zi Di No. 133-11	21-May-2004	4,704.11	Block No. 11
(2004) Jin Fang Shou Zi Di No. 133-12	21-May-2004	4,281.30	Block No. 12
(2004) Jin Fang Shou Zi Di No. 133-13	21-May-2004	4,284.50	Block No. 13
(2004) Jin Fang Shou Zi Di No. 133-14	21-May-2004	5,173.14	Block No. 14

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
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Permit No.	Date of Issue	Pre-sale GFA (sq.m.)	Portion of Development
(2004) Jin Fang Shou Zi Di No. 133-15	21-May-2004	4,281.30	Block No. 15
(2004) Jin Fang Shou Zi Di No. 133-16	21-May-2004	2,563.08	Block No. 16
(2004) Jin Fang Shou Zi Di No. 133-17	21-May-2004	3,991.43	Block No. 17
(2004) Jin Fang Shou Zi Di No. 266-01	10-Aug-2004	3,695.56	Clubhouse
(2004) Jin Fang Shou Zi Di No. 371-01	10-Nov-2004	2,679.26	Block No. 27
(2004) Jin Fang Shou Zi Di No. 371-02	10-Nov-2004	2,046.04	Block No. 28
(2005) Jin Fang Shou Zi Di No. 025-01	27-Jan-2005	4,609.42	Block No. 18
(2005) Jin Fang Shou Zi Di No. 025-02	27-Jan-2005	4,320.99	Block No. 21
(2005) Jin Fang Shou Zi Di No. 025-03	27-Jan-2005	5,749.36	Block No. 22
(2005) Jin Fang Shou Zi Di No. 025-04	27-Jan-2005	3,665.52	Block No. 23
(2005) Jin Fang Shou Zi Di No. 025-05	27-Jan-2005	2,260.22	Block No. 25
(2005) Jin Fang Shou Zi Di No. 025-06	27-Jan-2005	4,728.10	Block No. 26
(2005) Jin Fang Shou Zi Di No. 025-07	27-Jan-2005	5,071.52	Block No. 29
(2005) Jin Fang Shou Zi Di No. 052-01	28-Mar-2005	4,440.66	Block No. 19
(2005) Jin Fang Shou Zi Di No. 052-02	28-Mar-2005	3,470.16	Block No. 20
(2005) Jin Fang Shou Zi Di No. 052-03	28-Mar-2005	3,477.60	Block No. 24
TOTAL:		<u><u>126,516.72</u></u>	

7. Pursuant to eighteen Certificates of Completion issued by the Construction Administrative Committee of Ji County, Tianjin City, portions of the development are certified to have been completed with details as follows:

Record No.	Date of Register	GFA (sq.m.)	Portion of Development
(Ji) Bei Zi Di No.05025	18-Aug-2005	4,234	Block No.1
(Ji) Bei Zi Di No.05026	18-Aug-2005	6,984	Block No.2
(Ji) Bei Zi Di No.05027	18-Aug-2005	4,677	Block No.7
(Ji) Bei Zi Di No.05028	18-Aug-2005	4,746	Block No.8
(Ji) Bei Zi Di No.05029	18-Aug-2005	3,187	Block No.9
(Ji) Bei Zi Di No.05032	31-Aug-2005	4,518	Block No.3
(Ji) Bei Zi Di No.05033	31-Aug-2005	4,368	Block No.4
(Ji) Bei Zi Di No.05034	31-Aug-2005	4,368	Block No.5
(Ji) Bei Zi Di No.05035	31-Aug-2005	3,075	Block No.6
(Ji) Bei Zi Di No.05036	31-Aug-2005	6,474	Block No.10
(Ji) Bei Zi Di No.05037	31-Aug-2005	4,704	Block No.11
(Ji) Bei Zi Di No.05038	31-Aug-2005	4,289	Block No.12
(Ji) Bei Zi Di No.05039	31-Aug-2005	4,285	Block No.13
(Ji) Bei Zi Di No.05040	31-Aug-2005	5,173	Block No.14
(Ji) Bei Zi Di No.05041	31-Aug-2005	4,287	Block No.15
(Ji) Bei Zi Di No.05042	31-Aug-2005	3,101	Block No.16
(Ji) Bei Zi Di No.05043	31-Aug-2005	3,991	Block No.17
(Ji) Bei Zi Di No.05044	31-Aug-2005	<u>3,740</u>	Clubhouse
TOTAL:		<u><u>80,201</u></u>	

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

8. Pursuant to seventeen Certificates of Approval of Handover of Completed Commodity Housing issued by the Construction Administrative Committee of Ji County to Tianjin Sunco 3, the subject property was permitted to handover with details as follows:

Permit No.	Date of Issue	Portion of Development
Ji Zi (2005) No.31	9-Sept-2005	Block No. 1
Ji Zi (2005) No.32	9-Sept-2005	Block No. 2
Ji Zi (2005) No.33	9-Sept-2005	Block No. 3
Ji Zi (2005) No.34	9-Sept-2005	Block No. 4
Ji Zi (2005) No.35	9-Sept-2005	Block No. 5
Ji Zi (2005) No.36	9-Sept-2005	Block No. 6
Ji Zi (2005) No.37	9-Sept-2005	Block No. 7
Ji Zi (2005) No.38	9-Sept-2005	Block No. 8
Ji Zi (2005) No.39	9-Sept-2005	Block No. 9
Ji Zi (2005) No.40	9-Sept-2005	Block No. 10
Ji Zi (2005) No.41	9-Sept-2005	Block No. 11
Ji Zi (2005) No.42	9-Sept-2005	Block No. 12
Ji Zi (2005) No.43	9-Sept-2005	Block No. 13
Ji Zi (2005) No.44	9-Sept-2005	Block No. 14
Ji Zi (2005) No.45	9-Sept-2005	Block No. 15
Ji Zi (2005) No.46	9-Sept-2005	Block No. 16
Ji Zi (2005) No.47	9-Sept-2005	Block No. 17

9. As advised by Sunco A Group, 11 residential units in Phase 2 of the subject development with a total gross floor area of 1,335.78 sq.m. has been pre-sold for a total consideration of RMB4,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was included in our valuation of the market value of the property as above.

10. As advised by Sunco A Group, Phases 1 and 2 of the subject development have been completed but Phase 2 is yet to be granted with the Certificate(s) of Completion. The total investment of the development is estimated to be RMB364,040,000, of which a sum of RMB344,040,000 has been paid as at the date of valuation.

11. The major certificates and relevant approvals of the property are summarized as follows:

	Phase 1	Phase 2
i. State-owned Land Use Rights Grant Contract	Yes	Yes
ii. State-owned Land Use Rights Certificate	Yes	Yes
iii. Construction Land Use Planning Permit	Yes	Yes
iv. Certificate of Construction Project Planning Approval	Yes	Yes
v. Construction Works Commencement Permit	Yes	Yes
vi. Pre-sale Permit	Yes	Yes
vii. Certificates of Completion	Yes	No
viii. Approval of Handover of Completed Commodity Housing	Yes	No

12. Tianjin Sunco 3 is a wholly-owned subsidiary of Sunco A as at the date of this letter.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

13. The property is subject to various mortgages as pursuant to four mortgage agreements at a total consideration of RMB70,000,000 with details as follows:
- (i) Pursuant to a Mortgage Agreement, 2005 Nian Ji Zai Jian Ya Zi No. 001 entered into between Tianjin Sunco 3 (the “mortgagor”) and Bank of China, Tianjin Ji County Branch (the “mortgagee”) dated 6 September 2005, portion of the residential block Nos. 19, 20 and 24 with a total gross floor area of 3,554.56 sq.m. were together subject to a mortgage in favour of the mortgagee for a term commencing on 6 September 2005 and expiring on 29 April 2007 at a consideration of RMB5,970,000. As advised by Sunco A Group, the mortgage is currently discharged.
 - (ii) Pursuant to another Mortgage Agreement, 2005 Nian Ji Zai Jian Ya Zi No. 002 entered into between Tianjin Sunco 3 (the “mortgagor”) and Bank of China, Tianjin Ji County Branch (the “mortgagee”) dated 6 September 2005, residential block Nos. 18, 21, 22, 23, 25, 26, 29 with a total gross floor area of 13,915.79 sq.m. were together subject to a mortgage in favour of the mortgagee for a term commencing on 6 September 2005 and expiring on 29 April 2007 at a consideration of RMB23,350,000. As advised by Sunco A Group, the mortgage is currently discharged.
 - (iii) Pursuant to another Mortgage Agreement, 2005 Nian Ji Zai Ya Zi No. 001 entered into between Tianjin Sunco 3 (the “mortgagor”) and Bank of China, Tianjin Ji County Branch (the “mortgagee”) dated 29 April 2004, portion of the land use rights with a total site area of 44,526.90 sq.m. was subject to a mortgage in favour of the mortgagee for a term expiring on 29 April 2008 at a consideration of RMB40,000,000. As advised by Sunco A Group, the mortgage is currently discharged.
 - (iv) Pursuant to another Mortgage Agreement, 2005 Nian Ji Zai Jian Ya Zi No.003 entered into between Tianjin Sunco 3 (the “mortgagor”) and Bank of China, Tianjin Ji County Branch (the “mortgagee”) dated 6 September 2005, portion of the residential block No. 27 with a total gross floor area of 402.46 sq.m. were together subject to a mortgage in favour of the mortgagee for a term commencing on 6 September 2005 and expiring on 29 April 2007 at a consideration of RMB680,000. As advised by Sunco A Group, the mortgage is currently discharged.
14. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Tianjin Sunco 3 legally owns the land use rights of the land parcel with a site area of 114,901.2 sq.m. as mentioned in Note 2 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term;
 - (ii) All land premium has been paid in full;
 - (iii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
 - (iv) Tianjin Sunco 3 is entitled to freely sell the portions of the development as mentioned in Note 6 in the market; and
 - (v) Tianjin Sunco 3 could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Tianjin Sunco 3 still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
7. Phase 1 Mountain My Life Ji County Tianjin City The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handed over of Phase 1 of a large-scale residential development (of which the property set out in this valuation report forms part) known as “Mountain My Life”. The unsold portion of Phase 1 comprises a residential unit with a gross floor area of approximately 88.95 sq.m.; 43 commercial units with a total gross floor area of approximately 3,210.02 sq.m; residential spaces with a gross floor area of 19,364.06 sq.m. and 18 carparking spaces. The subject development is erected on six parcels of land with a site area of approximately 327,334.5 sq.m., in which Phase 1 comprises a site area of approximately 61,600 sq.m. The land use rights of the property were granted for a common term of 70 years expiring on 8 February 2074 for residential uses.	As at the date of valuation, the property is under construction and is held by Tianjin Sunco 3 for sale.	RMB234,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion Of Sunco A Acquisitions: RMB207,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, Phase 1 of the subject development will comprise a total planned gross floor area of approximately 71,945 sq.m. upon completion with details as follows:

No. of Phase	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 1	Nos. 1 to 15, 78	Residential	66,724	Under Construction
Phase 1	N/A	Commercial	4,225	Under Construction
Phase 1	N/A	Carpark	<u>996</u>	Under Construction
TOTAL:			<u><u>71,945</u></u>	

- Pursuant to a State-owned Land Use Rights Grant Contract, Ji Chu Rang Zi (2004) No.001 entered into between the Planning and Land Resources Bureau of Ji County (the “grantor”) and 天津順馳融信置地有限公司 (“Tianjin Sunco 3”) (the “grantee”) dated 8 February 2004, the land use rights of the subject development with a site area of 327,347.92 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) commencing on the date on the grant of the State-owned Land Use Rights Certificate at a consideration of RMB226,000,000.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

3. Pursuant to six State-owned Land Use Rights Certificates issued by the Planning and Land Resources Bureau of Ji County to Tianjin Sunco 3, the land use rights of portion of the subject land with a total site area of 327,334.5 sq.m. were granted to Tianjin Sunco 3 with details as follows:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	User/Term
Ji Dan Guo Yong (2004) Di No.051	13-Dec-2004	54,666.60	Residential: Expiring on 8-Feb-2074
Ji Dan Guo Yong (2004) Di No.052	13-Dec-2004	46,666.80	Residential: Expiring on 8-Feb-2074
Ji Dan Guo Yong (2005) Di No.050	14-Feb-2005	53,333.50	Residential: Expiring on 8-Feb-2074
Ji Dan Guo Yong (2005) Di No.200	9-Jun-2005	3,555.80	Residential: Expiring on 8-Feb-2074
Ji Dan Guo Yong (2005) Di No.201	9-Jun-2005	89,793.10	Residential: Expiring on 8-Feb-2074
Ji Dan Guo Yong (2006) Di No.02000	18-Jan-2006	<u>79,318.70</u>	Residential: Expiring on 8-Feb-2074
TOTAL:		<u><u>327,334.50</u></u>	

4. Pursuant to a Construction Land Use Planning Permit, Ji Gui Di (2005) No.022 issued by the Planning and Land Resources Bureau of Ji County to Tianjin Sunco 3 dated 19 September 2005, the proposed land use for the development on the subject land with a total site area of 327,347.92 sq.m. was approved.
5. Pursuant to a Construction Project Planning Permit, Ji Gui Jian (2005) No.068 dated 19 September 2005 issued by the Planning and Land Resources Bureau of Ji County to Tianjin Sunco 3, Residential Block Nos. 1 to 15 of the proposed development with a planned gross floor area 54,341.78 sq.m. was approved.
6. Pursuant to three Construction Works Commencement Permits issued by the Construction Administrative Committee of Ji County to Tianjin Sunco 3, the construction works of the proposed development with a total planned gross floor area of 53,887.59 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
1222521200509003	19-Sept-2005	8,776.10	Block Nos. 1 and 2
1222521200509004	19-Sept-2005	25,410.66	Block Nos. 3 to 9
1222521200509005	19-Sept-2005	<u>19,700.83</u>	Block Nos. 10 to 15
		<u><u>53,887.59</u></u>	

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7. Pursuant to fifteen Pre-sale Permits issued by the Real Estate Administrative Bureau of Tianjin City to Tianjin Sunco 3, Tianjin Sunco 3 was entitled to commence pre-sale of portion of the development with details as follows:

Permit No.	Date of Issue	Pre-sale GFA (sq.m.)	Portion of Development
(2005) Jin Fang Shou Zi Di No. 276-001	22-Sept-2005	3,807.99	Block No.1
(2005) Jin Fang Shou Zi Di No. 276-002	22-Sept-2005	4,770.56	Block No.2
(2005) Jin Fang Shou Zi Di No. 276-003	22-Sept-2005	4,614.46	Block No.3
(2005) Jin Fang Shou Zi Di No. 276-004	22-Sept-2005	4,614.46	Block No.4
(2005) Jin Fang Shou Zi Di No. 276-005	22-Sept-2005	1,612.88	Block No.5
(2005) Jin Fang Shou Zi Di No. 276-006	22-Sept-2005	3,618.32	Block No.11
(2005) Jin Fang Shou Zi Di No. 276-007	22-Sept-2005	2,792.46	Block No.12
(2005) Jin Fang Shou Zi Di No. 292-001	30-Sept-2005	2,415.00	Block No.6
(2005) Jin Fang Shou Zi Di No. 292-002	30-Sept-2005	4,025.00	Block No.7
(2005) Jin Fang Shou Zi Di No. 292-003	30-Sept-2005	2,415.00	Block No.8
(2005) Jin Fang Shou Zi Di No. 292-004	30-Sept-2005	3,618.32	Block No.10
(2005) Jin Fang Shou Zi Di No. 292-005	30-Sept-2005	3,350.62	Block No.13
(2005) Jin Fang Shou Zi Di No. 292-006	30-Sept-2005	2,232.56	Block No.14
(2005) Jin Fang Shou Zi Di No. 292-007	30-Sept-2005	3,350.62	Block No.15
Jin Guo Tu Fang Shou Xu Zi (2005) Di No. 343-001	10-Nov-2005	<u>4,942.05</u>	Block No.9
TOTAL		<u><u>52,180.30</u></u>	

8. As advised by Sunco A Group, a portion of Phase 1 of the development has been pre-sold for a total consideration of RMB171,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was included in our valuation of the market value of the property as above. The salient details of that portion are listed out below:

No. of Phase	User	No. of Units Sold	Respective GFA (sq.m.)	Total Consideration (RMB)
Phase 1	Residential	511	46,807.88	159,000,000
Phase 1	Commercial	13	1,014.67	7,000,000
Phase 1	Storage and Carparking Spaces	66	<u>N/A</u>	<u>5,000,000</u>
TOTAL:			<u><u>47,822.55</u></u>	<u><u>171,000,000</u></u>

9. As advised by Sunco A Group, the whole of Phase 1 of the development is scheduled to be completed in July 2007. The total investment of Phase 1 is estimated to be RMB322,500,000, of which a sum of RMB156,000,000 has been paid as at the date of valuation.
10. In the course of our valuation, we have attributed no commercial value to part of the construction works with a total gross floor area of 19,364.06 sq.m. which has been commenced but is yet to be granted with proper Construction Work Commencement Permit. For reference purpose, we are of the opinion that the market value of this portion in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and have been granted with all necessary title documents, would be RMB31,000,000 (interest attributable to the Enlarged Group: RMB27,000,000).

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11. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB271,000,000 (interest attributable to the Enlarged Group: RMB240,000,000) inclusive of the parts and portions without proper Construction Work Commencement Permit as mentioned in Note 10 above and the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.
12. The major certificates and relevant approvals of the property are summarized as follows:
- | | | |
|------|--|------------|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificates | Yes |
| iii. | Construction Land Use Planning Permit | Yes |
| iv. | Construction Project Planning Permits | Yes (part) |
| v. | Construction Works Commencement Permits | Yes (part) |
| vi. | Pre-sale Permits | Yes (part) |
13. Tianjin Sunco 3 is a wholly-owned subsidiary of Sunco A as at the date of this letter.
14. Pursuant to a Mortgage Agreement, A700E06001 entered into between Tianjin Sunco 3 (the “mortgagor”) and Bank of Communications, Tianjin Branch (the “mortgagee”) dated 7 February 2006, the land use rights granted under the State-owned Land Use Rights Certificate Ji Dan Guo Yong (2006) Di No.02000 were subject to a mortgage in favour of the mortgagee to secure the loan of RMB40,000,000 granted under the loan agreement A700E06001 expiring on 8 June 2007.
15. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Tianjin Sunco 3 legally owns the land use rights of the land parcel with a site area of 327,334.50 sq.m. as mentioned in Note 3 above and is entitled to use, occupy and mortgage the land use rights of the said portion of property during the land use rights term subject to discharge of the mortgage;
- (ii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
- (iii) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Tianjin Sunco 3. During the term of the mortgage, Tianjin Sunco 3 should not create a second charge on the mortgaged portion without prior written consent from the mortgagee; Tianjin Sunco 3 should not lease, transfer or bestow the mortgaged portion to any third party;
- (iv) As Sunco A Acquisitions will not affect the ability of Tianjin Sunco 3 as a mortgagor, the consent of the mortgagee is not essential for Sunco A Acquisitions;
- (v) Tianjin Sunco 3 is entitled to freely sell the portion of the development as mentioned in Note 7 in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portions of the property; and
- (vi) Tianjin Sunco 3 could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Tianjin Sunco 3 still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

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VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
8. Phase 1 Lot No.1 Sun Town Hedong District Tianjin City The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handovered of Lot No. 1 of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Sun Town”. The unsold portion of the Phase 1 of Lot No. 1 of the property comprises 151 commercial units with a total gross floor area of approximately 19,270.88 sq.m. and commercial spaces of approximately 1,514.77 sq.m. The subject development is erected on eight parcels of land with a site area of approximately 1,072,958.70 sq.m., in which Phase 1 of Lot No. 1 comprises a total site area of approximately 62,008.30 sq.m.. The land use rights of the property were granted for a term expiring on 3 April 2074 for residential uses.	As at the date of valuation, the property is under construction and is held by Tianjin Sunco 2 for sale.	RMB309,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB273,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, the Phase 1 of Lot No. 1 of the subject development will comprise a total planned gross floor area of approximately 36,785 sq.m. upon completion with details as follows:

Zone	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
1	4 to 6	Commercial	4,812	Under Construction
2	1 to 11	Commercial	21,215	Under Construction
3	1 to 8	Commercial	<u>10,758</u>	Under Construction
TOTAL:			<u><u>36,785</u></u>	

- Pursuant to a State-owned Land Use Rights Grant Contract, entered into between the Planning and Land Resources Bureau, Tianjin City (the “grantor”) and 天津順馳新地置業有限公司(Tianjin Sunco 2) (the “grantee”) dated 4 April 2004, the land use rights of the subject development with a total site area of 1,072,958.7 sq.m. were agreed to be granted to the grantee for a term of 70 years and 50 years for residential and ancillary uses respectively commencing on the date of the grant of the formal State-owned Land Use Rights Certificates for a consideration of RMB311,316,389.

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3. Pursuant to the Land Compensation and Public Utilities Changes Agreement entered into between 天津市安居建設發展總公司 and Tianjin Sunco 2 in April 2004, Tianjin Sunco 2 is obliged to pay a sum of RMB941,003,611 as the compensation and charges payable for the acquisition of the subject land. However, pursuant to a supplementary agreement entered into between the two parties in 2004, the sum payable was revised to RMB929,923,611.
4. Pursuant to a State-owned Land Use Rights Certificate, Dong Dan Guo Yong (2004) Di No.145 issued by the People's Government of Tianjin City Hedong District dated 17 December 2004, the land use rights of portion of the subject development with a site area of 71,608.3 sq.m. were granted to Tianjin Sunco 2 for a term expiring on 3 April 2074 for residential use.
5. Pursuant to a Construction Land Use Planning Permit, 2005 Jin Di Zheng Zi No.0171 issued by the Planning Bureau of Tianjin City to Tianjin Sunco 2 dated 9 December 2005, the proposed land use for the subject development on the subject land with a total site area of 1,072,958.70 sq.m. was approved.
6. Pursuant to a Construction Project Planning Permit, 2005 Jin Jian Zheng Zi 0105 issued by the Planning Bureau of Tianjin City to Tianjin Sunco 2 dated 10 November 2005, the proposed development with a total planned gross floor area of 36,618.97 sq.m. was approved.
7. Pursuant to a Construction Works Commencement Permit, Jian Shi 1210230200512111 issued by the Construction Administrative Committee of Tianjin City to Tianjin Sunco 2 dated 31 December 2005, the construction works of the commercial portion of the proposed development with a total planned gross floor area of 36,618 sq.m. was approved to commence.
8. Pursuant to eighteen Pre-sale Permits issued by the Land Resources and Real Estate Administrative Bureau of Tianjin City to Tianjin Sunco 2, Tianjin Sunco 2 was entitled to commence pre-sale of portion of the development to the market with details as follows::

Permit No.	Date of Issue	Zone	Pre-sale GFA (sq.m.)	Portion of Development
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.003-001	6-Jan-2006	2	2,190.84	Block No.1
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.003-002	6-Jan-2006	2	4,808.92	Block No.10
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.003-003	6-Jan-2006	2	5,038.62	Block No.2
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.003-004	6-Jan-2006	2	438.54	Block No.6
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.029-001	23-Jan-2006	2	1,447.60	Block No.11
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.029-002	23-Jan-2006	2	313.41	Block No.7
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.029-003	23-Jan-2006	2	607.44	Block No.8
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.029-004	23-Jan-2006	2	1,345.32	Block No.9
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.168-001	31-May-2006	3	1,076.63	Block No.1

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Permit No.	Date of Issue	Zone	Pre-sale GFA (sq.m.)	Portion of Development
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.168-002	31-May-2006	3	2,506.27	Block No.2
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.168-003	31-May-2006	3	1,008.42	Block No.3
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.168-004	31-May-2006	3	887.80	Block No.4
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.168-005	31-May-2006	3	971.25	Block No.5
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.168-006	31-May-2006	3	1,230.79	Block No.6
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.168-007	31-May-2006	3	965.20	Block No.7
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.168-008	31-May-2006	3	1,727.23	Block No.8
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.168-009	31-May-2006	1	1,314.29	Block No.5
Jin Guo Tu Fang Shou Xu Zi (2006) Di No.168-010	31-May-2006	1	2,274.95	Block No.6
			TOTAL:	<u><u>30,153.52</u></u>

9. As advised by Sunco A Group, 117 commercial units with a total gross floor area of 10,882.64 sq.m. of the development have been pre-sold for a total consideration of RMB112,000,000. Although pre-sold, the legal conveyancing procedures of such portions are yet to be completed. Such figure was included in our valuation of the market value of the property as above.
10. As advised by Sunco A Group, the development is completed in June 2007. The total investment is estimated to be RMB190,453,000, of which a sum of RMB120,263,000 has been paid as at the date of valuation.
11. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB336,000,000 (interest attributable to the Enlarged Group: RMB297,000,000) inclusive of the parts and portions that have been contracted to be sold and the aggregate value of which is reflected at their total contracted amount.
12. The major certificates and relevant approvals of the property is summarized as follows:
 - i. State-owned Land Use Rights Grant Contracts Yes
 - ii. State-owned Land Use Rights Certificates Yes
 - iii. Construction Land Use Planning Permits Yes
 - iv. Construction Project Planning Permits Yes
 - v. Construction Works Commencement Permits Yes
 - vi. Pre-sale Permits Yes
13. Tianjin Sunco 2 is a wholly-owned subsidiary of Sunco A as at the date of this letter.

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14. The property is subject to various mortgages pursuant to four mortgage agreements as security for loans of a total amount of RMB110,000,000 with details as follows:
- (i) Pursuant to a Mortgage Agreement, 1273200601020 entered into between Tianjin Sunco 2 (the “mortgagor”) and China Construction Bank, Tianjin City Branch Heping Sub-Branch (the “mortgagee”) dated 27 July 2006, the land use rights of a portion of the land held under Dong Dan Guo Yong (2004) Di No.145 with a site area of 20,235.10 sq.m. were subject to a mortgage in favour of the mortgagee for a term of 1 year expiring on 26 July 2007 as security for a loan of RMB20,000,000.
 - (ii) Pursuant to another Mortgage Agreement, 1273200601022-1 entered into between Tianjin Sunco 2 (the “mortgagor”) and China Construction Bank, Tianjin City Branch Heping Sub-Branch (the “mortgagee”) dated 7 August 2006, the construction works of Block Nos. 8, 9 and 11 of Zone 2 with a total planned gross floor area of 2,287.43 sq.m. were subject to a mortgage in favour of the mortgagee to secure RMB9,890,000 being portion of the loan granted under loan agreement 1273200601022 for a term expiring on 6 August 2007.
 - (iii) Pursuant to another Mortgage Agreement, 1273200601022-2 entered into between Tianjin Sunco 2 (the “mortgagor”) and China Construction Bank, Tianjin City Branch Heping Sub-Branch (the “mortgagee”) dated 7 August 2006, the construction works of Block No.10 of Zone 2 with a total planned gross floor area of 4,541.48 sq.m. were subject to a mortgage in favour of the mortgagee to secure RMB19,660,000 being portion of the loan granted under loan agreement 1273200601022 for a term expiring on 6 August 2007.
 - (iv) Pursuant to another Mortgage Agreement, 1273200601022-3 entered into between Tianjin Sunco 2 (the “mortgagor”) and China Construction Bank, Tianjin City Branch Heping Sub-Branch (the “mortgagee”) dated 7 August 2006, the construction works of Block Nos. 5 and 6 of Zone 1 and Block Nos. 1 to 8 of Zone 3 with a gross floor area of 13,962.83 sq.m. were together subject to a mortgage in favour of the mortgagee to secure RMB60,450,000 being portion of the loan granted under loan agreement 1273200601022 for a term expiring on 6 August 2007.
15. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Tianjin Sunco 2 legally owns the land use rights of the land parcel with a site area of 71,608.3 sq.m. as mentioned in Note 4 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of the mortgages;
 - (ii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
 - (iii) The mortgage agreements have been registered with the relevant government authorities and are therefore legal, valid and binding on Tianjin Sunco 2. During the term of the mortgage, Tianjin Sunco 2 should not create a second charge on the mortgaged portion without prior written consent from the mortgagees; Tianjin Sunco 2 should not lease, transfer or bestow the mortgaged portion to any third party;

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- (iv) As Sunco A Acquisitions will not affect the ability of Tianjin Sunco as a mortgagor, therefore the consent of the mortgagee is not essential for Sunco A Acquisitions;
- (v) Tianjin Sunco 2 is entitled to freely sell the portion of the development as mentioned in Note 8 above in the market subject to obtaining the prior written consent of the mortgagee in respect of the mortgaged portions of the property; and
- (vi) Tianjin Sunco 2 could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Tianjin Sunco 2 still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

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VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
9. Lot No. 5 and Zhongxincheng Sun Town Hedong District Tianjin City The PRC	The property comprises the unsold portion and units contracted to be sold but yet to be handed over of Lot No. 5 and Zhongxincheng of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Sun Town”. The unsold portion of Lot No. 5 of the property comprises 7 residential units with a total gross floor area of approximately 942.22 sq.m.; approximately 1,499.41 sq.m. of commercial spaces and 175 carparking spaces. The unsold portion of Zhongxincheng comprises a commercial unit with a gross floor area of approximately 533.43 sq.m. The subject development is erected on eight parcels of land with a site area of approximately 1,072,958.70 sq.m., in which Zhongxincheng and Lot No.5 comprises a site area of approximately 175,311.1 sq.m. The land use rights of the property were agreed to be granted for a term of 70 years for residential uses, and 50 years for ancillary uses.	As at the date of valuation, the property is under construction and is held by Tianjin Sunco 2 for sale.	No Commercial Value <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: Nil)</i>

Notes:

1. According to the development plan handed to us by Sunco A Group, the subject development will comprise a total planned gross floor area of approximately 238,267 sq.m. upon completion with details as follows:

Lot No.	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
5	Residential	Residential	205,410	Under Construction
5	Commercial	Commercial	1,533	Under Construction
5	Clubhouse	Clubhouse	1,005	Under Construction
5	Carparking Spaces	Carparking Spaces	10,999	Under Construction
4 & 5	Zhongxincheng	Commercial	<u>19,320</u>	Completed
TOTAL:			<u><u>238,267</u></u>	

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2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between the Planning and Land Resources Bureau Tianjin City (the “grantor”) and 天津順馳新地置業有限公司 (Tianjin Sunco 2) (the “grantee”) dated 4 April 2004, the land use rights of the subject development with a total site area of 1,072,958.7 sq.m. were agreed to be granted to the grantee for a term of 70 years and 50 years for residential and ancillary uses respectively commencing on the date of the grant of the formal State-owned Land Use Rights Certificates for a consideration of RMB311,316,389.

3. Pursuant to the Land Compensation and Public Utilities Charges Agreement entered into between 天津市安居建設發展總公司 and Tianjin Sunco 2 in April 2004, Tianjin Sunco 2 is obliged to pay a sum of RMB941,003,611 as the compensation and charges payable for the acquisition of the subject land. However, pursuant to a supplementary agreement entered into between the two parties in 2004, the sum payable was revised to RMB929,923,611.

4. Pursuant to a Letter for Adjustment of Site Area for Sun Town, Gui Guo Shi Zi (2004) No. 2506 issued by the Planning and Land Resources Bureau, Tianjin City dated 21 December 2004, the construction works of Lot Nos. 4, 5 and 8 exceeded the site boundary and Tianjin Sunco 2 is obliged to pay an additional land premium.

5. Pursuant to a Construction Land Use Planning Permit, 2005 Jin Di Zheng Zi No.0171 issued by the Planning Bureau of Tianjin City to Tianjin Sunco 2 dated 9 December 2005, the proposed land use for the subject development on the subject land with a total site area of 1,072,958.70 sq.m. was approved.

6. Pursuant to four Construction Project Planning Permits issued by the Planning and Land Resources Bureau of Tianjin City to Tianjin Sunco 2, the proposed development with a total planned gross floor area of 422,705.07 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)
2004 Jin Zhu Zheng Zi 0037	26-May-2004	197,285.51
2004 Jin Zhu Zheng Zi 0063	29-Oct-2004	91,605.44
2004 Jin Jian Zheng Zi 0070	26-Jul-2004	13,952.45
2005 Jin Zhu Zheng Zi 0010	5-Feb-2005	<u>119,861.67</u>
	TOTAL:	<u><u>422,705.07</u></u>

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7. Pursuant to five Construction Works Commencement Permits issued by the Rural Construction Administrative Committee of Tianjin City (天津市城鄉建設管理委員會) and the Construction Administrative Committee of Tianjin City to Tianjin Sunco 2, the construction works of the proposed development was approved to commence with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
Jin Jian Shi Xu 121022020040486	26-May-2004	N/A	Block Nos. 1-20, 23-43, E and F of Lot No. 4
Jian Shi 1210230200408036	20-Aug-2004	13,952	Block Nos. A to D of Zhongxincheng
Jian Shi 1210220200411018	3-Nov-2004	89,474	Block Nos. 9 to 16, 18, 19, 21 to 28 of Lot No. 5
Jian Shi 1210220200503020	3-Mar-2005	Residential: 117,000 Basement: 2,390	Block Nos. 1, 2, 5-8, 17, 20, 29-36 of Lot No. 5
Jian Shi 1210230200506062	7-Jun-2005	Residential: 2,918 Ancillary Facilities: 2,874 Basement: 9,850	Block Nos. 3 and 4, commercial, clubhouse and carpark of Lot No. 5

8. Pursuant to forty two Pre-sale Permits issued by the Real Estate Administrative Bureau of Tianjin City to Tianjin Sunco 2, Tianjin Sunco 2 was entitled to commence pre-sale of portion of the development to the market with details as follows:

Permit No.	Date of Issue	Lot No.	Pre-sale GFA (sq.m.)	Portion of Development
(2004) Jin Fang Shou Zi Di No. 357-01	15-Nov-2004	5	3,694.96	Block No.12
(2004) Jin Fang Shou Zi Di No. 357-02	15-Nov-2004	5	7,618.23	Block No.21
(2004) Jin Fang Shou Zi Di No. 357-03	15-Nov-2004	5	7,537.70	Block No.22
(2004) Jin Fang Shou Zi Di No. 357-04	15-Nov-2004	5	5,098.06	Block No.23
(2004) Jin Fang Shou Zi Di No. 357-05	15-Nov-2004	5	3,518.22	Block No.26
(2004) Jin Fang Shou Zi Di No. 357-06	15-Nov-2004	5	5,632.22	Block No.27
(2004) Jin Fang Shou Zi Di No. 366-01	18-Nov-2004	5	2,900.50	Block No.10
(2004) Jin Fang Shou Zi Di No. 366-02	18-Nov-2004	5	6,453.68	Block No.11
(2004) Jin Fang Shou Zi Di No. 366-03	18-Nov-2004	5	3,218.07	Block No.13
(2004) Jin Fang Shou Zi Di No. 366-04	18-Nov-2004	5	5,726.76	Block No.14
(2004) Jin Fang Shou Zi Di No. 366-05	18-Nov-2004	5	4,246.13	Block No.15
(2004) Jin Fang Shou Zi Di No. 366-06	18-Nov-2004	5	4,849.64	Block No.16
(2004) Jin Fang Shou Zi Di No. 366-07	18-Nov-2004	5	6,012.79	Block No.24
(2004) Jin Fang Shou Zi Di No. 373-01	24-Nov-2004	5	3,727.67	Block No.9
(2004) Jin Fang Shou Zi Di No. 373-02	24-Nov-2004	5	3,333.90	Block No.25
(2004) Jin Fang Shou Zi Di No. 414-01	22-Dec-2004	5	4,571.82	Block No.18
(2004) Jin Fang Shou Zi Di No. 414-02	22-Dec-2004	5	3,537.78	Block No.19
(2004) Jin Fang Shou Zi Di No. 414-03	22-Dec-2004	5	4,712.60	Block No.28
(2005) Jin Fang Shou Zi Di No. 077-01	28-Apr-2005	5	7,051.04	Block No.1
(2005) Jin Fang Shou Zi Di No. 077-02	28-Apr-2005	5	5,794.58	Block No.2

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Permit No.	Date of Issue	Lot No.	Pre-sale GFA (sq.m.)	Portion of Development
(2005) Jin Fang Shou Zi Di No. 077-03	28-Apr-2005	5	6,127.73	Block No.5
(2005) Jin Fang Shou Zi Di No. 077-04	28-Apr-2005	5	7,610.90	Block No.6
(2005) Jin Fang Shou Zi Di No. 077-05	28-Apr-2005	5	3,516.72	Block No.7
(2005) Jin Fang Shou Zi Di No. 077-06	28-Apr-2005	5	6,345.50	Block No.8
(2005) Jin Fang Shou Zi Di No. 077-07	28-Apr-2005	5	3,722.31	Block No.30
(2005) Jin Fang Shou Zi Di No. 077-08	28-Apr-2005	5	5,140.29	Block No.31
(2005) Jin Fang Shou Zi Di No. 077-09	28-Apr-2005	5	3,666.71	Block No.32
(2005) Jin Fang Shou Zi Di No. 077-10	28-Apr-2005	5	4,280.18	Block No.33
(2005) Jin Fang Shou Zi Di No. 097-001	28-Apr-2005	5	9,771.65	Block No.17
(2005) Jin Fang Shou Zi Di No. 097-002	28-Apr-2005	5	9,771.65	Block No.20
(2005) Jin Fang Shou Zi Di No. 097-003	28-Apr-2005	5	9,652.29	Block No.29
(2005) Jin Fang Shou Zi Di No. 148-001	21-Jun-2005	5	1,128.82	Block No.3
(2005) Jin Fang Shou Zi Di No. 148-002	21-Jun-2005	5	1,406.04	Block No.4
(2005) Jin Fang Shou Zi Di No. 148-003	30-Jun-2005	5	10,473.79	Block No.34
(2005) Jin Fang Shou Zi Di No. 148-004	30-Jun-2005	5	10,473.79	Block No.35
(2005) Jin Fang Shou Zi Di No. 148-005	30-Jun-2005	5	<u>10,518.42</u>	Block No.36
SUB-TOTAL			<u>202,843.14</u>	
(2004) Jin Fang Shou Zi Di No. 141-01	28-May-2004	N/A	2,402.60	No.1 Fengshan Road
(2004) Jin Fang Shou Zi Di No. 141-02	28-May-2004	N/A	2,823.75	No. 3 Fengshan Road
(2004) Jin Fang Shou Zi Di No. 261-01	15-Aug-2004	N/A	4,853.58	Block No. 1, Fengshan Commercial Plaza
(2004) Jin Fang Shou Zi Di No. 261-02	15-Aug-2004	N/A	2,650.78	Block No. 2, Fengshan Commercial Plaza
(2004) Jin Fang Shou Zi Di No. 261-03	15-Aug-2004	N/A	945.10	Block No. 3, Fengshan Commercial Plaza
(2004) Jin Fang Shou Zi Di No. 261-04	15-Aug-2004	N/A	<u>3,568.29</u>	Block No. 4, Fengshan Commercial Plaza
SUB-TOTAL			<u>17,244.1</u>	
TOTAL:			<u><u>220,087.24</u></u>	

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

9. As advised by Sunco A Group, the development has been pre-sold for a total consideration of RMB336,000,000. Although pre-sold, the legal conveyancing procedures of such portion are yet to be completed. Such figure was however not included in our valuation of the market value of the property as they are yet to be granted with proper State-owned Land Use Rights Certificate. The salient details of that portion are listed out below:

Lot No.	User	No. of Units Sold	Respective GFA (sq.m.)	Total Consideration (RMB)
Lot No. 5	Residential	536	72,892.98	326,000,000
Lot No. 5	Carpark	179	<u>N/A</u>	<u>10,000,000</u>
TOTAL:			<u>72,892.98</u>	<u>336,000,000</u>

10. As advised by Sunco A Group, Zhongxincheng has been completed but is yet to be granted with the Certificate(s) of Completion and Lot No. 5 is completed in June 2007. The total investment is estimated to be RMB697,210,000, of which a sum of RMB651,370,000 has been paid as at the date of valuation.
11. In the course of our valuation, we have attributed no commercial value to the property including the unsold and pre-sold portions which is yet to be granted with proper State-owned Land Use Rights Certificate. For reference purposes, we are of the opinion that the market value of this portion in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and all necessary title documents have been granted, would be RMB370,000,000 (interest attributable to the Enlarged Group: RMB327,000,000).
12. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB372,000,000 (interest attributable to the Enlarged Group: RMB329,000,000) inclusive of the portion without proper State-owned Land Use Rights Certificates and the parts and portions that have been contracted to be sold (as mentioned in Note 11 above) and the aggregate value of which is reflected at their total contracted amount.
13. The major certificates and relevant approvals of the property is summarized as follows:
- | | | |
|------|---|-----|
| i. | State-owned Land Use Rights Grant Contracts | Yes |
| ii. | State-owned Land Use Rights Certificates | No |
| iii. | Construction Land Use Planning Permits | Yes |
| iv. | Construction Project Planning Permits | Yes |
| v. | Construction Works Commencement Permits | Yes |
| vi. | Pre-sale Permits | Yes |
14. Tianjin Sunco 2 is a wholly-owned subsidiary of Sunco A as at the date of this letter.
15. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- (i) After obtaining the approval of the Planning and Land Resources Bureau of Tianjin City and the payment of the land premium and interests as mentioned in Notes 3 and 4, there is no legal impediment for Tianjin Sunco 2 to obtain the State-owned Land Use Rights Certificates;
- (ii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

- (iii) Tianjin Sunco 2 is entitled to freely sell the portion of the development as mentioned in Note 8 in the market; and
- (iv) Tianjin Sunco 2 could not transfer, lease or mortgage those portions of the property which were sold but yet to be handovered. Tianjin Sunco 2 still legally owns the land use rights and building ownership rights of these portions before the completion of the legal conveyancing procedures.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

VALUATION CERTIFICATE

**GROUP II — PROPERTY INTERESTS HELD UNDER DEVELOPMENT BY THE NEW
PROJECT COMPANIES AND SHANGHAI FANGCHENG IN THE PRC**

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007 RMB
10. Phase 4 Songs & Sea Daxing District Beijing City The PRC	The property comprises Phase 4 of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Songs & Sea”. The total planned gross floor area of Phase 4 of the subject development is approximately 62,322 sq.m. The subject development is erected on nine parcel of land with a site area of approximately 284,892.8 sq.m., in which Phase 4 comprises a total site area of approximately 69,120 sq.m. The land use rights of portion of the property were granted for a term of 70 years expiring on 18 February 2074 for residential uses and a term of 50 years expiring on 18 February 2054 for composite uses.	As at the date of valuation, the property is under construction.	210,000,000 <i>(88.46% Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB186,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, Phase 4 of the subject development will comprise a total planned gross floor area of approximately 62,322 sq.m. upon completion with details as follows:

No. of Phase	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
Phase 4	50 to 55	Residential	37,863	Under Construction
Phase 4	Clubhouse	Clubhouse	3,800	Under Construction
Phase 4	Basement	Basement	3,559	Under Construction
Phase 4	Commercial	Commercial	<u>17,100</u>	Under Construction
Total			<u><u>62,322</u></u>	

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

2. Pursuant to a State-owned Land Use Rights Grant Contract, Jing Di Chu (He) Zi (2003) Di No.1154 entered into between the State-owned Land Resources and Housing Administration Bureau, Beijing City (the “grantor”) and 順馳置地(北京)房地產開發有限公司 (Beijing Sunco 1) (the “grantee”) dated 8 December 2003, the land use rights of the subject development with a total site area of 284,892.80 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) and 50 years (composite uses) respectively commencing on the date of this Contract at a consideration of RMB905,000,000.

3. Pursuant to a Supplementary Agreement to the abovementioned State-owned Land Use Rights Grant Contract dated 19 February 2004, all of the rights and obligations of Beijing Sunco 1 under the Contract as mentioned in Note 2 above should thereafter be transferred to 北京順馳置地達興房地產開發有限公司 (Beijing Sunco 3).

4. Pursuant to another Supplementary Agreement to the abovementioned State-owned Land Use Rights Grant Contract dated 26 September 2004, the site was broken down into 6 Sections (comprising Section 1 with a site area of 54,028.68 sq.m.; Section 2 with a site area of 36,065 sq.m.; Section 3 with a site area of 44,145 sq.m.; Section 4 with a site area of 31,238.32 sq.m.; Section 5 with a site area of 30,511 sq.m. and Section 6 with a site area of 88,904.8 sq.m.)

5. Pursuant to a State-owned Land Use Rights Certificate Jing Xing Guo Yong (2006 Chu) Zi Di No. 243 issued by the People’s Government of Daxing District, Beijing, the land use rights of portion of the subject land with a total area of 19,390.62 sq.m. were granted to Beijing Sunco 3 for residential and composite uses with a term expiring on 18 February 2074 and 18 February 2054 respectively.

6. Pursuant to two Construction Land Use Planning Permits issued by the Urban Planning Committee of Beijing City to Beijing Sunco 3, the proposed land use for the development on the subject land with a total site area of 308,700.80 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Site Area (sq.m.)
2004 Gui (Da) Di Zi No.0018	31-Mar-2004	284,892.80
2005 Gui (Da) Di Zi No.0018	7-Jul-2005	<u>23,808.00</u>
	TOTAL:	<u><u>308,700.80</u></u>

7. Pursuant to two Construction Project Planning Permits issued by the Urban Planning Committee of Beijing City to Beijing Sunco 3, the proposed development with a total planned gross floor area of 126,685.97 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
2005 Gui (Da) Jian Zi No.0019	8-Mar-2005	109,600.97	Block Nos.45 to 55, Basement Carpark No.3 and Clubhouse
2005 Gui (Da) Jian Zi No.0095	14-Oct-2005	<u>17,085.00</u>	Commercial
	Total	<u><u>126,685.97</u></u>	

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

8. Pursuant to two Construction Works Commencement Permits issued by the Construction Committee of Beijing City to Beijing Sunco 3, the construction works of the proposed development with a total planned gross floor area of 70,031.97 sq.m. was approved to commence with details as follows:

Permit No.	Date of Issue	Approved GFA (sq.m.)	Portion of Development
00 (Jian) 2005.0748	18-Apr-2005	52,946.97	Block Nos. 50 to 55, Clubhouse and Eastern portion of Basement Carpark No.3
00 (Jian) 2005.2596	18-Nov-2005	<u>17,085.00</u>	Commercial
Total		<u><u>70,031.97</u></u>	

9. As advised by Sunco A Group, Phase 4 of the subject development is expected to be completed in July 2007. The total investment of Phase 4 is estimated to be RMB274,745,000, of which a sum of RMB133,077,000 has been paid as at the date of valuation.
10. In the course of our valuation, we attribute no commercial value to part of the construction works with a total planned gross floor area of 20,900 sq.m. (comprising commercial spaces with a planned gross floor area of 17,100 sq.m. and clubhouse of 3,800 sq.m.) which are yet to be granted with proper State-owned Land Use Rights Certificates. For reference purposes, we are of the opinion that the market value of this portion in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and have been granted with all necessary title documents, would be RMB102,000,000 (interest attributable to the Enlarged Group: RMB90,000,000).
11. We are of the opinion that the market value of the property if completed as at 31 March 2007 would be RMB542,000,000 (interest attributable to the Enlarged Group: RMB479,000,000) inclusive of the portion without proper State-owned Land Use Rights Certificates (as mentioned in Note 10 above).
12. The major certificates and relevant approvals of the property are summarized as follows:
- | | | |
|------|--|------------|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificates | Yes (Part) |
| iii. | Construction Land Use Planning Permit | Yes |
| iv. | Construction Project Planning Permits | Yes |
| v. | Construction Works Commencement Permit | Yes |
13. Beijing Sunco 3 is a wholly-owned subsidiary of Sunco A as at the date of this letter.
14. Pursuant to a Mortgage Agreement, 2007 Nian Hai Dian Di Zi Di No.0001 entered into between Beijing Sunco 3 (the “mortgagor”) and ICBC, Beijing Haidian Branch (the “mortgagee”) dated 26 Januray 2007, the land use rights and the construction works of Block Nos. 50 to 55 with a total planned gross floor area of 41,421.97 sq.m. were together subject to a mortgage in favour of the mortgagee for a term commencing on 31 January 2007 and expiring on 26 January 2009 as security for a loan of of RMB100,000,000 and interest thereon.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

15. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- (i) Beijing Sunco 3 legally owns the land use rights of the land parcel with a site area of 19,390.62 sq.m. as mentioned in Note 5 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of mortgage;
 - (ii) For the construction works which have been granted with Construction Project Planning Permits and Construction Works Commencement Permits, they could be carried out in compliance with the local planning and construction regulations. Upon the completion of the construction works and the grant of the relevant Certificate(s) of Completion, there is no legal impediment to obtain the relevant Building Ownership Certificates;
 - (iii) As advised by Sunco A Group, the mortgage agreement has been registered with the relevant government authorities and if that statement is true, then the mortgage agreements will be legal, valid and binding on Beijing Sunco 3. During the term of the mortgage, Beijing Sunco 3 should not create a second charge on the mortgaged portion without prior written consent from the mortgagee; Beijing Sunco 3 should not lease, transfer or bestow the mortgaged portion to any third party; and
 - (iv) As Sunco A Acquisitions will not affect the ability of Beijing Sunco 3 as a mortgagor, the consent of the mortgagee is not essential in for Sunco A Acquisitions.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

VALUATION CERTIFICATE

**GROUP III — PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND
SHANGHAI FANGCHENG FOR FUTURE DEVELOPMENT IN THE PRC**

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007 RMB
11. Phases 2 to 4 The River Side Jiading District Shanghai City The PRC	The property comprises a parcel of undeveloped site with a site area of approximately 169,716 sq.m. within a large-scale residential development (of which the property set out in this valuation report forms part) known as “The River Side”. The total planned gross floor area of Phases 2 to 4 of the subject development comprising approximately 96,014 sq.m. of residential spaces and 54,600 sq.m. of commercial spaces. The land use rights of the property were agreed to be granted for a term of 70 years for residential uses.	As at the date of valuation, the property is vacant.	No Commercial Value <i>(27.86% Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: Nil)</i>

Notes:-

- Pursuant to a State-owned Land Use Rights Grant Contract, Hu Jia Fang Di (2006) Chu Rang He Tong Di No.30 entered into between the Housing and Land Resources Administration Bureau of Jiading District, Shanghai City (the “grantor”) and 上海順馳方城置業有限公司 (Shanghai Fangcheng) (the “grantee”) dated 3 March 2006, the land use rights of the subject land with a site area of 301,016 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) on the date of this Contract at a consideration of RMB95,025,000.
- Pursuant to Shanghai Jiading District Land Acquisition Compensation Agreement, Hu Jia Fang Di (2006) Di No.18 entered into between the Housing and Land Resources Administration Bureau of Jiading District, Shanghai City and Shanghai Fangcheng dated 3 March 2006, Shanghai Fangcheng is obliged to pay a sum of RMB221,725,000 as the compensation payable for the acquisition of the subject land.
- Pursuant to a Construction Land Use Planning Permit, Hu Jia Di (2006) No.14060531E00908 issued by the City Planning Bureau of Shanghai City dated 31 May 2006, the proposed land use of the development on the subject land with a site area of 311,016 sq.m. was approved.
- In the course of our valuation, we have attributed no commercial value to the property which is yet to be granted with proper State-owned Land Use Rights Certificate. For reference purposes, we are of the opinion that the market value of this portion in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and all necessary title documents have been granted, would be RMB320,000,000 (interest attributable to the Enlarged Group: RMB89,000,000).

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

5. The major certificates and relevant approvals of the property is summarized as follows:
- | | | |
|------|--|-----|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificates | No |
| iii. | Construction Land Use Planning Permits | Yes |
6. Shanghai Fangcheng is a 31.5%-owned associated company of Sunco A as at the date of this letter.
7. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
- (i) The land premium has been paid in full; and
- (ii) The compensation amount in Note 2 has been fully settled.
8. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and will be approved by the relevant government authorities.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007 RMB
12. Phases 5 to 9 Songs & Sea Daxing District Beijing City The PRC	The property comprises 4 parcels of undeveloped site with a site area of approximately 123,895.34 sq.m. within a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Songs & Sea”. The total planned gross floor area of Phases 5 to 9 of the subject development is approximately 240,806 sq.m. The land use rights of the property were agreed to be granted for a term of 70 years for residential uses and 50 years for composite uses.	As at the date of valuation, the property is vacant.	No Commercial Value <i>(88.46% Interest Attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: Nil)</i>

Notes:

1. According to the development plan handed to us by Sunco A Group, Phases 5 to 9 of the subject development will comprise a total planned gross floor area of approximately 240,806 sq.m. upon completion with details as follows:

No. of Phase	Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
5 to 9	Block Nos. 21 to 49	Residential	219,693	Yet to Commence Construction
5 to 9	Basement Carpark	Carpark	11,913	Yet to Commence Construction
5 to 9	Kindergarten and Primary School	Public Facilities	9,200	Yet to Commence Construction
Total			<u><u>240,806</u></u>	

2. Pursuant to a State-owned Land Use Rights Grant Contract, Jing Di Chu (He) Zi (2003) Di No.1154 entered into between the State-owned Land Resources and Housing Administration Bureau, Beijing City (the “grantor”) and 順馳置地(北京)房地產開發有限公司 (Beijing Sunco 1) (the “grantee”) dated 8 December 2003, the land use rights of the subject development with a total site area of 284,892.80 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) and 50 years (composite uses) respectively commencing on the date of this Contract at a consideration of RMB905,000,000.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

3. Pursuant to a Supplementary Agreement to the abovementioned State-owned Land Use Rights Grant Contract dated 19 February 2004, all of the rights and obligations of Beijing Sunco 1 under the Contract as mentioned in Note 2 above should thereafter be transferred to 北京順馳置地達興房地產開發有限公司 (Beijing Sunco 3).
4. Pursuant to another Supplementary Agreement to the abovementioned State-owned Land Use Rights Grant Contract dated 26 September 2004, the site was broken down into 6 Sections (comprising Section 1 with a site area of 54,028.68 sq.m.; Section 2 with a site area of 36,065 sq.m.; Section 3 with a site area of 44,145 sq.m.; Section 4 with a site area of 31,238.32 sq.m.; Section 5 with a site area of 30,511 sq.m. and Section 6 with a site area of 88,904.8 sq.m.).
5. Pursuant to two Construction Land Use Planning Permits issued by the Urban Planning Committee of Beijing City to Beijing Sunco 3, the proposed land use for the development on the subject land with a total site area of 308,700.80 sq.m. was approved with details as follows:

Permit No.	Date of Issue	Site Area (sq.m.)
2004 Gui (Da) Di Zi No.0018	31-Mar-2004	284,892.80
2005 Gui (Da) Di Zi No.0018	7-Jul-2005	<u>23,808.00</u>
	TOTAL:	<u><u>308,700.80</u></u>

6. Pursuant to a Construction Project Planning Permit, 2005 Gui (Da) Jian Zi No.0019 issued by the Urban Planning Committee of Beijing City to Beijing Sunco 3 dated 8 March 2005, Block Nos. 45 to 55 and basement carpark no. 3 of the proposed development with a total planned gross floor area of 109,600.97 sq.m. was approved.
7. The major certificates and relevant approvals of the property are summarized as follows:

i. State-owned Land Use Rights Grant Contract	Yes
ii. State-owned Land Use Rights Certificates	No
iii. Construction Land Use Planning Permit	Yes
iv. Construction Project Planning Permits	Yes (part)
8. Beijing Sunco 3 is a wholly-owned subsidiary of Sunco A as at the date of this letter.
9. In the course of our valuation, we attribute no commercial value to the property which is yet to be granted with proper State-owned Land Use Rights Certificate. For reference purposes, we are of the opinion that the market value of the property in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and all necessary title documents have been granted, would be RMB448,000,000 (interest attributable to the Enlarged Group: RMB396,000,000).
10. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
 - (i) Portion of the land premium and late charges in an aggregate sum of RMB463,500,000 are yet to be settled.
11. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and will be approved by the relevant government authorities.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
13. Phases 2 to 4 Mountain My Life Ji County Tianjin City The PRC	The property comprises six parcels of undeveloped site with a site area of approximately 327,334.50 sq.m., in which Phase 2 to Phase 4 comprise a site area of approximately 265,734.5 sq.m. The total planned gross floor area of the Phase 2 to 4 of the subject development is approximately 210,797 sq.m. The land use rights of the property were granted for a common term of 70 years expiring on 8 February 2074 for residential uses.	As at the date of valuation, the property is vacant.	RMB296,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion Of Sunco A Acquisitions: RMB262,000,000)</i>

Notes:

1. According to the development plan handed to us by Sunco A Group, Phase 2 to Phase 4 of the subject development will comprise a total planned gross floor area of approximately 210,797 sq.m. upon completion with details as follows:

No. of Phase	User	Planned Gross Floor Area (sq.m.)	Current Status
2 to 4	Residential	194,888	Yet to Commence Construction
2 to 4	Other	1,409	Yet to Commence Construction
3	Clubhouse	3,000	Yet to Commence Construction
3	Kidergarten	2,000	Yet to Commence Construction
4	Commercial	2,500	Yet to Commence Construction
4	School	<u>7,000</u>	Yet to Commence Construction
TOTAL:		<u><u>210,797</u></u>	

2. Pursuant to a State-owned Land Use Rights Grant Contract, Ji Chu Rang Zi (2004) No.001 entered into between the Planning and Land Resources Bureau of Ji County (the “grantor”) and 天津順馳融信置地有限公司 (“Tianjin Sunco 3”) (the “grantee”) dated 8 February 2004, the land use rights of the subject development with a site area of 327,347.92 sq.m. were agreed to be granted to the grantee for a term of 70 years (residential uses) commencing on the date on the grant of the State-owned Land Use Rights Certificate at a consideration of RMB226,000,000.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

3. Pursuant to six State-owned Land Use Rights Certificates issued by the Planning and Land Resources Bureau of Ji County to Tianjin Sunco 3, the land use rights of portion of the subject land with a total site area of 327,334.5 sq.m. were granted to Tianjin Sunco 3 with details as follows:

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	User / Term
Ji Dan Guo Yong (2004) Di No.051	13-Dec-2004	54,666.60	Residential: Expiring on 8-Feb-2074
Ji Dan Guo Yong (2004) Di No.052	13-Dec-2004	46,666.80	Residential: Expiring on 8-Feb-2074
Ji Dan Guo Yong (2005) Di No.050	14-Feb-2005	53,333.50	Residential: Expiring on 8-Feb-2074
Ji Dan Guo Yong (2005) Di No.200	9-Jun-2005	3,555.80	Residential: Expiring on 8-Feb-2074
Ji Dan Guo Yong (2005) Di No.201	9-Jun-2005	89,793.10	Residential: Expiring on 8-Feb-2074
Ji Dan Guo Yong (2006) Di No.02000	18-Jan-2006	<u>79,318.70</u>	Residential: Expiring on 8-Feb-2074
TOTAL:		<u>327,334.50</u>	

4. Pursuant to a Construction Land Use Planning Permit, Ji Gui Di (2005) No.022 issued by the Planning and Land Resources Bureau of Ji County to Tianjin Sunco 3 dated 19 September 2005, the proposed land use for the development on the subject land with a total site area of 327,347.92 sq.m. was approved.
5. The major certificates and relevant approvals of the property are summarized as follows:
- | | | |
|------|--|-----|
| i. | State-owned Land Use Rights Grant Contract | Yes |
| ii. | State-owned Land Use Rights Certificates | Yes |
| iii. | Construction Land Use Planning Permit | Yes |
6. Tianjin Sunco 3 is a wholly-owned subsidiary of Sunco A as at the date of this letter.
7. Pursuant to a Mortgage Agreement, A700E06001 entered into between Tianjin Sunco 3 (the “mortgagor”) and Bank of Communications, Tianjin Branch (the “mortgagee”) dated 7 February 2006, the land use rights granted under the State-owned Land Use Rights Certificate Ji Dan Guo Yong (2006) Di No.02000 were subject to a mortgage in favour of the mortgagee to secure the loan of RMB40,000,000 granted under the loan agreement A700E06001 expiring on 8 June 2007.
8. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
- (i) Tianjin Sunco 3 legally owns the land use rights of the land parcel with a site area of 327,334.50 sq.m. as mentioned in Note 3 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of mortgage;
- (ii) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Tianjin Sunco 3. During the term of the mortgage, Tianjin Sunco 3 should not create a second charge on the mortgaged portion without prior written consent from the mortgagee; Tianjin Sunco 3 should not lease, transfer or bestow the mortgaged portion to any third party; and
- (iii) As Sunco A Acquisitions will not affect the ability of Tianjin Sunco 3 as a mortgagor, the consent of the mortgagee is not essential for Sunco A Acquisitions.
9. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and will be approved by the relevant government authorities.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
14.	Lot No.7 Sun Town Hedong District Tianjin City The PRC	The property comprises Lot No. 7 of a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Sun Town”. The subject development is erected on eight parcels of land with a site area of approximately 1,072,958.70sq.m., in which Lot No. 7 comprises a site area of approximately 70,900.70sq.m. The land use rights of the property were granted for a term expiring on 3 April 2074 for residential uses.	As at the date of valuation, the property is under construction.	71,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB63,000,000)</i>

Notes:

1. According to the development plan handed to us by Sunco A Group, the subject development will comprise a total planned gross floor area of approximately 33,191 sq.m. upon completion with details as follows:-

Block Nos.	User	Planned Gross Floor Area (sq.m.)	Current Status
1 to 9	Residential	30,749	Under Construction
Carpark	Carpark	<u>2,442</u>	<u>Under Construction</u>
	Total	<u>33,191</u>	

2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between the Planning and Land Resources Bureau, Tianjin City (the “grantor”) and 天津順新地置業有限公司 (Tianjin Sunco 2) (the “grantee”) dated 4 April 2004, the land use rights of the subject development with a total site area of 1,072,958.7 sq.m. were agreed to be granted to the grantee for a term of 70 years and 50 years for residential and ancillary uses respectively commencing on the date of the grant of the formal State-owned Land Use Rights Certificates for a consideration of RMB311,316,389.
3. Pursuant to the Land Compensation and Public Facilities Charges Agreement entered into between 天津市安居建設發展總公司 and Tianjin Sunco 2 in April 2004, Tianjin Sunco 2 is obliged to pay a sum of RMB941,003,611 as the compensation and charges payable for the acquisition of the subject land. However, pursuant to a supplementary agreement entered into between the two parties in 2004, the sum payable was adjusted to RMB929,923,611
4. Pursuant to a State-owned Land Use Rights Certificate, Dong Dan Guo Yong (2004) Di No.142 issued by the People’s Government of Tianjin City dated 17 December 2004, the land use rights of the subject development with a site area of 70,900.70sq.m. were granted to Tianjin Sunco 2 for a term expiring on 3 April 2074 for residential use.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

5. Pursuant to a Construction Land Use Planning Permit, 2005 Jin Di Zheng Zi No.0171 issued by the Planning Bureau of Tianjin City to Tianjin Sunco 2 dated 9 December 2005, the proposed land use for the subject development on the subject land with a total site area of 1,072,958.70sq.m. was approved.
6. The major certificates and relevant approvals of the property is summarized as follows:
- | | | |
|------|---|-----|
| i. | State-owned Land Use Rights Grant Contracts | Yes |
| ii. | State-owned Land Use Rights Certificates | Yes |
| iii. | Construction Land Use Planning Permits | Yes |
| iv. | Construction Work Commencement Permits | No |
7. Tianjin Sunco 2 is a wholly-owned subsidiary of Sunco A as at the date of this letter.
8. In the course of our valuation, we attribute no commercial value to the construction work which have been commenced but is yet to be granted with proper Construction Work Commencement Permit. For reference purpose, we are of the opinion that the market value of this portion of property in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and have been granted with all necessary title documents, would be RMB28,000,000 (interest attributable to the Enlarged Group: RMB25,000,000)
9. Pursuant to a Mortgage Agreement, 1273200601011-1 entered into between Tianjin Sunco 2 (the “mortgagor”) and China Construction Bank, Tianjin City Branch Heping Sub-Branch (the “mortgagee”) dated 19 June 2006, the land use rights of the land held under Dong Dan Guo Yong (2004) Di No.144, Dong Dan Guo Yong (2004) Di No.142, Dong Dan Guo Yong (2004) Di No.143 and Dong Dan Guo Yong (2004) Di No.146 were subject to a mortgage in favour of the mortgagee for a term of 1 year expiring on 18 June 2007 as security for a loan of RMB230,000,000.
10. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, inter alia, the following:
- (a) Tianjin Sunco 2 legally owns the land use rights of the land parcel with a site area of 70,900.70 sq.m. as mentioned in Note 4 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of mortgage;
- (b) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Tianjin Sunco 2. During the term of the mortgage, Tianjin Sunco 2 should not create a second charge on the mortgaged portion without prior written consent from the mortgagee; Tianjin Sunco 2 should not lease, transfer or bestow the mortgaged portion to any third party; and
- (c) As Sunco A Acquisitions will not affect the ability of Tianjin Sunco 2 as a mortgagor, the consent of the mortgagee is not essential for Sunco A Acquisitions.
11. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and will be approved by the relevant government authorities.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
15. Phase 2 Lot No.1 Sun Town Hedong District Tianjin City The PRC	The property comprises a parcel of undeveloped site with a total site area of approximately 9,600 sq.m. within a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Sun Town”. The total planned gross floor area of the property is approximately 50,000 sq.m. The land use rights of the property were granted for a term expiring on 3 April 2074 for residential uses.	As at the date of valuation, the property is vacant.	RMB107,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB95,000,000)</i>

Notes:

- According to the development plan handed to us by Sunco A Group, the Phase 2 of Lot No.1 of the subject development will comprise a total planned gross floor area of approximately 50,000 sq.m. upon completion with details as follows:

User	Planned Gross Floor Area (sq.m.)	Current Status
Residential	41,000	Yet to Commence Construction
Commercial	2,400	Yet to Commence Construction
Public Facilities	300	Yet to Commence Construction
Other	<u>6,300</u>	Yet to Commence Construction
TOTAL:	<u><u>50,000</u></u>	

- Pursuant to a State-owned Land Use Rights Grant Contract, entered into between the Planning and Land Resources Bureau, Tianjin City (the “grantor”) and 天津順馳新地置業有限公司 (Tianjin Sunco 2) (the “grantee”) dated 4 April 2004, the land use rights of the subject development with a total site area of 1,072,958.7 sq.m. were agreed to be granted to the grantee for a term of 70 years and 50 years for residential and ancillary uses respectively commencing on the date of the grant of the formal State-owned Land Use Rights Certificates for at a consideration of RMB311,316,389.
- Pursuant to the Land Compensation and Public Utilities Charges Agreement entered into between 天津市安居建設發展總公司 and Tianjin Sunco 2 in April 2004, Tianjin Sunco 2 is obliged to pay a sum of RMB941,003,611 as the compensation payable for the acquisition of the subject land. However, pursuant to a supplementary agreement entered into between the two parties in 2004, the compensation was adjusted to RMB929,923,611.

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

4. Pursuant to a State-owned Land Use Rights Certificate, Dong Dan Guo Yong (2004) Di No.145 issued by the People's Government of Tianjin City Hedong District dated 17 December 2004, the land use rights of portion of the subject development with a site area of 71,608.3 sq.m. were granted to Tianjin Sunco 2 for a term expiring on 3 April 2074 for residential use.
5. Pursuant to a Construction Land Use Planning Permit, 2005 Jin Di Zheng Zi No.0171 issued by the Planning Bureau of Tianjin City to Tianjin Sunco 2 dated 9 December 2005, the proposed land use for the subject development on the subject land with a total site area of 1,072,958.70 sq.m. was approved.
6. The major certificates and relevant approvals of the property is summarized as follows:

i.	State-owned Land Use Rights Grant Contracts	Yes
ii.	State-owned Land Use Rights Certificates	Yes
iii.	Construction Land Use Planning Permits	Yes
7. Tianjin Sunco 2 is a wholly-owned subsidiary of Sunco A as at the date of this letter.
8. Pursuant to a Mortgage Agreement, 1273200601020 entered into between Tianjin Sunco 2 (the "mortgagor") and China Construction Bank, Tianjin City Branch Heping Sub-Branch (the "mortgagee") dated 27 July 2006, the land use rights of a portion of the land held under Dong Dan Guo Yong (2004) Di No.145 with a site area of 20,235.10 sq.m. were subject to a mortgage in favour of the mortgagee for a term of 1 years commencing on 27 July 2006 and expiring on 26 July 2007 as security for a loan of RMB20,000,000.
9. We have been provided with a legal opinion regarding the property interests by the Group's PRC legal advisers, which contains, *inter alia*, the following:
 - (i) Tianjin Sunco 2 legally owns the land use rights of the land parcel with a site area of 71,608.3 sq.m. as mentioned in Note 4 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of mortgage;
 - (ii) The mortgage agreement has been registered with the relevant government authorities and is therefore legal, valid and binding on Tianjin Sunco 2. During the term of the mortgage, Tianjin Sunco 2 should not create a second charge on the mortgaged portion without prior written consent from the mortgagee; Tianjin Sunco 2 should not lease, transfer or bestow the mortgaged portion to any third party; and
 - (iii) As Sunco A Acquisitions will not affect the ability of Tianjin Sunco 2 as a mortgagor, the consent of the mortgagee is not essential for Sunco A Acquisitions.
10. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and will be approved by the relevant government authorities.

**APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY
THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG**

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2007
16. Lot No. 6, 9, 10, 25 and Xiaerlou Area Sun Town Hedong District Tianjin City The PRC	The property comprises six parcels of undeveloped site with a site area of approximately 473,013.5 sq.m. within a large-scale residential and commercial composite development (of which the property set out in this valuation report forms part) known as “Sun Town”. The total planned gross floor area of the development is approximately 731,768 sq.m. The land use rights of portion of the property were granted for a term of 70 years for residential uses.	As at the date of valuation, the property is vacant.	RMB765,000,000 <i>(88.46% interest attributable to the Enlarged Group Upon Completion of Sunco A Acquisitions: RMB677,000,000)</i>

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract entered into between the Planning and Land Resources Bureau, Tianjin City (the “grantor”) and 天津順馳新地置業有限公司 (Tianjin Sunco 2) (the “grantee”) dated 4 April 2004, the land use rights of the subject development with a total site area of 1,072,958.7 sq.m. were agreed to be granted to the grantee for a term of 70 years and 50 years for residential and ancillary uses respectively commencing on the date of the grant of the formal State-owned Land Use Rights Certificates for a consideration of RMB311,316,389.
- Pursuant to the Land Compensation and Public Utilities Charges Agreement entered into between 天津市安居建設發展總公司 and Tianjin Sunco 2 in April 2004, Tianjin Sunco 2 is obliged to pay a sum of RMB941,003,611 as the compensation and charges payable for the acquisition of the subject land. However, pursuant to a supplementary agreement entered into between the two parties in 2004, the sum payable was adjusted to RMB929,923,611
- Pursuant to four State-owned Land Use Rights Certificate issued by the People’s Government of Tianjin City, the land use rights of the subject development with a total site area of 206,592.1 sq.m. was granted to Tianjin Sunco 2 with details as follows:-

Land Use Rights Certificate No.	Date of Issue	Site Area (sq.m.)	Term
Dong Dan Guo Yong (2004) Di No.143	17-Dec-2004	35,836.60	Residential: Expiring on 3-April-2074
Dong Dan Guo Yong (2004) Di No.144	17-Dec-2004	108,448.90	Residential: Expiring on 3-April-2074
Dong Dan Guo Yong (2004) Di No.146	17-Dec-2004	7,227.90	Residential: Expiring on 3-April-2074
Dong Dan Guo Yong (2004) Di No.147	17-Dec-2004	<u>55,078.70</u>	Residential: Expiring on 3-April-2074
TOTAL:		<u><u>206,592.1</u></u>	

APPENDIX VIII PROPERTY VALUATION OF THE PROPERTY INTERESTS HELD BY THE NEW PROJECT COMPANIES AND SHANGHAI FANGCHENG

4. Pursuant to a Construction Land Use Planning Permit, 2005 Jin Di Zheng Zi No.0171 issued by the Planning Bureau of Tianjin City to Tianjin Sunco dated 9 December 2005, the proposed land use for the subject development on the subject land with a total site area of 1,072,958.70 sq.m. was approved.
5. The major certificates and relevant approvals of the property is summarized as follows:

i.	State-owned Land Use Rights Grant Contracts	Yes
ii.	State-owned Land Use Rights Certificates	Yes (Part)
iii.	Construction Land Use Planning Permit	Yes
6. Tianjin Sunco 2 is a wholly-owned subsidiary of Sunco A as at the date of this letter.
7. In the course of our valuation, we attribute no commercial value to the portion of land with a site area of 266,421.40 sq.m. which is yet to be granted with proper State-owned Land Use Rights Certificates. For reference purposes, we are of the opinion that the market value of this portion of the property in its existing state as at the date of valuation, assuming all land premium, taxes and expenses have been fully settled and have been granted with all necessary title documents, would be RMB811,000,000 (interest attributable to the Enlarged Group: 717,000,000).
8. The property is subject to various mortgages pursuant to four mortgage agreements as security for various loan of an aggregate amount of RMB290,000,000 with details as follows:
 - (i) Pursuant to three Mortgage Agreements, 1273200601011-2 to 1273200601011-4 entered into between Tianjin Sunco 2 (the “mortgagor”) and China Construction Bank, Tianjin City Branch Heping Sub-Branch (the “mortgagee”) dated 19 June 2006, the land use rights held under Dong Dan Guo Yong (2004) Di No.144, Dong Dan Guo Yong (2004) Di No.142, Dong Dan Guo Yong (2004) Di No.143 and Dong Dan Guo Yong (2004) Di No.146 were subject to a mortgage in favour of the mortgagee to secure a loan of RMB230,000,000 for a term of 1 year expiring on 18 June 2007.
 - (ii) Pursuant to another Mortgage Agreement, 1273200601023 entered into between Tianjin Sunco 2 (the “mortgagor”) and China Construction Bank, Tianjin City Branch Heping Sub-Branch (the “mortgagee”) dated 17 August 2006, the land use rights held under Dong Dan Guo Yong (2004) Di No.147 were subject to a mortgage in favour of the mortgagee to secure a loan of RMB60,000,000 for a term of 1 years commencing on 17 August 2006 and expiring on 16 August 2007.
9. We have been provided with a legal opinion regarding the property interests by the Group’s PRC legal advisers, which contains, *inter alia*, the following:
 - (i) Tianjin Sunco 2 legally owns the land use rights of the land parcel with a site area of 206,592.1 sq.m. as mentioned in Note 3 above and is entitled to use, occupy and mortgage the land use rights of the property during the land use rights term subject to discharge of mortgage;
 - (ii) The mortgage agreements have been registered with the relevant government authorities and are therefore legal, valid and binding on Tianjin Sunco 2. During the term of the mortgage, Tianjin Sunco 2 should not create a second charge on the mortgaged portion without prior written consent from the mortgagees; Tianjin Sunco 2 should not lease, transfer or bestow the mortgaged portion to any third party; and
 - (iii) As Sunco A Acquisitions will not affect the ability of Tianjin Sunco 2 as a mortgagor, the consent of the mortgagee is not essential for Sunco A Acquisitions.
10. We have prepared our valuation based on the assumption that the development of the property will be in compliance with the local planning regulations and will be approved by the relevant government authorities.

You should carefully consider all of the information in this circular including the risks and uncertainties described below in determining whether to approve the exercise of the Outstanding Sunco A Options and the Elite Rich Agreement at the Special General Meeting. You should pay particular attention to the fact that the Group, the Sunco A Group and New Project Companies as well as Shanghai Fangcheng conduct their operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. The business or financial condition of the Group, the Sunco A Group and New Project Companies as well as Shanghai Fangcheng could be materially and adversely affected by any of these risks.

RISKS RELATING TO THE PROPERTY DEVELOPMENT BUSINESSES OF THE GROUP, THE SUNCO A GROUP AND NEW PROJECT COMPANIES AS WELL AS SHANGHAI FANGCHENG

The continued growth of business of the Group requires substantial capital investment and its ability to arrange for additional external financing will be limited

Road King will require significant additional financing to fund capital expenditures and to support the future growth of its property development business. Historically, Road King have relied on a mixture of debt and equity financing and cash from operations and investments to fund its business requirements. Its ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence, success of its businesses, changes in existing PRC regulations, provisions of tax and securities laws that may be applicable to our efforts to raise capital and political and economic conditions in Hong Kong and the rest of the PRC generally. Further, the ability of the Group to raise additional financing, particularly through loans and other forms of indebtedness, is limited as Road King is subject to various restrictions on its ability to incur additional debt and engage in other fund-raising transactions under the terms of the Notes and other outstanding indebtedness. There can be no assurance that additional debt financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to Road King. As a result, Road King will be increasingly reliant on cash generated by its existing toll road and property development businesses, as well as cash generated through any equity or other fund-raising activities, and there can be no assurance that such cash flows will be sufficient to finance the future growth of its property development businesses.

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng derive the majority of its revenue from the sale of properties in the PRC and are dependent on the trends of the property markets in the PRC

As the property development projects of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng are all located in the PRC, their businesses are dependent on the trends of the property sector of the PRC and, in particular, some of the property portfolio are located in the second/third tier cities. There is no assurance that the property prices in the PRC will not decrease in the future. The business and financial conditions of the Group, the Sunco A Group and New Project Companies as well as Shanghai Fangcheng may be affected by the price decrease or any unfavourable developments in the property sector of the PRC.

Demand for private residential property in the PRC, particularly in Beijing, has grown rapidly in recent years but such growth is often coupled with volatility in market conditions and fluctuation in property prices. It is not possible to predict whether demand for private residential property in the PRC will continue to grow in the future, as many social, political, economic, legal and other factors may affect the development of the property market. For example, any lack of a mature and active secondary market for private residential properties and the limited amount of mortgage loans available to individuals in the PRC may inhibit demand for residential properties.

In addition, the PRC Government from time to time adjusts its monetary and economic policies to adjust the rate of growth of the PRC economy and economies of local areas within the PRC, and such economic adjustments may affect the property market in the parts of China where our projects are located. Over the past two years, the PRC Government has announced a series of measures designed to slow the rapid economic growth of the PRC's economy in certain sectors to a more sustainable level by, among other things, curbing such sectors, including the property market. The measures specific to the property market include limiting the monthly repayment amount under an individual's mortgage loan to 50% of the individual's monthly income and the monthly total debt repayments of the individual to 55% of the individual's monthly income, and requiring that property developers pay 35% of the total value of a property project up front rather than 30% as previously required. In addition, the People's Bank of China ("PBOC") raised both its benchmark lending and deposit interest rates in October 2004. In March 2005, the PBOC adjusted the preferential mortgage loan rate for individuals and restricted the minimum mortgage loan rate at 0.9 time of the benchmark lending rate. Furthermore, on 27 May 2005, the State Administration of Taxation promulgated a regulation to reduce real estate speculation and to curb rapid growth of property prices by imposing business taxes on certain property transfers.

In May 2006, the State Council and other related government agencies made a number of policy announcements aimed at (i) discouraging excessive growth of China's high-end residential property sector, and (ii) stimulating the development of mass-market residential property projects with a higher degree of affordability. Subsequently, on 24 May 2006, nine PRC government bodies including the Ministry of Construction, the State Administration of Taxation, the Ministry of State Land and Resources, the CBRC and the PBOC jointly announced a number of specific directives to adjust the structure of the PRC residential housing market, key among those relevant to us are (i) in approving any new residential projects, local governments must ensure that at least 70% of the total development and construction area consists of units that are less than 90 m² in size (except with the approval of the Ministry of Construction). According to the directives, detailed implementation rules will be issued by relevant local government authorities in relation to the interpretation of this directive. Pending issuance of the implementation rules, interpretation of this directive remains uncertain. Meanwhile, new land supply for the development of villa projects will be discontinued, and those for high-end residential properties will be restricted; (ii) starting from 1 June 2006, business tax (currently 5%) will be levied on the total sale price of any residential properties sold within five years of purchase (or, where a property has been held for a period greater than five years prior to re-sale, then the business tax shall be levied on the profit from such sale except for ordinary residential properties in which case a full tax exemption may be granted); (iii) effective from 1 June 2006, the minimum down-payment for property purchases (other than first time purchases of properties of less than 90 m² in size) will be increased from 20% to 30% of the total purchase price and (iv) banks are not permitted to provide loans to a property developer whose total capital fund is less than 35% of the

total investment amount in an intended development project. Policies and measures introduced and which may be introduced by the PRC Government may lead to changes in market conditions, including price instability and an imbalance between supply of, and demand for, properties in the PRC. In addition, should the relevant government bodies adopt a more restrictive approach in the implementation of the requirement of having 70% of the total development and construction area consisting of units that are less than 90 m² in size, the master planning of the property developments of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may be affected.

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may not have adequate financing to fund their land acquisition and property developments

Adequate cash flow is critical for property development. The main sources of financing of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng are pre-sale and sale proceeds, bank borrowings and internal resources. There can be no assurance that the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng will have sufficient cash flow to finance their land acquisitions and property developments, and that the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng will be able to arrange adequate financing for land acquisitions and property developments as some of the factors are out of their control.

For each of the two years ended 31 December 2004 and 2006, the Sunco A Group recorded a net cash outflow from operating activities and had net current liabilities for each of the three years ended 31 December 2006. The Sunco A Group's net cashflow from (used in) operating activities for each of the three years ended 31 December 2006, and their cash and cash equivalents and restricted cash, net current liabilities and borrowings as at 31 December 2004, 2005 and 2006 are set out below:

	For the year ended/as at 31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in) from operating activities	(451,582)	234,602	(288,772)
Cash and cash equivalents and restricted cash	465,794	305,536	293,013
Net current liabilities	231,897	180,805	301,589
Borrowings	276,080	609,290	1,065,620

The New Project Companies' net cashflow used in operating activities for each of the three years ended 31 December 2006, and their cash and cash equivalents and restricted cash, net current liabilities and borrowings as at 31 December 2004 and 2005 and 2006 are set out below:

	For the year ended/as at 31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	537,766	232,495	60,907
Cash and cash equivalents and restricted cash	384,295	97,955	38,572
Net current liabilities	101,661	501,762	621,846
Borrowings	590,776	762,225	754,037

The net cashflow used in operating activities for the period and year ended 31 December 2005 and 2006, respectively, cash and cash equivalents, net current assets and interesting bearing loans of Shanghai Fangcheng as at 31 December 2005 and as at 31 December 2006 are set out below:

	For the period ended/ as at 31 December 2005	For the year ended/ as at 31 December 2006
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash used in operating activities	2,419	339,632
Cash and cash equivalents	36,036	16,487
Net current assets	48,726	153,003
Borrowings	—	310,000

The policy initiatives of the PRC Government in recent years restrict PRC commercial banks from financing land premiums and luxurious residential properties and villas, and prohibit property developers from using borrowings from local banks to finance property developments outside that local region.

Such policy initiatives may have adverse impact on the ability and flexibility to obtain bank loans for financing its land acquisitions and property developments, and there can be no assurance that the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng will continue to be able to obtain adequate financing as a result of such policy initiatives.

Changes in interest rates will also affect the financing costs of the enlarged Sunco A Group and may adversely affect the financial conditions of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng. In May 2007, the PBOC raised the benchmark long-term lending rates. For instance, the benchmark one-year lending rate was increased from 6.39% to 6.57%, whereas the benchmark five-year lending rate was increased from 7.11% to 7.20%. There can be no assurance that the lending rates will remain unchanged in the future or that the Group, the Sunco A Group, the New Project Companies or Shanghai Fangcheng will be able to secure funding at the

prevailing lending rate or at all. Any upward change in the interest rate may have adverse impact on the financing conditions of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng.

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may not be able to replenish land reserves for development

The main source of the revenue of each of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng is derived from the sale of properties that it has developed. In order to maintain business growth in the future, each of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng has to replenish and increase its land reserves for property development.

In the PRC, the PRC Government has substantial control over the policy and regulatory aspects on land supply. As a result, the ability of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng to acquire land use rights for the land that it identifies will be substantially affected by such land supply policies. In May 2002, the PRC Government introduced a nationwide policy requiring mandatory public tender, auction or listing-for-sale for the grant of state-owned land use rights for residential, commercial and tourism property developments in the PRC. Such regulations may increase the acquisition cost of land, and may adversely affect the business and financial conditions of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng if the Group or the Sunco A Group or the New Project Companies or Shanghai Fangcheng is unable to obtain quality land for development at prices that will enable them to achieve sufficient returns.

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng guarantee mortgage loans of its customers and may become liable to mortgagee banks upon customers' default

Banks usually require the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng to guarantee its customers' mortgage loans. In general, the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng guarantee the customers' mortgage loans until the earlier of the issuance of property ownership certificates, which will generally be available within one year after the purchasers take possession of the relevant properties, and the settlement of such mortgage loans. Each of the Group, the Sunco A Group, the New Project Companies and Shanghai Fangcheng does not conduct any independent checks on its customers as it relies on evaluation performed by the mortgagee banks. If a customer defaults during the guarantee period and the proceeds for any foreclosure by the bank are insufficient to satisfy the outstanding loan, the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may be liable for any amount outstanding as the guarantor of the mortgage loan.

As at 31 December 2004, 2005 and 2006, the Group's outstanding guarantees in respect of its customers mortgage loans amounted to nil, HK\$7.0 million and HK\$401.5 million respectively. As at 31 December 2004, 2005 and 2006, the Sunco A Group's outstanding guarantees in respect of its customers' mortgage loans amounted to approximately RMB376.7 million, RMB1,280.6 million and RMB1,557.8 million, respectively. As at 31 December 2004, 2005 and 2006, the New Project Companies outstanding guarantees in respect of its customers' mortgage loans amounted to RMB1,068.9 million, RMB1,417.8 million and RMB2,031.6 million respectively. No such guarantee was provided by Shanghai Fangcheng as at 31 December 2005 and 2006. If any default on mortgage loan occurs and the guarantees of the Group, the Sunco A Group or the New Project Companies are called upon, the financial conditions of the Group, the Sunco A Group and the New Project Companies may be adversely affected to the extent that there is material depreciation in the value of the underlying properties.

Uncertainty on whether the Group has maintained or will continue to maintain sufficient insurance coverage

The Group maintains certain insurance policies in the operation of business. While the Directors believe that the Group currently maintains adequate insurance coverage, there can be no assurance that the Group in fact maintains or will continue to maintain sufficient insurance coverage for the risks associated with the operation of its businesses.

Business interruption insurance is currently unavailable in the PRC. If the use of any of the Group's toll roads is interrupted in whole or in part for an extended period as a result of events beyond its control, such occurrence may adversely affect its revenues and results of operations.

The Group does not take out insurance coverage against potential losses or damages with respect to its properties before their delivery to customers. Nor does the Group maintain insurance coverage against liability from tortuous act or other personal injuries on its project sites. The Directors believe that third-party construction companies should bear such tortuous and personal injury liabilities arising from the Group's project sites. In addition, there are certain types of losses, including but not limited to losses due to typhoon, flooding, war and civil disorder, which are only insurable on limited terms, and other losses, such as earthquakes, which are currently uninsurable in the PRC. Therefore, while the Directors believe that the Group's practice is in line with the general practice in the PRC property development industry, there may be instances when the Group will have to absorb losses, damages and liabilities because of its lack of insurance coverage, which may in turn adversely affect the Group's financial condition and results of operations.

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng rely on consultants and contractors

Each of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng engages consultants and contractors to provide services for its property development projects, including design, construction, and engineering. There can be no assurance that such consultants and contractors will provide satisfactory services to the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng at the quality levels required by the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng. In addition, if

such consultants and contractors encounter financial or other difficulties, this may cause delay in the completion of the property projects of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng and may affect the quality of their works, and the project development costs of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may increase as a result thereof, which could have material adverse effect on the business and financial conditions of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng.

In addition, as the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng expand their businesses to other regional markets in the PRC, the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may not be able to engage consultants and contractors in such other regions that can meet the quality and pricing requirements of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng.

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may not be able to obtain certain State-owned Land Use Rights Certificates

Under the laws and regulations of the PRC, the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng must apply to relevant government departments for various licences, permits, certificates and approvals, and the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng must obtain land use rights certificates, construction plan permits, construction permits, pre-sale permits and completion acceptance certificates to develop and to complete a property development project. As at 31 March 2007, the Group has yet to obtain certain State-owned Land Use Rights Certificates for Royal City and Phoenix City; the Sunco A Group has yet to obtain certain State-owned Land Use Rights Certificates for 濟南順成 (under Jinan Sunco); the New Project Companies and Shanghai Fangcheng have yet to obtain certain State-owned Land Use Rights Certificates for 順馳藍郡 (under Hebei Sunco), 順馳蘭郡 (under Shanghai Fangcheng), 天津太陽城 (under Tianjin Sunco 2) and 順馳領海 (under Beijing Sunco 3). As a result, no commercial value has been assigned to such land use rights and buildings in the respective property valuation reports set out in Appendices VI to VII to this circular. If the Group, the Sunco A Group or the New Project Companies as well as Shanghai Fangcheng fails to obtain such State-owned Land Use Rights Certificates, it may not have title to the land use rights and buildings. In such case, there may be an adverse impact on the business and financial conditions of the Group, the Sunco A Group or the New Project Companies as well as Shanghai Fangcheng.

The appraised value of the properties of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may be materially different from the actual value

The valuations on the property valuation reports as set out in Appendices VI to VIII to this circular are based on assumptions that are subjective and uncertain in nature. Such assumptions include the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng being able to complete development projects as currently proposed and the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng having obtained or being able to obtain all the regulatory approvals and licenses. Therefore, the appraised value of the properties of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng as set out

in such valuation reports should not be regarded as their actual value or an estimate of their actual value. Unforeseeable changes to the development of the property projects, or national and local economic conditions may affect the value of the property holdings of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng.

Sunco A is a holding company that heavily relies on dividend payments from its subsidiaries for funding

As Sunco A is a holding company of the Sunco A Group and the New Project Companies and operates the Sunco A Group's core business through its subsidiaries, the availability of funds to Sunco A to service its debts and pay dividends to its shareholders depends upon dividends received from its subsidiaries. If Sunco A's subsidiaries incur debts, the holders of such debts may be able to impair the ability of such subsidiaries pay dividends or other distributions to Sunco A. As a result, Sunco A's ability to service its debts and to pay dividend will be restricted.

Dividends distributed under the PRC accounting standards for some of the periods exceeded the amount of profit attributable to equity holders determined under Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants ("HKFRS") due to the difference between HKFRS and the PRC accounting standards.

The PRC laws require that dividends can only be paid out of the net income calculated according to generally accepted accounting principles of the PRC. In addition, the PRC laws require foreign-invested enterprises, such as the subsidiaries of Sunco A (including the New Project Companies) in the PRC, to set aside part of their net income as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Such restrictions may have adverse effect on ability of Sunco A to service its debts and to pay dividends to its shareholders.

The Sunco A Group and the New Project Companies had accumulated losses

The Sunco A Group had accumulated losses of approximately RMB115.0 million, RMB470.0 million and RMB482.7 million as at 31 December 2004 and 2005 and 2006, respectively. The New Project Companies had accumulated losses of approximately RMB209.9 million, RMB514.1 million and RMB694.8 million as at 31 December 2004 and 2005 and 2006 respectively. Such accumulated losses were mainly due to the fact that there are differences between IFRSs and the PRC accounting standards and the amount of profit attributable to equity holders determined under the PRC accounting standards was higher than that determined under HKFRS. As a consequence, dividends distributed under the PRC accounting standards by the Sunco A's subsidiaries and the New Project Companies exceeded the amount of profit attributable to equity holders determined under HKFRS. Such negative retained earnings may affect the ability of the Sunco A Group and the New Project Companies to pay dividends or other distributions to its shareholders in the future.

The property development businesses of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng will be adversely affected if it fails to obtain, or experiences material delays in obtaining, necessary government approvals for property development

Under the laws and regulations of the PRC, the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng must apply to relevant government departments for various

licences, permits, certificates and approvals, including land use right certificates, construction plan permits, construction permits, pre-sale permits and completion acceptance certificates to develop and to complete a property development project. There can be no assurance that the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng will not encounter serious difficulties in the future. As a result, in the event that the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng fail to obtain, or experience material delays in obtaining, the necessary government approval for any of its property developments projects, the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may not be able to complete its development as originally scheduled and their business and financial conditions will be adversely affected.

The Group, Sunco A Group and the New Project Companies as well as Shanghai Fangcheng are subject to legal and business risks if its respective project companies fail to obtain or renew their qualification certificates.

All real estate developers/companies in the PRC must obtain a qualification certificate in order to carry out the business of property development in the PRC. In addition, a real estate developer in the PRC must hold a valid qualification certificate when it applies for a pre-sale permit.

The Provisions on Administration of Qualification Certificates of Real Estate Developers (房地產開發企業資質管理規定) (the “Qualification Certificate Provisions”) provide that a newly established developer must first apply for a temporary qualification certificate with a one-year term (暫定資質證書), which can be renewed for a maximum of a two-year period. Thereafter, the developer must apply for a formal qualification certificate (資質證書) under one of the four grades set out in the Qualification Certificate Provisions. A qualification certificate will not be granted or renewed until and unless the developer meets the various requirements set out in the Qualification Certificate Provisions.

If any of the project companies of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng is unable to continue to renew their temporary qualification certificates or obtain formal qualification certificates (資質證書) in a timely manner, or at all, as and when they expire, those project companies may not be permitted to continue to engage in real estate development or to conduct any pre-sales for that development.

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may be liable to their respective customers for damages if either the Group, the Sunco A Group or the New Project Companies as well as Shanghai Fangcheng does not complete all the formalities for the issuance of the residential property ownership certificates in a timely manner

In the PRC, property developers are required to complete all requisite formalities for the purchasers to apply for the residential property ownership certificates (新建商品房房地產權證) within 90 days of delivery of the properties or such other period set out in the relevant sale contracts. There is no assurance that there will not be any delay in the examination and approval processes of the relevant government agencies or otherwise due to other unforeseeable factors that are beyond the control of the Group, the Sunco A Group and New Project Companies as well as Shanghai Fangcheng, which may result in the delay for the purchasers to obtain the residential property ownership certificates. Under

the PRC laws, the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may be required to compensate such purchasers for the delay in completing its formalities, which may adversely affect the business and financial conditions of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng.

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng are exposed to risks associated with project delays

Construction of the development projects of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng are subject to many factors that are beyond their control, including shortages and poor quality of building materials and equipment, lack of skilled and well-trained labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents, changes in government policies, and other unforeseeable problems. The occurrence of any of these factors may cause delay in the completion of a project and the delivery of properties to the respective customers of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng, and a material increase in the project costs, which may adversely affect the business and financial conditions of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng.

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng are exposed to pre-sale related risks

Pursuant to PRC laws and regulations and the pre-sale contracts of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng, the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng are required to provide for remedies for breach of its pre-sale undertakings. For example, if the Group or the Sunco A Group or the New Project Companies or Shanghai Fangcheng fails to complete a pre-sold property development, it will be liable to the purchasers for their losses. There is no assurance that these losses will not exceed the deposits of the pre-sold units. If the Group or the Sunco A Group or the New Project Companies or Shanghai Fangcheng fails to complete a pre-sold property project on time, its purchasers may seek compensation for late delivery. In the event that such delay extends beyond a specified period, its purchasers may terminate the pre-sale contracts and claim damages. There is no assurance that there will not be significant delays in completion and delivery of its projects.

An important source of financing for the property developments for property developers in the PRC is the pre-sale proceeds of properties. Therefore, if there is any increase in the amount of up-front expenditure which the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng must incur prior to obtaining the pre-sale permit or any other restriction that may restrict the ability of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng to pre-sell its properties, the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng will be required to finance the various stages of its property developments through other alternative means. As a result, the business and financial conditions of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may be adversely affected.

Resettlement negotiations may add costs or cause delays to our development projects

Under PRC laws and regulations, where we are responsible for the demolition of existing properties on a site for development and the removal of existing residents, we will be required to pay resettlement costs to those residents. While none of our wholly-owned property development projects are subject to relocation and resettlement costs, such costs are payable in respect of the project 順馳藍調國際. The compensation payable is calculated by applying prescribed formulae provided by the relevant provincial authorities. If the amount of such resettlement cost is significant, the property development costs of these projects may be increased substantially. Furthermore, there is no assurance that the relevant provincial authorities will not change their compensation formulae. If they do, property development costs may be subject to substantial increases which could adversely affect our business, financial condition and results of operations.

Even if the Group is not responsible for the demolition and removal, if the party responsible for the demolition and removal and the party subject to the demolition and removal fail to reach an agreement for compensation and resettlement, either of them may apply for a ruling of the relevant governmental authorities and if a party is not satisfied with the ruling, it may initiate proceedings in a people's court within three months from the date of service of such ruling, which may cause delays to the development projects. Such proceedings and delays, if they occur, could adversely affect our reputation and delay our development projects. In addition, any such delays to our development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from rental proceeds (in the case of an investment property) and pre-sales of the relevant project and the recognition of sales as turnover upon completion (in the case of properties for sale), which may in turn adversely affect our business, financial position and results of operations.

RISKS RELATING TO THE PRC PROPERTY DEVELOPMENT INDUSTRY**The land may be forfeited if it fails to comply with the terms of the land grant contracts**

According to the PRC laws, if the Group, the Sunco A Group or the New Project Companies as well as Shanghai Fangcheng fail to develop a property project in accordance with the terms of the land grant contract such as payment of land premium, specified use of the land and time for commencement and completion of the property development, the PRC Government may issue a warning to, and/or impose a penalty on, the Group or the Sunco A Group or the New Project Companies as well as Shanghai Fangcheng, and/or require that the land of the Group or the Sunco A Group or the New Project Companies or Shanghai Fangcheng be forfeited. There is no assurance that circumstances leading to forfeiture of land or penalty for breach of the terms of the land grant contract will not arise in the future. If the land of the Group or the Sunco A Group or the New Project Companies as well as Shanghai Fangcheng is forfeited, its costs incurred for the forfeited land and the related expenditure will be lost, and the Group or the Sunco A Group or the New Project Companies or Shanghai Fangcheng will also lose the opportunity to develop the property projects on such forfeited land.

The PRC government may enforce the payment of land appreciation tax for the disposal of properties

Under the PRC laws, the PRC subsidiaries and associated companies of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng are subject to LAT arising from any appreciation of the value of such land. The current LAT tax rate ranges from 30% to 60% of the appreciation value as defined in the relevant PRC laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws.

The PRC tax authorities in general have not strictly enforced the LAT regulations, which has created uncertainties as to the LAT liabilities of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng. The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng is required to pre-pay LAT on the pre-sale deposits ranged from 0.5% to 3% for residential and non-residential properties. The relevant tax authorities may impose pre-payment obligation upon the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng in the future, which may have a material adverse effect on the business and financial conditions of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng.

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may not be able to ensure all of its property development projects will be successful

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng have developing projects or completed projects but not yet sold. The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may not be able to ensure all of such projects be successful due to a variety of factors, including:

- substantial increase in the project costs due to many reasons, including unforeseeable project delays, which would make completion of the projects uneconomical; and
- the impact of market and economic conditions and government policies on the property markets may result in the projects less profitable than the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng expected or even not profitable at all.

Competition may adversely affect the business and financial position and the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng

Competition among property developers in the PRC may result in an increase in the land acquisition costs and raw material costs, shortages in quality construction contractors, an over-supply of properties which leads to a decrease in property prices, and higher costs to attract or retain experienced employees, any of which may adversely affect the business and financial conditions of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng.

If the Group, the Sunco A Group or the New Project Companies as well as Shanghai Fangcheng fails to respond appropriately to changes in the property markets where the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng have operations, the business and financial conditions and the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may also be adversely affected.

Potential liability for environmental problems may affect the business of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng

The businesses of the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng are subject to PRC environmental laws and regulations on various aspects, including air, noise and water pollution and waste discharge. Compliance with such laws and regulations may substantially increase the property development costs of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng.

As required by the PRC environmental laws and regulations, property developments of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng need to go through environmental impact assessments. Before commencement of property development, submission to the relevant government authorities for approval of environmental impact assessment is required. At completion of each property development, the relevant government authorities inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report are presented together with other specified documents to the local construction administration authorities for their record. As at the Latest Practicable Date, the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng had complied with such requirements for all of its completed property developments and properties under development. However, it is possible that such assessments did not reveal all potential environmental liabilities that may have a material adverse effect on the business and financial conditions and the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng.

RISKS RELATING TO THE PRC

PRC economic, political and social conditions and the PRC Government policies can affect the businesses of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng

The economy of the PRC is different from the economies of most developed countries, and has been transitioning from a planned economy to a market-oriented economy. The PRC Government has implemented certain economic reform measures which emphasizes utilisation of market forces in the development of the economy of the PRC. There is no assurance that changes in the PRC economic, political and social conditions, laws, regulations and policies will not have any adverse effect on the current or future business and financial conditions of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng.

The PRC Government may adopt further measures to slow down growth in the property sector

Along with the economic growth in the PRC, investments in the property sector have increased significantly in the past few years. In response to concerns over the scale of the increase in property investments, the PRC Government has introduced policies to curtail property developments which, among others, include the following:

- requiring real estate developers to finance 35% rather than 20% of the total projected capital outlay of any property development with their internal resources;
- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- increasing the required reserve ratio of funds that a commercial bank must hold on deposit from 7.0% to 7.5%, then to 10.5% in April 2007 and again to 11.0% effective 15 May 2007, which reduces the amount of money a bank is able to lend;
- strictly enforcing a land idle fee for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and cancellation of land use rights for land idle for two years or more;
- revoking projects which are not in compliance with the relevant planning permits;
- suspending land provision for villa construction and restricting land supply for high-end residential property construction;
- effective, 1 June 2005 imposing a business tax levy on the sales proceeds for second-hand transfers, subject to the relevant holding period and type of property;
- prohibiting any onward transfer of uncompleted properties; and
- tightening regulations governing mortgage lending and restricting approval of new development zones.

In May 2006, the Ministry of Construction, PRC National Development and Reform Commission, PBOC and other relevant PRC Government authorities jointly issued the "Opinions on Housing Supply Structure and Stabilization of Property Prices." Such opinions reiterated the existing measures and introduced new measures to further curb the repaid rise in property prices in large cities and to promote the healthy development of the PRC property market. These measures, among others, included:

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

- requiring that on average at city level at least 70% of the units in residential projects approved or constructed within a city on or after 1 June 2006 must be less than 90 sq.m. in terms of GFA and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement; however, municipalities under direct administration of the PRC Government and provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a GFA of 90 sq.m. or more, effective from 1 June 2006;
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for loans; and
- imposing a business tax levy on the entire sales proceeds from resale of properties if the holding period is less than five years, as opposed to two years as such levy was initially implemented in 2005. Where an individual transfers property other than ordinary residential property after five years from his or her purchase, the business tax will be levied on the difference between the price for such resale and the original purchase price.

The PRC Government's restrictive measures to slow the growth of the property sectors could limit our access to capital resources, reduce market demand and increase our operating costs in adapting to these measures. We cannot assure you that the PRC Government will not adopt additional and more stringent measures, which could further slow down property development in China and adversely affect our business and prospects.

Changes in foreign exchange regulations may adversely affect the results of operations of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng currently receives all of its revenues in Renminbi. The PRC Government imposes control over the conversion between Renminbi and foreign currencies. Under current foreign exchange regulations in the PRC, and subject to the relevant registration at the State Administration of Foreign Exchange ("SAFE"), the Group and the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng will be able to pay dividends in foreign currencies without prior approval from SAFE if it complies with certain procedural requirements.

However, there is no assurance that the PRC foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. Changes in PRC foreign exchange policies may adversely affect the ability of the PRC incorporating companies comprising the Group, the New Project Companies the Sunco A Group as well as Shanghai Fangcheng to pay dividend to its shareholders in foreign currencies.

Fluctuation in the value of Renminbi will affect the value of, and dividends payable on, the Shares

The value of Renminbi against other currencies may be affected by, among other things, changes in the PRC's economic, financial and political conditions and supply and demand of Renminbi in the local market. PBOC changed its policy on 21 July 2005 so that Renminbi is permitted to fluctuate against a basket of foreign currencies, resulting in an appreciation of Renminbi against the U.S. dollars shortly thereafter. Since the income and profits of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng are denominated in Renminbi, any fluctuation of Renminbi may materially and adversely affect the business and financial conditions of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng, and the value of, and any dividends payable on, the Shares. Fluctuations of the value of Renminbi will also affect the ability to service its foreign debt of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng, if any.

Interpretation of PRC laws and regulations involves uncertainty

The Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng conducted their businesses within the PRC and its operations are governed by PRC laws and regulations. The PRC legal system is a codified system with written statutes, and prior court decisions can only be cited as reference.

The PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance and taxation, with the aim to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, interpretation of PRC laws and regulations is subject to a degree of uncertainty as some of these laws and regulations are recently enacted and are relatively new, and there are limited volumes of published court decisions which are non-binding in nature. In addition, litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

The PRC economy and the prospects of the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng may be adversely affected by a recurrence of SARS or an outbreak of other epidemics

Some regions in the PRC (including the cities where the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng operate) are susceptible to epidemics such as Severe Acute Respiratory Syndrome (SARS), and avian flu, which may cause severe damage to the national and local economies in the PRC. Occurrence of such epidemics in the PRC, or in the cities where the Group, the Sunco A Group and the New Project Companies as well as Shanghai Fangcheng have operations, may result in material disruptions to its business operations, which will in turn adversely affect its financial conditions.

THE ECONOMY OF THE PRC

The PRC economy has grown significantly since the PRC Government introduced economic reforms in the late 1970's. China's accession to the World Trade Organisation in 2001 has further accelerated the reform of the PRC economy.

According to National Bureau of Statistics of China, China's real gross domestic product ("GDP") grew at an average annual growth rate of approximately 10.1% during the 5-year period from 2002 to 2006, making China one of the fastest growing economies in the world. In 2006, China's nominal GDP was approximately RMB20,940.7 billion, while real GDP grew approximately 10.7% from 2005.

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

	2002	2003	2004	2005	2006
Nominal GDP (<i>RMB in billions</i>)	12,033.3	13,582.3	15,987.8	18,386.8	20,940.7
Real GDP growth rate (%)	9.1	10.0	10.1	10.4	10.7
Per capita GDP (<i>RMB</i>)	9,398	10,542	12,336	13,985	n.a.
Total investment in fixed assets (<i>RMB in billions</i>)	4,350.0	5,556.7	7,047.7	8,877.4	10,987.0
Fixed-asset investment growth (%)	16.9	27.7	26.6	26.0	24.0
Foreign direct investment					
— Actual investment (<i>US\$ in billions</i>)	52.7	53.5	60.6	60.3	69.5
— Actual investment growth (%)	12.5	1.4	13.3	-0.5	15.3

Source: Summary of China Statistical Yearbook 2001-2006, National Bureau of Statistics of China

THE PROPERTY MARKET IN THE PRC

Prior to the property and housing reforms in the PRC which commenced in the early 1990's, the PRC Government was responsible for the property development industry as part of the nation's planned economy. Following these property reforms, the property and housing sector of the PRC is gradually transitioning into a market-based system. The major housing reforms taken by the PRC Government in the past 20 years include establishing a regulatory framework for real estate sales in 1995, abolishing the state-allocated housing policy in 1998, extending the maximum mortgage term to 30 years and increasing maximum mortgage financing from 70% to 80% in 1999, establishing a regulatory framework for administering construction quality in 2000, promulgating the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-For-Sale and eliminating the dual system for domestic and overseas home buyers in the PRC in 2002, promulgating rules for more stringent administration of property loans in 2003.

The PRC Government introduced policies to restrict future property development in 2004, such as increasing the proportion of capital fund requirement for real estate development projects (excluding ordinary housing) from 20% to 35%, issuing guidelines for Commercial Banks on Risk of Real Estate Loans, limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and restricting approval of new development zones.

In 2005, additional measures were introduced to discourage speculation in certain regional markets, including increasing the minimum down payment to 30% of the total purchase price, eliminating preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, prohibiting reselling uncompleted properties, imposing a land idle fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and cancelling land-use right for land idle for two years or more, revocating projects which are not in compliance with the planning permits and prohibiting land provision for villa construction and restricting land provision for high-end residential property construction.

In 2006, the PRC Government introduced further measures which mainly aim to discourage speculative and investment-oriented housing demand and the development of luxurious properties in the PRC. Such measures include requiring residential units smaller than 90 m² to account for at least 70% of the total floor area in any new residential projects, imposing tax upon the transfer of a residential unit within 5 years of purchase, restricting commercial banks from granting loans to property developers that cannot meet the 35% capital fund requirement for property development projects, increasing the minimum down-payment from 20% to 30% for those who are buying new residential units larger than 90 m², restricting demolition of houses, and continuing to suspend the land supply for construction of villas and low-density luxurious housing.

Such new measures also require the local governments to publish plans on the construction of affordable housing, strictly follow approved land-use programmes, impose tighter restrictions on the conversion of farmland for development, strictly follow approval procedures in acquiring land for public infrastructure projects, and ensure that land sales must be conducted through auctions and public tenders and priorities should be given to the building of low-cost and affordable housing.

Further information on housing reforms and recent regulatory developments is set out in the section "Summary of the legal framework and taxation relating to the PRC property market" in Appendix XI to this circular.

These housing reforms are key factors in sustaining the growth of the property market in the PRC. Other key factors include an increase in the urbanisation rate (i.e. the proportion of the population residing in urban areas) and an increase in disposable income.

URBANISATION RATE AND DISPOSABLE INCOME LEVELS

It is expected that the demand for private properties will increase as a result of the increase in the number of urban population and the amount of disposal income for urban population. The China National Bureau of Statistics estimates that China's urbanisation rate will reach 50% in 2020 and 70% by 2050. If this materialises, it is expected to create greater demand for properties in the cities. The urban population in the PRC has increased from approximately 481 million in 2001 to 577 million in 2006. During the same period, the urban resident per capita disposable income has also increased from RMB6,860 in 2001 to RMB11,759 in 2006. Such increased purchasing power is a positive sign for the property market as it may be an indication that an increasing number of high income people are entering the property market.

The table below sets out selected figures showing the urbanisation rate in the PRC and the increase in per capita disposable income levels of the urban population in China for the periods indicated.

	2002	2003	2004	2005	2006
Urban population (<i>in millions</i>)	502	524	543	562	577
Total population (<i>in millions</i>)	1,285	1,292	1,300	1,308	1,314
Urbanisation rate (%)	39.1	40.5	41.8	43.0	43.9
Per capita disposable income of urban households (<i>RMB</i>)	7,703	8,472	9,422	10,493	11,759

Source: Summary of China Statistical Yearbook 2001-2006, National Bureau of Statistics of China

PROPERTY PRICE AND SUPPLY

Demand for real estate in China has been on a steady increase over the years. According to the National Bureau of Statistics of China, the total revenue from real property sales in China has increased to approximately RMB1,808.0 billion in 2005. During the period between 2001 and 2005, aggregate GFA sold in China increased from approximately 224.1 million m² in 2001 to approximately 382.3 million m² in 2004. Of the aggregate GFA sold in 2004, approximately 338.2 million m² were residential properties, representing an increase of approximately 13.6% over 2003. The average price of commodity properties sold in China increased from RMB2,170 per m² in 2001 to RMB2,714 per m² in 2004, while the average price of residential properties sold increased from RMB2,017 per m² to RMB2,549 per m² during the same period.

Residential Business	2002	2003	2004	2005	2006
Supply indicators:					
Investment in real estate (RMB in billions)	779.1	1,015.4	1,315.8	1,575.9	1,938.2
Total gross floor area sold (m ² in millions)	268.1	337.2	382.3	n.a.	n.a.
Gross floor area of residential properties sold (m ² in millions)	237.0	297.8	338.2	n.a.	n.a.
Gross floor area of commercial properties sold (m ² in millions)	22.2	28.3	31.0	n.a.	n.a.
Demand indicators:					
Average price of residential properties (RMB per m ²)	2,092.0	2,197.0	2,549.0	n.a.	n.a.
Average price of commercial properties (RMB per m ²)	3,489.0	3,675.0	3,966.0	n.a.	n.a.
Average price of residential and commercial property (RMB per m ²)	2,250.0	2,359.0	2,714.0	n.a.	n.a.

Source: China Statistical Yearbook 2005, National Bureau of Statistics of China

1. The property market in Tianjin

Tianjin is located in the northeast of the North China Plain, adjacent to Beijing and Bohai Sea and encircled by Hebei province. The city possesses the largest man-made harbor in the north, its Tianjin Port is the ocean gateway for the cities of Beijing and Tianjin and Hebei. It is also the eastern starting point for the Asia-Europe continental bridge.

According to the Bureau of Statistics of Tianjin, as of 31 December 2006, Tianjin had a population of approximately 10.8 million. The city has experienced a high GDP growth rate for the five years from 2002 to 2006. In 2006, Tianjin's GDP reached approximately RMB433.8 billion, representing a per capita GDP of approximately RMB40,961 and a total investment in real estate was approximately RMB40.2 billion. The table below sets out selected economic statistics of Tianjin for the periods indicated.

	2002	2003	2004	2005	2006
Nominal GDP (<i>RMB in billions</i>)	202.3	238.7	293.2	366.4	433.8
Real GDP growth rate (%)	12.5	14.5	15.7	14.5	14.4
Per capita GDP (<i>RMB</i>)	22,068	25,874	31,550	35,457	40,961
Per capita disposable income for urban households (<i>RMB</i>)	9,338	10,313	11,467	12,639	14,283

Source: 2001-2006 Statistical Reports on Tianjin Domestic Economy and Social Development

Commodity property market in Tianjin

According to 2006 Statistical Report on Tianjin Domestic Economy and Social Development, a total GFA of approximately 1.41 million sq.m. of commodity properties was completed in Tianjin in 2006. A total GFA of approximately 14.6 million sq.m. of commodity properties was sold in Tianjin in 2006. The amount of turnover of commodity properties of approximately RMB69.6 billion was sold in Tianjin in 2006.

2. The property market in Beijing

Beijing is the national capital of the PRC and located at the mouth of Yangzi, has long been a political, commercial and cultural center of the nation. It is also one of the four municipalities in China under direct administration of the PRC central government. According to the Bureau of Statistics of Beijing, as of 31 December 2006, Beijing had a population of approximately 15.8 million. The city has experienced a high GDP growth rate for the five years from 2002 to 2006. In 2006, Beijing's GDP reached approximately RMB772.0 billion, representing a per capita GDP of approximately RMB49,505 and a total investment in real estate was approximately RMB172.0 billion. The table below sets out selected economic statistics of Beijing for the periods indicated:

	2002	2003	2004	2005	2006
Nominal GDP (<i>RMB in billions</i>)	313.0	361.2	428.3	681.5	772.0
Real GDP growth rate (%)	10.2	10.5	13.2	11.1	12.0
Per capita GDP (<i>RMB</i>)	27,746	31,613	41,599	44,969	49,505
Per capita disposable income for urban households (<i>RMB</i>)	12,464	13,883	15,638	17,653	19,978

Source: 2001-2006 Statistical Reports on Beijing Domestic Economy and Social Development

Commodity property market in Beijing

According to 2006 Statistical Report on Beijing Domestic Economy and Social Development, a total GFA of approximately 31.9 million sq.m. of real estates was completed in Beijing in 2006. A total GFA of approximately 26.1 million sq.m. of commodity properties was sold in Beijing in 2006. The amount of turnover of commodity properties of approximately RMB215.9 billion was sold in Beijing in 2006.

3. The property market in Zhengzhou

Zhengzhou, located in the Central Plains with the Yellow River to the north and Mountains Songshan to the west and the Huanghuai Plains to both east and the south, is the capital of Henan province. At the junction of the Beijing — Guangzhou and Lanzhou — Lianyungang railways, it is also the political, economic, cultural, and transportation center of Henan. According to the Bureau of statistics of Zhengzhou, as of 31 December 2005, Zhengzhou had a population of approximately 7.2 million. In 2005, Zhengzhou urban resident per capita disposable income was approximately RMB10,977, an increase of 13.6% over 2004. The nominal GDP of Zhengzhou was estimated approximately RMB165.0 billion in 2005 while real GDP growth approximately 15.8% from 2004. Total investment in real estate in Zhengzhou has reached approximately RMB16.8 billion in 2005, an increase of 38.0% over 2004.

Commodity property market in Zhengzhou

In 2005, a total sum of approximately RMB14.84 billion was invested in real estate projects, reflecting a year-on-year decrease of 56.1%; meanwhile, a total GFA of approximately 6.6 million m² was approved to commence sale or pre-sale. Of the total, approved residential spaces amounted to 5,444,000, up 6.6%; approved non-domestic spaces amounted to 1,188,000, down 12.4% as compared with last year. Transacted average price for residential and non-residential in urban areas reached RMB2,614 and RMB5,766 per m², representing a year-on-year increase of 12.3% and 9% respectively.

4. The property market in Henan

Henan is located in eastern central China, on the plain between the Yellow River and Huaihe River. As most part of the province lies to the south of the Yellow River, which runs for over 700 km through its territory, it was given the name Henan (River South). According to the Bureau of statistics of Henan, as of 31 December 2006, Henan had a population of approximately 98.2 million. The city has experienced a high GDP growth rate for the five years from 2002 to 2006. In 2006, Henan's GDP reached approximately RMB1,246.4 billion, representing a per capita GDP of approximately RMB13,279. Total investment in real estate in Henan has reached approximately RMB58.2 billion in 2006, a substantial increase of 49.8% over 2005. The table below sets out selected economic statistics of Henan for the periods indicated:

	2002	2003	2004	2005	2006
Nominal GDP (<i>RMB in billions</i>)	616.3	702.6	881.5	1,053.5	1,246.4
Real GDP growth rate (%)	9.5	10.5	13.7	14.1	14.1
Per capita GDP (<i>RMB</i>)	n.a.	n.a.	n.a.	11,236	13,279
Per capita disposable income for urban households (<i>RMB</i>)	6,245	6,926	7,705	8,668	9,810

Source: 2001-2006 Statistical Reports on Henan Domestic Economy and Social Development

Commodity property market in Henan

According to 2006 Statistical Report on Henan Domestic Economy and Social Development, a total GFA of approximately 16.8 million sq.m. of commodity properties was completed in Henan in 2006. A total GFA of approximately 24.4 million sq.m. of commodity properties was sold in Henan in 2006, which represented an increase of approximately 41.5% over 2005.

5. The Property Market in Luoyang

Luoyang is located in the western part of Henan province. It borders the provincial capital of Zhengzhou to the east, Nanyang to the south, Sanmenxia to the west, Jiyuan to the north. It is also one of the four great ancient capitals of China which comprises Beijing, Nanjing, Luoyang and Xian. According to 2006 Statistical Report on Luoyang Domestic Economy and Social Development

prepared by the Bureau of Statistics of Luoyang, as of 31 December 2006, Luoyang had a population of approximately 646 million. The nominal GDP of Luoyang was estimated approximately RMB133.2 billion in 2006 while real GDP growth approximately 15.6% from 2005. The urban resident per capita disposable income in Luoyang reached approximately RMB 11,490 in 2006, representing an increase of approximately 11.3% over 2005.

Commodity property market in Luoyang

By 2006, total real estate investment amounted to approximately RMB7.9 billion, representing an increase of approximately 7.7% over 2005. In 2006, a total residential GFA of approximately 3.24 million m² has been sold, representing an increase of approximately 58.5% over 2005. The amount of turnover of commodity properties of approximately RMB6.2 billion was sold in Luoyang in 2006.

6. The property market in Jinan

Jinan is the capital city of Shandong province. Jinan is located in the mid-western part of Shandong province. Nearby to the south is the Mountains Tai, officially recognised by the United Nations as part of the world's natural and cultural heritage. To the north is the Yellow River, which has been called the "cradle of the Chinese nation". According to 2006 Statistical Report on Jinan Domestic Economy and Social Development prepared by the Bureau of Statistics of Jinan, as of 31 December 2006, Jinan had a population of approximately 6.0 million. The total investment in real estate was approximately RMB16.0 billion in 2006. The nominal GDP of Jinan was approximately RMB218.5 billion in 2006 while real GDP growth approximately 15.7% from 2005, representing a per capita GDP of approximately RMB36,394. The urban resident per capita disposable income in Jinan reached approximately RMB 13,910 in 2006, representing an increase of approximately 13.0% over 2004.

Commodity property market in Jinan

In 2006, total real estate investments amounted to a total of approximately RMB16 billion, up 32.2% compared to 2005. The amount of turnover of commodity properties of approximately RMB9.1 billion was sold in Jinan, which represented an increase of approximately 10.8% over 2005.

7. The property market in Shandong

Shandong is located in the lower reaches of the Yellow River, it borders on the Bohai Sea and the Yellow Sea. According to the Bureau of Statistics of Shandong, as of 31 December 2006, Shandong had a population of approximately 93.1 million. A total investment in real estate was approximately RMB117.9 billion in 2006. The city has experienced a high GDP growth rate for the five years from 2002 to 2007. In 2006, Shandong's GDP reached approximately RMB2,184.7 billion, representing a per capita GDP of approximately RMB23,546. The table below sets out selected economic statistics of Shandong for the periods indicated.

	2002	2003	2004	2005	2006
Nominal GDP (<i>RMB in billions</i>)	1,055	1,243	1,549	1,847	2,185
Real GDP growth rate (%)	11.6	13.7	15.3	15.2	14.7
Per capita GDP (<i>RMB</i>)	11,643	13,654	16,925	20,044	23,546
Per capita disposable income for urban households (<i>RMB</i>)	7,615	n.a.	9,438	10,745	12,192

Source: 2001-2006 Statistical Reports on Shandong Domestic Economy and Social Development

Commodity property market in Shandong

According to 2006 Statistical Report on Shandong Domestic Economy and Social Development, a total GFA of approximately 33.8 million m² of commodity properties was completed in Shandong in 2006. A total GFA of approximately 38.0 million sq.m. of commodity properties was sold in Shandong in 2006, which represented an increase of approximately 5.2% over 2005.

8. The property market in Suzhou

Suzhou Industrial Park is the biggest cooperative project between the governments of the PRC and Singapore. It is now composed of an IT park, an international technology park, a life science park, a national software park and a SME park. According to the statistics prepared by the Bureau of Statistics of Suzhou Industrial Park, as of 31 December 2006, Suzhou Industrial Park had a population of approximately 0.297 million. A total investment in real estate was approximately RMB11 billion in 2006. The Park has experienced a high GDP growth rate for the five years from 2002 to 2006. In 2006, Suzhou Industrial Park's GDP reached approximately RMB68.0 billion. The table below sets out selected economic statistics of Suzhou Industrial Park for the periods indicated.

	2002	2003	2004	2005	2006
Nominal GDP (<i>RMB in billions</i>)	25.2	36.5	50.3	58.1	68.0
Total population (<i>in millions</i>)	0.210	0.223	0.258	0.273	0.297

Source: Suzhou Industrial Park Government

Commodity property market in Suzhou

According to 2006 Statistical Report on Suzhou Domestic Economy and Social Development, a total GFA of approximately 14.4 million sq.m. of commodity properties was completed in Suzhou in 2006. In 2006, total real estate investment amounted to approximately RMB47.1 billion, representing an increase of 13.6% over 2005; at the same time, the total revenue from commodity property sales in Suzhou has increased to approximately RMB60.0 billion; up 19.9%, of total revenue from commodity property sales in Suzhou, approximately RMB49.9 billion were residential properties sales, representing an increase of approximately 19.8% over 2005.

9. The property market in Wuhan

Wuhan, located at the junction of the Yangtze and the Han Rivers, is the capital of Hubei province in central China. According to the 2006 Statistical Report of Wuhan's Economic and Social Development prepared by the Bureau of Statistics of Wuhan, as of 31 December 2006, Wuhan had a population of approximately 8.19 million. The nominal GDP of Wuhan was increased to approximately RMB259.0 billion in 2006 while real GDP growth approximately 14.8% from 2005. The urban resident per capita disposable income in Wuhan reached approximately RMB12,360 in 2006, representing an increase of approximately 13.9% over 2005.

"The Principal Tasks and Measures of the Eleventh Five Year Master Plan for Wuhan's Economic and Social Development (the "Plan")", drafted by the Wuhan city government, indicated three leading industries including (trade, finance and real estate) would be given preference to expand in Wuhan in the five years of the Plan period and they expected to increase the GDP and GDP per capita of Wuhan to approximately RMB420 billion and RMB38,000 (US\$5,000) by 2010 respectively.

Infrastructure developments and urban planning

Currently, there is a light rail system running through the downtown area on the western side of the river in Wuhan. The government plans to run the light rail across the river linking to the commercial district on the eastern side of the river by 2010. The new line will be about 30 km long and serves an additional 16 stations. A fourth bridge across the Yangtze River and a new tunnel under the river are currently under construction and are expected to be completed between 2008 and 2011. Two other metro lines are scheduled to be completed by 2010, bringing the total urban track to 220 km, the 940-km Guangzhou-Wuhan Railway Project is scheduled to be completed in 2008 and will reduce the travel time for passenger trains between these two major Chinese cities from ten to four hours. These infrastructure developments should further boost economic development in Wuhan.

Commodity property market in Wuhan

According to the Wuhan Statistics Bureau, total investment in real estate in Wuhan has risen significantly to RMB36.6 billion in 2006, representing an increase of 22.9% over 2005. A total of approximately 8.7 million sq.m. of commodity properties was completed in Wuhan in 2006, representing an increase of approximately 7.0% over 2005. A total GFA of approximately 9.6 million sq.m. of commodity properties was sold in Wuhan in 2006, representing a 5.1% increase from 2005. Total real estate investments in 2006 amounted to a total of approximately RMB28.8 billion. The amount of turnover of commodity properties of approximately RMB41.8 billion was sold in Wuhan in 2006.

10. The property market in Shanghai

Shanghai is one of the four municipalities in the PRC under direct administration of the PRC central government. According to the National Bureau of Statistics of China, at 31 December 2006, Shanghai had a population of approximately 13.7 million.

Shanghai experienced substantial GDP growth rates for the five years from 2002 to 2007. In 2006, Shanghai's GDP reached approximately RMB1,029.7 billion. According to the National Bureau of Statistics of China, total investment in real estate was approximately RMB127.6 billion. The table below sets out selected economic statistics of Shanghai for the periods indicated:

	2002	2003	2004	2005	2006
Nominal GDP (<i>RMB in billions</i>)	574.1	669.4	807.3	915.4	1,029.7
Real GDP growth rate (%)	11.3	12.3	14.2	11.1	12.0
Per capita GDP (<i>RMB</i>)	43,143	50,032	59,928	67,472	n.a.

Source: Shanghai Statistical Yearbook 2006, Shanghai Statistics Bureau

According to the Shanghai Statistics Bureau, a total GFA of approximately 109.4 million sq.m. of commodity properties was completed in Shanghai in 2006. A total GFA of approximately 30.3 million sq.m. of commodity properties and approximately 26.2 million sq.m. of residential properties was sold in Shanghai in 2006. The commodity properties sold in Shanghai amounted to approximately RMB217.7 billion in 2006.

11. The property market in Hebei

Hebei is located in the northern central China, it borders on Inner Mongolia to the north, Shanxi to the west and Henan to the south. According to the Bureau of statistics of Hebei, as at 31 December 2006, Hebei had a population of approximately RMB69.0 million. In 2006, Hebei's GDP reached approximately RMB1,161.4 billion, representing a per capita GDP of approximately RMB16,894. Total investment in real estate in Hebei reached approximately RMB48.0 billion in 2006, an increase of approximately 22.6% over 2005.

Commodity property market in Hebei

According to the Bureau of statistics of Hebei, a total of GFA of approximately 12.2 million sq.m. of commodity properties was sold in the first ten-month of 2006, reflecting a year-on-year increase of 28.5%. Of the total, the GFA of residential properties to be sold amounted to approximately 11.4 million sq.m., an increase of 27.0%. Average prices for commodity property and residential area reached RMB2,097 per sq.m. and RMB2,006 per sq.m., respectively, representing a year-on-year increase of 9.6% and 10.9% respectively.

REGULATORY OVERVIEW OF THE PRC REAL ESTATE INDUSTRY

Real estate reform in the PRC did not commence until the 1990's. Prior to such reform, the PRC government provided housing for its urban population. The Chinese government owned, and was responsible for the development of, all property. In the 1990's, China's real estate and housing sector began its transition to a market system. A brief timeline of key housing reforms is set out below:

1988	● Constitution amended to permit transfer of state-owned land use rights
1992	● Commencement of public housing sales in major cities
1994	● Further implementing the reforms and establishing an all-round employer/employee-funded housing fund
1995	● Regulations regarding sales and pre-sales of real estate issued, establishing a regulatory framework for real estate sales
1998	● State-allocated housing policy abolished
	● Regulations on the administration of pre-sales of commodity buildings in Guangdong province issued

1999	● Maximum mortgage term extended to 30 years ● Maximum mortgage finance increased from 70% to 80% ● Procedures for the sale of real property in secondary market formalized
2000	● Regulations to standardize quality of construction projects issued, establishing a framework to administer construction quality
2001	● Regulations relating to sales of commodity housing issued
2002	● Rules Regarding the Grant of state-owned Land Use Rights by Way of Tender, Auction and Listing-for-sale issued requiring that land use rights for the purposes of commercial use, tourism, entertainment, commodity residential properties and other operational purposes can only be granted by the government through public tender, auction or listing-for-sale; Beijing eliminated the dual system for domestic and overseas home buyers in China
2003	● Administration of real estate loans strengthened to reduce bank risk in loans relating to real estate and to prevent overheating of investment in real estate; State Council issued a notice for sustained and healthy development of the real estate market

Since 2004, in an effort to reduce the growth rate of China's economy and achieve balanced and sustainable economic growth, the PRC government has taken measures to control money supply, credit availability and fixed assets investment. The PRC government has also taken measures to discourage speculation in the residential property market and to increase the supply of affordable housing. In response to concerns over the scale of the increase in property investment, the PRC government has introduced policies to restrict future development, including:

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- increasing the minimum required capital contribution of real estate developers from 20% to 35% of the total projected capital outlay of any property development;
- increasing the required reserve ratio of funds that a commercial bank must hold on deposit to 7.5% and subsequently to 8.0% from 7.0%, effectively reducing the amount of money a bank is able to lend; and
- tightening regulations governing mortgage lending and restricting approval of new development zones.

In April 2005, the Ministry of Construction of the PRC and other relevant Chinese government authorities jointly issued the Notice of Stabilizing Property Prices followed by a set of new measures. These measures, which are aimed at directly controlling the growth of the real estate industry, include:

- a business tax levy, starting 1 June 2005, on the sales proceeds subject to the length of holding period and type of properties;
- a ban on onward transfer of uncompleted properties;
- an increase of the minimum required loan payment to 30% of the total purchase price;
- an elimination of the preferential mortgage interest rate for residential housing;
- an imposition of a land idle fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and cancellation of land-use right for land idle for two years or more;
- a revocation of projects not in compliance with the planning permits;
- a ban on land provision for villa construction and a restriction on land provision for high-end residential property construction.

In May 2006, the PRC Government implemented a series of new measures on land supply, bank mortgage finance, taxation and other aspects with an aim to slow down the increase in real property prices, to encourage development of more low- and middle-end properties and to promote a better environment for the growth and development of the PRC property industry, including

- a requirement that residential units with unit floor area of less than 90 m² represent 70% of the total unit floor area of the residential development of projects in a city or a country if approvals are obtained or projects are constructed on or after 1 June 2006;
- a business tax to be levied on total sale value of residential property within five years of purchase, as well as, a business tax to be levied on any gains from the sale of residential properties which are not deemed to be ordinary residential properties, after five years of purchase by an individual;
- with effect from 1 June 2006, a minimum down payment of 30% of the total purchase price of a residential unit with unit floor area of over 90 m². This applies to all existing units and units yet to be completed. A down payment of 20% is required for residential units purchased for self use with unit floor area of 90 m² and below; and
- with effect from 1 August 2006, definitions are set out on property values for different types of residential property for computing taxable gains for individual tax on transfer of residential property and reasonable deductible costs with maximum cap on each such allowable costs.

See “Summary of the legal framework and taxation regulating the PRC property market” in Appendix XI to this circular for a more detailed discussion of current regulations of the PRC property market.

This appendix sets out summaries of certain aspects of PRC law and regulation, which are relevant to operations and businesses of the Group, Sunco A Group, the New Project Companies and Shanghai Fangcheng. These include laws relating to land, real estate development, foreign investment enterprises, foreign exchange control and taxation.

1. JOINT VENTURES

Joint ventures in the PRC between domestic and foreign entities may take two forms: equity joint ventures and cooperative 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 (“NPC”) and the Implementing Regulations of the Sino-foreign Equity Joint Ventures Law of the PRC promulgated on 20 September 1983 and amended on 22 July 2001 by the State Council. Cooperative joint ventures are governed by the Sino-foreign Cooperative Joint Ventures Law of the PRC (the “Cooperative Joint Venture Law”) promulgated on 13 April 1988 and amended on 31 October 2000 and the Implementing Rules of the Sino-foreign Cooperative Joint Ventures Law of the PRC promulgated by the Ministry of Foreign Trade and Economic Co-operation of the PRC (“MOFTEC”, now renamed as the Ministry of Commerce “MOFCOM”) on 4 September 1995.

Procedures for establishment of a joint venture

The establishment of a joint venture requires the approval of the MOFCOM (or its delegated authorities). Certain documents including a feasibility study report, joint venture contract and articles of association of the joint venture are required to be submitted to MOFCOM or its delegated authorities for approval. Within 30 days after the issue of the approval certificate by MOFCOM, the applicant is required to apply to the State Administration for Industry and Commerce (“SAIC”) (or its local bureaus) for the issue of a business license. A joint venture entity is formally established on the date its business license is issued.

Sino-foreign equity joint ventures

Under the Equity Joint Venture Law and its Implementing Regulations, an equity joint venture takes the form of a limited liability company. It is an independent legal person which may independently assume civil obligations, enjoy civil rights and own, use and dispose of its assets. The liability of the joint venture partners is limited to the amount of the registered capital they have respectively agreed to contribute under the joint venture contract. The registered capital must be paid in accordance with the terms and conditions of the joint venture contract and may take the form of cash, land use rights, capital goods, intellectual property rights and know-how. Transfer of the contribution(s) in the registered capital of a joint venture partner to any other person(s) requires the consent of the other joint venture partner(s) and the approval of the original approval authority.

The total amount of investment of an equity joint venture is the sum of capital construction funds and circulating funds required for the scale of its operations and production. The proportion of the investment contributed by a foreign joint venture partner in the registered capital of the joint venture in general shall not be less than 25%. Under the Provisional Regulations Concerning the Ratio of

Registered Capital and Total Investment of Sino-foreign Equity Joint Venture promulgated by the SAIC on 1 March 1987, the ratios between the amount of registered capital and the amount of total investment are prescribed. For example, where the amounts of total investment is between US\$10 million and US\$30 million, the amount of registered capital must not be less than 40% of total investment.

The profit, risks and losses of an equity joint venture are shared by the joint venture partners in proportion to their contributions to the registered capital.

The operations of an equity joint venture are regulated by an extensive body of laws and regulations, both national and regional, governing matters such as registration, capital contribution, foreign exchange, accounting, taxation and labor.

Sino-foreign cooperative joint ventures

A co-operative joint venture may or may not be registered as an independent legal entity. If a cooperative 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 labor of a co-operative joint venture are substantially the same as those of an equity joint venture.

Under the Cooperative Joint Venture Law and its Implementing Rules, the joint venture partners have a greater degree of flexibility to structure the joint venture arrangements and to determine their respective rights, obligations and liabilities. Profits and losses of a cooperative joint venture may be distributed to and shared by the joint venture partners in such manner as those partners may agree to, instead of in proportion to their respective contribution to the registered capital of the joint venture. In addition, where the cooperative joint venture contract provides for the reversion of all fixed assets of the cooperative joint venture to the local joint venture partner upon the expiry of the term of the joint venture, the joint venture partners may agree in the relevant joint venture contract the mechanism of profit distribution whereby the foreign joint venture partner may have priority in recovering investment during the term of the joint venture.

Management

Under the Equity Joint Venture Law and the Cooperative Joint Venture Law, the highest authority of a joint venture is vested in its board of directors. There is no requirement under the applicable law for the holdings 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 (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 is vested in the management office which has a general manager and several deputy managers who assist the general manager. The general manager and deputy general managers of a joint venture are engaged by its board of directors. A general manager is required to act in accordance with the directions and guidance of the board of the directors.

2. THE LAND SYSTEM

All land in the PRC is either state owned or collectively owned, depending on the location of the land. All land in the urban areas of a city or town is state owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively owned. The State has the right to resume land in accordance with law if required for the benefit of the public.

Although all land in the PRC is owned by the state or by collectives, private individuals and businesses are permitted to hold, lease and develop land for which they are granted land use rights.

National legislation

In April 1988, the Constitution of the PRC (the “Constitution”) was amended by the National People’s Congress to allow for the transfer of land use rights for value. In December 1988, the Land Administration Law of the PRC was amended to permit the transfer of land use rights for value.

Under the Provisional Regulations of the PRC concerning the Grant and Assignment of the Land Use Right of State-owned Land in Urban Areas (“Urban Land Regulations”) promulgated in May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights against payment of a grant premium.

Under the Urban Land Regulations, there are different maximum periods of grant for different uses of land. They are generally as follows:

Use of land	Maximum Period in Years
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Public utilities	50
Others	50

Under the Urban Land Regulations, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not resume possession of lawfully granted

land use rights prior to expiration of the term of grant. If public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. A land user may lawfully assign, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings thereon will revert to the State without compensation.

Grant

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the State to a person to entitle him to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A premium is payable on the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

There are three methods by which land use rights may be granted, namely by agreement, tender or auction.

On 11 June 2003, the Ministry of Land and Resources of the PRC promulgated the Regulation on Grant of State-owned Land Use Rights by Agreement. According to such regulation, if there is only one entity that intends to use the land, the land use rights (excluding land use rights used for business purposes, including tourism, entertainment and commodity residential properties) may be granted by way of agreement; the local land bureau, together with other relevant government departments, including the city planning authority, will formulate the plan concerning issues, including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the state, and submit such plan to the relevant government for approval. Afterwards, the local land bureau and the person who is interested will negotiate and enter into the grant contract based on the abovementioned plan. If two or more entities are interested in the land use rights proposed to be granted, such land use rights shall be granted by the way of tender, auction or putting up for bidding.

Where land use rights are granted by way of tender, invitations to tender will be issued by the local land bureau. The invitation will set out the terms and conditions upon which the land use rights are proposed to be granted. A committee will be established by the relevant local land bureau to consider tenders which have been submitted. The successful bidder will then be asked to sign the grant contract with the local land bureau and pay the relevant land premium within a prescribed period. Tenders for land use rights can be by way of open tenders or private tenders. The land bureau will consider the following factors: if the invitation to tender only requires a bid from the bidder, whoever

offers the highest bid will be the successful bidder; or if the invitation to tenders requires the bidder to submit planning proposals in addition to the bid, then details of the proposals will be considered. If the relevant land bureau considers that none of the bids is satisfactory, the land bureau has the right to reject all the bids.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the bidder with the highest bid. The successful bidder will be asked to enter into a grant contract with the local land bureau.

Where land use rights are granted by way of bidding, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bidding and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid and satisfaction on the terms and conditions. The successful bidder will then enter into a grant contract with the local land bureau.

Upon signing of the contract for the grant of land use rights, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local bureau for the issue of the land use right certificate. Upon expiration of the term of grant, the grantee may apply for its renewal. Upon approval by the relevant local land bureau, a new contract is entered into to renew the grant, and a grant premium shall be paid.

In order to control and facilitate the procedure of obtaining land use rights, several local governments have stipulated standard provisions in land grant contract. Such provisions usually include terms such as use of land, land premium and manner of payment, building restrictions, including site coverage, total gross floor area and height limitations, constructions of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premium and completion of prescribed development and liabilities for breach of contract. Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the added value of the new use. Registration procedures must then be carried out immediately.

Transfer

After land use rights relating to a particular area of land have been granted by the State, unless any restriction is imposed, the party to whom such land use rights are granted may transfer, lease or mortgage such land use rights for a term not exceeding the term which has been granted by the State. The difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, a rent is payable during the term of the lease. Land use rights cannot be transferred, leased

or mortgaged if the provisions of the grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas in the PRC have different conditions which must be fulfilled before the respective land use rights can be transferred, leased or mortgaged.

All transfers, mortgages and leases of land use rights must be evidenced by a written contract between the parties which must be registered with the relevant local land bureau at municipality or county level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the State are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under Article 37 of the PRC Law on Administration of Urban Real Property promulgated by the NPC on 5 July 1994 (“Real Property Law”), real property that has not been registered and a title certificate of which has not been obtained in accordance with the law may not be assigned. Under Article 38 of the Real Property Law, if land use rights are acquired by means of grant, the following conditions must have been met: (i) the premium for the grant of land use rights must have been paid in full in accordance with the grant contract and a land use rights certificate must have been obtained, (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract, (iii) more than 25% of the total amount of investment or development must have been made or completed and (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purposes have been confirmed.

Termination

A land use right terminates upon the expiration of the term of the grant specified in the land grant contract and the resumption of that right.

The State generally will not withdraw a land use right before the expiration of its term of grant and if it does so for special reasons (such as in the public interests), it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user.

Upon expiry, the land use right and ownership of the related buildings erected thereon and other attachment may be acquired by the State without compensation. The Land user will take steps to surrender the land use rights certificate and cancel the registration of the certificate in accordance with relevant regulations.

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

Document of title

In the PRC, there are two registers for real estate. Land registration is achieved by the issue of a land use rights certificate by the relevant organisation to the land user. It is an evidence that the land

user has obtained land use rights which can be assigned, mortgaged or leased. The building registration is the issue of a real estate certificate to the owner. It is an evidence that the owner has obtained building ownership rights in respect of the building erected on that piece of land. According to the Land Registration Regulations (the “Registration Regulations”) promulgated by the State Land Administration Bureau on 18 November 1989 and amended on 18 December 1995, and the Administration Rules on Registration on Urban Real Estate Property promulgated by the Ministry of Construction on 27 October 1997 and implemented on 1 January 1998 and amended on 15 August 2001, all land use rights and building ownership rights which are duly registered are protected by law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are maintained separately. However, in Shenzhen, Shanghai, Guangzhou and some other major cities, the two systems have been consolidated and a single composite real estate and land use rights certificate will be issued evidencing the ownerships of both land use rights and the building erected thereon.

Mortgage and guarantee

The grant of mortgages in the PRC is governed by the Security Law of the PRC (the “Security Law”) and by relevant laws regulating real estate. Under the Security Law, any mortgage agreement must be in writing and must contain specified provisions including (i) the type and amount of the indebtedness secured, (ii) the period of the obligation by the debtor, (iii) the name, quantity, and ownership of the land use rights of the mortgaged property, and (iv) the scope of the mortgage. For mortgages of urban real properties, buildings newly erected on a piece of land after a mortgage contract has been entered into will not be subject to the mortgage.

The validity of a mortgage depends on the validity of the mortgage contract, possession of the real estate certificate and/or land use rights certificate by the mortgagor and registration of the mortgage with appropriate authorities. If the loan in respect of which the mortgage was given is not duly repaid, the mortgagee may sell the property to settle the outstanding amount repayable by the mortgagor and return the balance of the proceeds from the sale or auction of the mortgaged property to the mortgagor. If the proceeds from the sale of such property is not sufficient to cover the outstanding amount, the mortgagee may bring an action or arbitration proceedings (where there is an agreement to arbitrate to recover the amount still outstanding) before a competent court or arbitration tribunal in the PRC.

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 guarantors bear the liability when the debtor is not able to perform the payment obligation; (ii) and 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.

Leasing

Both the Urban Land Regulations and the Real Property Law permit leasing of granted land use rights and properties constructed on them. However, leasing of allocated land use rights and of properties erected on allocated land is regulated by the Urban Land Regulations.

Leasing of urban real properties is also governed by the Measures for Administration of Leasing of Urban Buildings (the "Measures"), which was promulgated by the Ministry of Construction in accordance with the Real Property Law to strengthen administration of the leasing of urban buildings. Under the Measures, owners of buildings in the PRC are entitled to lease their buildings and landlord and tenants are required to enter into a written lease contract which must contain certain specified provisions. The contract has to be registered with the relevant real property administrative authority at municipality or county level within 30 days after its execution. Upon registration, a contract cannot be longer than the remainder of the term under the land grant contract. The tenant may, upon obtaining consent from the landlord, sublease the premises.

According to the Real Property Law, where the owner of a house built on state-owned land leases his/ her property for the purpose of profit making and that the land use rights were obtained through allocation, the proceeds derived from the land in the form of rent must be paid to the State.

Property development

Property development projects in the PRC are generally divided into single projects and large tract development projects. A single project refers to the construction of buildings on a plot of land and the subsequent sale of units. Large tract development projects consists of the comprehensive development of an area into a piece of land suitable for industrial, leveling of the 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.

The Urban Land Regulations provide that foreign entities may acquire land use rights in the PRC unless the law provides otherwise. However, in order to develop the land acquired, the foreign land developer must establish a foreign investment enterprise, in the form of an equity or cooperative joint venture or a wholly foreign owned enterprise.

Pursuant to the Foreign Investment Industrial Guidance Catalogue promulgated by MOFCOM and National Development and Reform Commission in November 2004, the development and construction of ordinary residential property is the industry in which foreign investment is encouraged, whereas the development of a whole land lot and the development and construction of high end hotels, villas, premium office buildings, international conference centers and large-scale

theme parks is the industry in which foreign investment is restricted, while other real estate development is permitted for foreign investment. However, for such restricted real estate development, the foreign invested developers are not restricted to joint ventures and a wholly foreign owned enterprise is also allowed to carry out such business.

When carrying out the feasibility study for a development project, the developer shall make a preliminary application for construction on the relevant site to the land authorities. The land authorities shall issue a preliminary approval in respect of the project site after taking into consideration of various aspects of the project in compliance with the overall zoning plans and national land supply policy, and enter into a land use right granting agreement with the developer followed by an Approval for Construction Site. Then the developer shall need to apply for a Construction Land Planning Permit from the municipal planning authority.

After obtaining a Construction Land Planning Permit, the developer shall have to submit to the municipal planning authority a detailed plan for the design of buildings and construction and apply for a Construction Project Planning Permit. After this permit is obtained, the developer may apply to the same planning authority for a Construction Commencement Permit to commence construction work.

A development project shall comply with the relevant laws and other legal regulations with respect to construction quality, safety and technical standards and guidance on survey, design and construction work. After completion of construction work, the developer shall organize an acceptance examination. A real property may only be delivered to the developer by the contractor and to the purchasers by the developer after passing the necessary acceptance examination and may not be delivered before the necessary acceptance examination is conducted and passing such examination.

Pre-sales

Pursuant to the Real Property Law and the Administrative Measures governing the Pre-sale of Urban Real Estate (the “Administrative Measures”) promulgated by the Ministry of Construction on 15 November 1994 and amended on 15 August 2001 and 20 July 2004, respectively, commodity residential units which have not been finished may be sold when certain conditions and/or requirements are satisfied.

When commodity residential units are pre-sold, the following requirements shall be met according to the Law and the Administrative Measures:

- (i) the land premium in respect of the land use rights shall be paid in full and the certificate of land use rights shall have been obtained;
- (ii) the construction works planning permit and the construction project building permit must have been obtained;

- (iii) funds contributed to development of the project shall amount to at least 25% of the total amount of the project investment and project progress and the date of completion of the project for use shall have been ascertained; and
- (iv) the pre-sale approval shall have been obtained.

Real estate loans

On 5 June 2003, the PBOC promulgated the Notice on Further Strengthening the Administration of Real Estate Loans. According to the notice, the commercial banks shall focus their business towards supporting real estate projects targeted at mid to lower-income households. The notice strictly prohibits banks from advancing working capital loans to real estate development. When applying for a real estate loan, the real estate developer's own capital in any proposed real estate project should not be less than 35% of the total investment of the project. The notice also prohibits loans advanced for the payment of grant fees of land use rights.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks issued by the China Banking Regulatory Commission, or the CBRC in September 2004 and the Notice of Further Strengthening the Administration of Loans to Real Estate Market issued by the CBRC on 22 July 2006, commercial banks may not provide any loan in any form for a project without the State-owned Land Use Right Certificate, Construction Land Planning Permit, Construction Project Planning Permit and Construction Commencement Permit. Any property developer applying for property development loans shall have at least 35% of capital required for the overall development.

Local legislation

While the Urban Land Regulations set out a general framework for transactions relating to land use rights, local legislation regulated specific transactions within specific areas relating to the grant and transfer of land use rights. These local regulations are numerous. Some of them are inconsistent with national legislation. The central authorities have taken the position that if there are inconsistencies the national legislation will prevail.

Recent regulations on residential property development

In May 2006, the State Council issued the Notice on Adjusting the Framework for Supply of Residential Property and Stabilizing of Property Prices 《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》, which further restricted the development of large-sized and luxury residential projects. The notice set out, among other things, provisions for:

- local governments to adopt by September 2006, plans which focus on developing low- to mid- priced and small- to medium-size properties to meet the demand for properties held for resident's own-use;
- residential units with unit floor area under 90 m² shall represent 70% of the total unit floor area of the residential development in a city or county if approval is obtained or project is constructed on or after 1 June 2006;

- a business tax to be levied on total sale value of residential property sold within five years of purchase, as well as, a business tax to be levied on any gains from the sale of properties which are not deemed to be ordinary residential properties, after five years of purchase by an individual;
- prohibition on commercial banks from providing loans to real estate developers whose minimum required capital contribution is below 35% of the total projected capital; and requires commercial banks to strictly control the extension of loans to those real estate developers holding substantial amount of idle land and vacant properties; and prohibition on commercial banks from accepting a property vacated for more than three years as a security for a mortgage loan;
- with effect from 1 June 2006, a minimum down payment of 30% of the total purchase price of a residential unit with unit floor area over 90 m². This applies to all existing units and unit yet to be completed. A down payment of 20% is required on residential units purchased for self use with unit floor area of 90 m² and below;
- prohibition on land provision for villas and a restriction on the land provision for development of low density and large size residential property;
- implementation of new regulations and strengthens the implementation of existing regulations in relation to idle land; and
- re-examination of design plans of those projects which have obtained planning permits but yet to commence construction.

Pursuant to the Notice in relation to Individual Profits Tax Imposed on Gain from Transfer of Residential Units 《國家稅務總局關於個人住房轉讓所得徵收個人所得稅有關問題的通知》 issued on, 18 July 2006 by the State Administration of Taxation which takes effect from 1 August 2006, it sets out definitions on property values for different types of residential property for computing taxable gains for individual profits tax on transfer of residential property and reasonable deductible costs with maximum cap on each such allowable costs. The Notice also provides that other taxes payable as a result of transfer of residential property including business tax, city maintenance and construction tax land added value tax, stamp duty can be deducted.

Pursuant to the Notice in relation to Tightening Control on Land Administration 《關於當前進一步從嚴土地管理的緊急通知》 issued on 30 May 2006, the Ministry of Land and Resources reminds all local governments shall not go over limits on their annual amount of land approved for development and shall not alternate designated land use without authorization. The Notice further requires all local governments to make annual land use plans in order to ensure adequate supply of small- to medium-sized ordinary commodity residential units and implement suspension of land supply for villa or similar development projects. In addition, the Ministry of Land and Resources also requires all local governments to conduct thorough investigations on illegal use of land including vacant land, land used for villa developments and submit investigation report by the end of October 2006.

On 6 July 2006, the Ministry of Construction issued the Notice on Implementing the Requirements for Proportion and Ratios on Structure of Newly Constructed Residential Units. This Notice stipulates that the residential units with unit floor area of less than 90 square meters, which are newly approved and constructed in cities or counties after 1 June 2006, shall represent over 70% of total unit floor area of the residential units. Local government shall have authority on determining the structure of the newly constructed residential units.

On 6 July 2006, the Ministry of Construction, the National Development and Reform Commission and the State Administration for Industry and Commerce jointly issued the Notice of Further Adjusting and Standardizing Procedures for Real Estate Property Transactions

Pursuant to this Notice, the real estate developer shall commence sales of property within 10 days of receipt of pre-sale permit for the project.

3. FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by the SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for, and supply of, foreign currencies and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center first had to obtain the approval of the SAFE.

On 28 December 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the People's Bank of China Concerning Further Reform of the Foreign Currency Control System (the "Notice"), effective from 1 January 1994. The Notice announces the abolition of the system of foreign exchange quotas, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On 26 March 1994, the PBOC promulgated the "Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange" (the "Provisional Regulations"). The Provisional Regulations set out detailed provisions regulating the sale and purchase of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On 29 January 1996, the State Council promulgated new Regulations of the People's Republic of China for the Control of Foreign Exchange ("Control of Foreign Exchange Regulations") which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classify all

international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations were subsequently amended on 14 January 1997. This latest amendment affirmatively states that the State shall not restrict international current account payments and transfers.

On 20 June 1996, the PBOC promulgated the “Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (the “Settlement Regulations”) which became effective on 1 July 1996. The Settlement Regulations supersede the Provisional Regulations and abolish the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC also published the Announcement on the Implementation of Foreign Exchange Settlement and Sale at Banks by Foreign-invested Enterprises” (the “Announcement”). The Announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange along with specialized accounts for capital account receipts and payments at designated foreign exchange banks.

On 25 October 1998, the PBOC and the SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprise shall come under the banking system for the settlement and sale of foreign exchange.

On 1 January 1994, the former dual exchange rate system for Renminbi has been abolished and replaced by a managed floating exchange rate system, which is determined by demand and supply. The PBOC sets and publishes daily the Renminbi-US dollar base exchange rate. This exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. The PBOC will also, with reference to exchange rates in the international foreign exchange market, announce the exchange rates of Renminbi against other major currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the exchange rate announced by the PBOC.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in China (except for some foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated foreign exchange banks, but may be deposited in foreign exchange accounts at the designated foreign exchange banks.

Chinese enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders may on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, liquidation of foreign invested enterprises and remittance of the assets to overseas, is still subject to restriction, and prior approval from SAFE and the relevant branch must be sought.

4. TAXATION

PRC Deed Tax

Under the Interim Regulations of the PRC on the Deed Tax which took effect on 1 October 1997, Deed Tax applies to units and individuals accepting transfer of the ownership of land and houses within the territory of the PRC.

The transfer of the ownership of land and houses refer to the following acts:

- (i) assignment of the right to use the State-owned land;
- (ii) transfer of the land use right, including sale, gift and exchange, excluding the transfer of the right to contract for the management of rural collective land;
- (iii) purchase and sale of houses;
- (iv) gift of houses; and
- (v) exchange of houses.

The rate of Deed Tax shall, within the range of 3-5% (6% as stipulated in the repealed Interim Regulations on the Deed Tax promulgated by the Administrative Council of the Central People's Government on 3 April 1950), be determined by the people's governments of provinces, autonomous regions or municipalities directly under the Central Government in light of the actual conditions of their respective areas and shall be reported to the Ministry of Finance and the State Administration of Taxation for the record.

The Deed Tax shall be reduced or exempted under one of the following circumstances, such reduction or exemption shall not be available if the land or house concerned and the change use is no longer within the scope as mentioned below:

- (i) for acceptance of land and houses by the State agencies, institutions, social organizations and military units for office, teaching, medical service, scientific research and military facilities, the tax shall be exempted;
- (ii) for initial purchase of publicly-owned residential houses by urban and township workers and staff members according to the provisions, the tax shall be exempted;
- (iii) for re-purchase of residential house due to destruction and loss of houses through force majeure, the tax shall, upon approval, be reduced or exempted according to the circumstances; and
- (iv) any other items of reduction or exemption provided for by the Ministry of Finance.

Income Tax

From 1 January 1994, income tax payable by PRC domestic enterprises, including State-owned enterprises and other kinds of companies, is governed by the PRC Enterprise Income Tax Provisional Regulations which took effect as from 1 January 1994, and which provides for an income tax rate of 33% unless a lower rate is provided by law, administrative regulations or State Council regulations.

Sino-foreign joint ventures enjoy certain tax benefits under the relevant laws and regulations in the PRC.

Business Tax

Under the Provisional Regulations on Business Tax of the PRC and its implementation rules which took effect on 1 January 1994, business tax is levied on all enterprises which provide “taxable services.” These include assignment of intangible assets and sale of immovable property in the PRC. The rates range from 3% to 20% depending on the type of services provided. The assignment of intangible assets and the sale of buildings and other attachments to the land attract a tax rate of 5% of the turnover of the enterprise. Enterprises are required to pay the tax to the relevant local tax authorities where the enterprises are located.

LAT

Under the Provisional Regulations of the PRC on Land Appreciation Tax which came into effect on 1 January 1994 and its implementation regulation, which was promulgated on 27 January 1995, land appreciation tax (the “LAT”) applies to both domestic and foreign investors, irrespective of

whether they are corporates or individuals. The tax is payable by a taxpayer on the balance of his income derived from the transfer of land use rights, buildings or premises, or related facilities on such land, buildings or premises after deducting the “allowable deductions” which include the following items:

- (i) payment made to acquire land use rights;
- (ii) costs and charges incurred in connection with land development;
- (iii) construction costs and charges in the case of newly constructed buildings and facilities or assessed value in the case of old buildings and structures;
- (iv) taxes in connection with the transfer of real estate; and
- (v) other items stipulated by the Ministry of Finance.

The tax rate is progressive and ranges from 30% to 60% of the appreciation value (i.e., the aforesaid balance), depending on the appreciation value as compared with the “allowable deductions.”

The appreciation value	LAT rates (%)
For the portion:	
not exceeding 50% of allowable deductions	30
over 50% but not more than 100% of allowable deductions	40
over 100% but not more than 200% of allowable deductions	50
over 200% of allowable deductions	60

Developers who construct common standard residential property for sale are exempted from this tax where the appreciation value derived from the sale of the property does not exceed 20% of the “allowable deductions.”

According to the Notice (Cai Fa Zi [1995] No. 007) issued by the PRC Ministry of Finance of 27 January 1995, developers are exempted from the payment of LAT on the first transfer of land and buildings made during the 5 years commencing on 1 January 1994; where:

- (i) real estate development contracts were executed before 1 January 1994 or where the development projects were approved before 1 January 1994; and
- (ii) the capital expenditure for the development projects has been undertaken in compliance with the relevant regulations.

With regard to certain large tract and long term real estate development projects approved by local governments, the relevant developers may also apply to the local departments in charge of finance and taxation as well as the Ministry of Finance and the State Taxation Bureau for an extension of the exemption for first transfers after the aforementioned five year period.

According to the “Notice of State Taxation Bureau Concerning strengthening the Levying and Administration of Land Appreciation Tax” (Quo Shui Han [2002] No. 615), the above mentioned tax preferential policy of exemption has expired. Thus, normal tax laws and regulations shall apply to developers.

In March 2006, the Ministry of Finance and the State Taxation issued the “Circular of the Ministry of Finance and the State Administration of Taxation on Land Appreciation Tax” (關於土地增值稅若干問題的通知). According to the said circular, as to any real estate project that has been completed and gone through the acceptance as well, where the floor area of the real estate as transferred makes up 85% or more in the salable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred real estate according to the matching principles regarding the proportion between the income as generated from the transfer of real estate and the amount under the item of deduction. As to any investment or association by using land (real estate) as payment for the purchase of shares, where an enterprise involved in the investment or association engages in the real estate development or where any other real estate development enterprise makes investment or conducts association with the commercial houses it itself builds, LAT shall not be exempted.

The State Administration of Taxation promulgated the Notice of Several Issues relating to Administration of Clearance of Land-Added Value Tax of Real Property Development Enterprises (Guo Shui Fa (2006) No.187)(“LAT Clearance Notice”), which became effective on 1 February 2007. According to the LAT Clearance Notice, any real property developer shall conduct LAT clearance for each of its real property development projects. LAT clearance means that the real property developer shall pay up all the LAT due up to the date of clearance in respect of the relevant real property development project. If the real property development project is complete and sold, or the whole uncompleted real property project is sold or the land use right is sold, the real property developer shall need to clear its LAT relating to the said real property project. However, in the case of completed real property project which has been accepted by the developer, if the sold gross floor area is more than 85% gross floor area which has been approved for sale, or if the percentage is less than 85%, but the residual gross floor area has been leased or used by the developer, or there is still gross floor area to be sold after three years after obtaining the sale (or presale) permit, the tax authorities may require the real property developer to clear the LAT in relation to the said real property project. The real property developer shall conduct the LAT clearance within 90 days after the clearance requirements mentioned above are met or within the time limit set by the tax authorities if it has been required by the tax authorities to clear its LAT.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS**(i) Directors' interests and short position**

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

The Company**(a) Interests in shares**

Name of the Director	Capacity/ nature of interest	Number of Shares held		Percentage of holdings (%)*
		Long position	Short position	
Zen Wei Pao, William	Personal	5,500,000 (note 2)	—	0.74
Ko Yuk Bing	Personal	580,000 (note 1)	—	0.08
		3,300,000 (note 2)	—	0.44
Chan Kam Hung	Personal	3,600,000 (note 2)	—	0.48
Fong Shiu Leung, Keter	Personal	792,000 (note 1)	—	0.11
		2,400,000 (note 2)	—	0.32

Name of the Director	Capacity/ nature of interest	Number of Shares held		Percentage of holdings (%)*
		Long position	Short position	
Zen Wei Peu, Derek	Personal	5,286,000 (note 1)	—	0.71
		1,300,000 (note 2)	—	0.17
Hu Aimin	Personal	250,000 (note 2)	—	0.03
Zhang Yijun	Personal	250,000 (note 2)	—	0.03
Chan Hing Chiu, Vincent	Personal	750,000 (note 2)	—	0.10
Chow Shiu Kee, Stephen	Personal	185,000 (note 1)	—	0.02
		800,000 (note 2)	—	0.11
Lau Sai Yung	Personal	500,000 (note 2)	—	0.07

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Long position in the underlying shares of the Company pursuant to unlisted equity derivatives (including physically settled, cash settled and other equity derivatives). Share options granted to the RKI Directors are included in this category, the particulars of which are set out in (b) below.

* As at the Latest Practicable Date, the issued share capital of the Company was 744,665,566 Shares.

(b) *Interest in underlying shares through equity derivatives*

Name of the Director	Number of share options				Total
	Tranche 1	Tranche 2	Tranche 3	Tranche 4	
Zen Wei Pao, William	—	500,000	2,500,000	2,500,000	5,500,000
Ko Yuk Bing	—	—	1,000,000	2,300,000	3,300,000
Chan Kam Hung	—	—	1,800,000	1,800,000	3,600,000
Fong Shiu Leung, Keter	—	—	1,000,000	1,400,000	2,400,000
Zen Wei Peu, Derek	—	—	—	1,300,000	1,300,000
Hu Aimin	—	—	—	250,000	250,000
Zhang Yijun	—	—	—	250,000	250,000
Chan Hing Chiu, Vincent	—	250,000	250,000	250,000	750,000
Chow Shiu Kee, Stephen	50,000	250,000	250,000	250,000	800,000
Lau Sai Yung	—	—	250,000	250,000	500,000

Notes:

Tranche 1: The share options under this issue were granted on 17 October 2003 with an exercisable period from 17 October 2003 to 16 October 2008 and an exercise price of HK\$5.15.

Tranche 2: The share options under this issue were granted on 26 August 2004 with an exercise period from 26 August 2004 to 25 August 2009 and an exercise price of HK\$5.70.

Tranche 3: The share options under this issue were granted on 14 December 2005 with an exercisable period from 14 December 2005 to 13 December 2010 and an exercise price of HK\$5.80.

Tranche 4: The share options under this issue were granted on 20 December 2006 with an exercisable period from 20 December 2006 to 19 December 2011 and an exercise price of HK\$11.66.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

(ii) **Substantial Shareholders' interests**

As at the Latest Practicable Date, so far as is known to any Directors, the following persons (other than a Director) had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Number of Shares held Capacity/ nature of interest	Long position (note 1)	Short position	Percentage of holding (%)*
Wai Kee Holdings Limited (note 2)	Corporate	281,542,428	—	37.81
Wai Kee (Zens) Holding Limited (note 3)	Corporate	281,542,428	—	37.81
Groove Trading Limited (note 4)	Personal/ Beneficiary	66,000,000	—	8.86
Wai Kee China Investments (BVI) Company Limited (note 4)	Corporate	211,925,428	—	28.46
Wai Kee China Investments Company Limited (note 5)	Corporate	211,925,428	—	28.46
ZWP Investments Limited (note 6)	Personal/ Beneficiary	211,925,428	—	28.46
Shenzhen Investment Limited (note 7)	Corporate	175,776,142	—	23.60
Hover Limited (note 8)	Personal/ Beneficiary	175,776,142	—	23.60
Cheah Cheng Hye (note 9)	Corporate	59,744,852	—	8.02
Value Partners Limited	Investment Manager	59,744,852	—	8.02

Notes:

1. Long position in the Shares (other than pursuant to equity derivatives such as share options, warrants to subscribe or convertible bonds).
2. Wai Kee Holdings Limited is deemed to be interested in the Shares through its interests in (i) its wholly-owned subsidiaries, namely Wai Kee (Zens) Holding Limited, Groove Trading Limited, Wai Kee China Investments (BVI) Company Limited, Wai Kee China Investments Company Limited, ZWP Investments Limited and Top Horizon Holdings Limited respectively; and (ii) its subsidiaries, namely Build King Holdings Limited, Top Tactic Holdings Limited, Amazing Reward Group Limited, Absolute Achieve Holdings Limited and Smart Start Investments Limited, which beneficially held 3,617,000 Shares, respectively.

3. Wai Kee (Zens) Holding Limited is a direct wholly-owned subsidiary of Wai Kee Holdings Limited.
4. Groove Trading Limited and Wai Kee China Investments (BVI) Company Limited are direct wholly-owned subsidiaries of Wai Kee (Zens) Holding Limited.
5. Wai Kee China Investments Company Limited is a direct wholly-owned subsidiary of Wai Kee China Investments (BVI) Company Limited.
6. ZWP Investments Limited is a direct wholly-owned subsidiary of Wai Kee China Investments Company Limited.
7. Shenzhen Investment Limited is deemed to be interested in the Shares through its interests in its wholly-owned subsidiary, namely Hover Limited.
8. Hover Limited is a direct wholly-owned subsidiary of Shenzhen Investment Limited.
9. Cheah Cheng Hye is deemed to be interested in the Shares through his 35.65% interest in Value Partners Limited.
- * As at the Latest Practicable Date, the issued share capital of the Company was 744,665,566 Shares.

Save as disclosed above, the Directors were not aware that there was any person (other than a Director) who, as at the Latest Practicable Date, had an interest or a short position in the shares and underlying Shares of the Company of the Group which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or in any options, in respect of such capital.

(iii) **Other**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of the Director	Name of company which had such discloseable interest or short position	Position within such company
Zen Wei Pao, William	Wai Kee Holdings Limited	Director
	Wai Kee (Zens) Holding Limited	Director
	Groove Trading Limited	Director
	Wai Kee China Investments (BVI) Company Limited	Director
	Wai Kee China Investments Company Limited	Director
	ZWP Investments Limited	Director
	Top Horizon Holdings Limited	Director
	Wai Kee Holdings Limited	Director
Zen Wei Peu, Derek	Wai Kee (Zens) Holding Limited	Director
	Groove Trading Limited	Director
	Wai Kee China Investments (BVI) Company Limited	Director
	Wai Kee China Investments Company Limited	Director
	ZWP Investments Limited	Director
	Top Horizon Holdings Limited	Director
	Build King Holdings Limited	Director
	Top Tactic Holdings Limited	Director
Hu Aimin	Absolute Achieve Holdings Limited	Director
	Smart Start Investments Limited	Director
	Shenzhen Investment Limited	Director
Zhang Yijun	Hover Limited	Director
	Shenzhen Investment Limited	Director
	Hover Limited	Director

3. INTERESTS OF THE DIRECTORS**(i) Competing interests**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and their respective associates had any interests in a business, which competes or may compete with the business of the Company and its subsidiaries:

Name of the Director	Name of entity whose business is considered to compete or likely to compete with the businesses of the Company	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Company	Nature of interest of the Director in the entity
Hu Aimin	Shenzhen Investment Limited and its subsidiaries	Property development and infrastructure investment	Director
Zhang Yijun	Shenzhen Investment Limited and its subsidiaries	Property development and infrastructure investment	Director

(ii) Other interests

As at the Latest Practicable Date,

1. Save for disclosed in this circular, none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2006, being the date of the latest published audited accounts of the Group, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and
2. None of the Directors was materially interested in any contract or arrangement entered into any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group taken as a whole.

4. DIRECTORS' SERVICE CONTRACTS

Each of Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek entered into a service agreement with the Company for a term of three years commencing from 1 May 2006. For the financial year ended 31 December 2006, each of Mr. Zen Wei Pao, William and Mr. Zen Wei Peu, Derek received a total director's emolument of approximately HK\$7.7 million and HK\$3.3 million, respectively.

Each of Mr. Ko Yuk Bing and Mr. Chan Kam Hung entered into service agreements with the Group for a term of three years commencing from 1 May 2005. For the financial year ended 31 December 2006, each of Mr. Ko and Mr. Chan received a total director's emolument of approximately HK\$15 million and HK\$8 million, respectively.

Mr. Fong Shiu Leung, Keter entered into service agreements with the Group for a term of three years commencing from 1 June 2005. For the financial year ended 31 December 2006, Mr. Fong received a total director's emolument of approximately HK\$5.8 million.

The term of the abovementioned service contracts can be terminated by either the Company or the relevant Directors by giving 6-months written notice.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into or proposes to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. LITIGATION

As at the Latest Practicable Date, members of the Enlarged Group were parties to the following litigations involving amounts of RMB500,000 or above and a brief description of which is set out below:

I. Regarding members of the Group operating the toll road business:

- (a) a claim instigated by the Group which is pending against a governmental and a corporate defendant in respect of overdue compensation on damages inflicted and upheld by courts in a closed litigation and which amounted to approximately RMB103,054,000 plus litigation fees; and
- (b) an arbitration instigated by the Group which is pending against a corporate defendant in respect of disputes over a joint venture agreement and which pleads for the cooperation of the defendant for the recovery of assets, initiation of litigations and settlements against an incident of tort.

II. Regarding members of the Group operating the property development business:

- (a) a claim instigated by a construction contractor which is pending against a subsidiary of the Group (together with Suzhou Industrial Park Sunco) in respect of construction matters and which in aggregate amounted to approximately RMB81,036,000;
- (b) a claim instigated by a equipment contractor which is pending against a subsidiary of the Group in respect of overdue payments and which in aggregate amounted to approximately RMB1,793,000; and
- (c) a claim instigated by individual plaintiffs against a subsidiary of the Group in respect of road accidents and which in aggregate amounted to approximately RMB550,000.

III. Regarding members of the Sunco A Group and the New Project Companies:

- (a) five miscellaneous claims instigated by construction design consultants or contractors which are pending against Henan Sunco, Wuhan Sunco, Beijing Sunco 1, Hebei Sunco and Suzhou Industrial Park Sunco (together with a subsidiary of the Group, aforementioned) in respect of design and construction matters and which in aggregate amounted to approximately RMB86,291,000 (including the amount aforementioned in item II(a));
- (b) two miscellaneous claims instigated by individual plaintiffs which is pending against Tianjin Sunco 2 in respect of disputes over sale and pre-sale contracts and which in aggregate amounted to approximately RMB1,781,000; and
- (c) a claim instigated by a corporate plaintiff which is pending against Hebei Sunco in respect of an incident of tort and which amounted to approximately RMB150,000,000.

Save as disclosed above, none of the members of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the members of the Enlarged Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of Road King) have been entered into by members of the Group within two years immediately preceding the date of this circular which are or may be material:

1. the Framework Agreement dated 5 September 2006 between Mr. Sun, Sunco China, Elite Rich and RK Properties in respect of the granting by Mr. Sun and Sunco China, in consideration of HK\$1.00, of an option to subscribe for 55% interest in the enlarged issued share capital of Sunco A, an option to subscribe for 55% interest in the enlarged issued share capital of Sunco B and an option to require Sunco Parties to procure the sale to RK Properties certain development rights in respect of a site in Suzhou Industrial Park, Suzhou, the PRC;
2. the entrustment loan agreement dated 21 July 2006 entered into between 雋御管理顧問(廣州)有限公司, a wholly-owned subsidiary of RK Properties (as lender), 順馳置地(北京)房地產開發有限公司 (as borrower), and The Bank of East Asia Limited, Guangzhou Branch in relation to Loan 1 (in a principal amount of RMB270 million);
3. the Deed of Indemnity dated 5 September 2006 between Mr. Sun, Sunco A, Sunco B, Sunco China in favour of Road King and Wai Kee in connection with Road King and Wai Kee agreeing separately to provide cash security of HK\$272,727,000 and HK\$27,273,000 respectively to the lender bank for the purpose of Loan 2;
4. the entrustment loan agreement dated 17 October 2006 entered into among 雋御管理顧問(廣州)有限公司 (as lender), The Bank of East Asia Limited, Guangzhou Branch and Sunco A WFOE (as borrower) in relation to Loan 3A (being a loan advance of RMB100 million);

5. the loan agreement dated 17 October 2006 entered into between RKI (BJ) (as lender) and Sunco A (as borrower) in relation to Loan 3B in which RKI (BJ) advanced a loan of RMB172,730,000 in HK\$ equivalent;
6. the loan agreement dated 28 November 2006 entered into between RKI (BJ) (as lender) and Sunco B (as borrower) in relation to Loan 4 in which RKI (BJ) advanced a loan of RMB363,636,364 in HK\$ equivalent;
7. the Sunco A Subscription Agreement dated 17 October 2006 (as supplemented by the Supplemental Agreements (Sunco A Subscription)) entered into between the Subscribers, Sunco A, Mr. Sun, Sunco China and Sunco Management in relation, among other things, to the subscription by the Subscribers of 55% of the enlarged issued share capital of Sunco A for an aggregate consideration of RMB500,000,050 and was completed on 11 January 2007;
8. the Suzhou Sunco Acquisition Agreement dated 1 November 2006 (as supplemented by the Supplemental Agreement (Suzhou Sunco Acquisiton) entered into between 天津順馳地產有限公司 (“Vendor A”), 天津順馳建設有限公司 (“Vendor B”), 天津順馳發展有限公司 (“Vendor C”), Suzhou Sunco and 常州宏曦管理顧問有限公司 (“Changzhou Hongxi”)) in relation, among other things, to the acquisition by Changzhou Hongxi of the entire registered capital of Suzhou Sunco from the Vendors at a consideration of RMB49.3 million and the shareholder’s loan of approximately RMB320.7 million due to Vendor A;
9. the placing, underwriting and subscription agreement dated 9 November 2006 entered into among Wai Kee, Mr. Ko Yuk Bing (“Mr. Ko”), UBS AG (“UBS”) and Road King, pursuant to which , Wai Kee and Mr. Ko agreed to place an aggregate 63,500,000 existing Shares to not less then six independent investors at a placing price of HK\$10.96 per Share and Wai Kee conditionally agreed to subscribe 60,000,000 top-up subscription Shares at the subscription price of HK\$10.96 per Share;
10. the subscription agreement dated 9 November 2006 entered into among Shenzhen Investment Limited (“SIL”), UBS and Road King, pursuant to which SIL agreed conditionally to subscribe for 20,000,000 new Shares at HK\$10.96 per Share;
11. the Sunco A Purchase Option Agreement dated 23 January 2007 between RKI (BJ) and Sunco China, Sunco Management and Mr. Sun as guarantor in relation to the option granted by Sunco China and Sunco Management, for a consideration of HK\$1.00, pursuant to which RKI (BJ) may require Sunco China and Sunco Management to sell to RKI (BJ) (or such other persons as it may designate) a total of 3,184 existing Sunco A Shares;
12. the Sunco A Subscription Option Agreement dated 23 January 2007 entered into between RKI (BJ) and Sunco A in relation to the grant of an option by Sunco A, whereby, for a consideration of HK\$1.00, Sunco A granted RKI (BJ) the right to require Sunco A to issue to RKI (BJ) (or such other persons as it may designate) 10,000 new Sunco A Shares;
13. the loan agreement dated 23 January 2007 entered into between RKI (BJ) (as lender) and Sunco A (as borrower) in relation to Loan 5 (in which RKI(BJ) advanced a loan of HK\$400 million to Sunco A);

14. the agreement dated 24 January 2007 entered into between Sunco A and RKI (BJ) in relation to Loan 6, pursuant to which Sunco A granted RKI (BJ) a first right of refusal to provide Sunco A with one or more further loan(s) and the loan agreement dated 7 May 2007 entered into between RKI (BJ) (as lender) and Sunco A (as borrower) in relation to Loan 6 pursuant to which RKI (BJ) advanced a loan of HK\$600 million to Sunco A;
15. the placing agreement dated 22 February 2007 entered into between Road King and J.P. Morgan Securities (Asia Pacific) Limited (“JPM”), pursuant to which Road King agreed to place, through JPM, an aggregate 45,000,000 new Shares to not less than six independent investors at a placing price of HK\$12.20 per Share;
16. the Elite Rich Agreement and the Elite Rich Supplemental Agreement;
17. the Zhang Participation Agreement; and
18. the loan agreement dated 26 May 2007 entered into between RKI (BJ) (as lender) and Sunco A (as borrower) in relation to Loan 7 pursuant to which RKI (BJ) agreed to provide Sunco A a loan facility of up to HK\$800 million.

7. QUALIFICATIONS AND INTERESTS OF EXPERTS

The following are the qualifications of the experts who have given opinion or, advice contained in this circular:

Name	Qualification
CIMB-GK	A corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)
Deloitte Touche Tohmatsu	Certified Public Accountants
RHL Appraisal Limited	Property valuer
Global Law Office	Legal advisers on PRC laws

As at the Latest Practicable Date, none of CIMB-GK, Deloitte Touche Tohmatsu, RHL Appraisal Limited and Global Law Office was beneficially interested in the share capital of any member of the Group nor had it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. CONSENTS

CIMB-GK, Deloitte Touche Tohmatsu, RHL Appraisal Limited and Global Law Office have given and have not withdrawn their written consents as to the issue of this circular with the inclusion herein of their respective opinions or letters and/ or reference to their names, opinions or letters in the form and context in which they respectively appear.

9. PROCEDURES FOR DEMANDING A POLL

Pursuant to bye-law 66 of the bye-laws of the Company, a resolution put to the vote at the general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand of a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or by proxy or in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or by proxy or in the case of a Shareholder being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or by proxy or in the case of a Shareholder being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy shall be deemed to be the same as a demand by a Shareholder.

10. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company is Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (c) The branch share registrar of the Company in Hong Kong is Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The secretary and the qualified accountant of the Company is Mr. Fong Shiu Leung, Keter, a certified practising accountant in Australia and also a fellow member of The Hong Kong Institute of Certified Public Accountants.
- (e) The auditors of the Company are Deloitte Touche Tohmatsu of 35th Floor, One Pacific Place, 88 Queensway, Hong Kong.
- (f) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong during normal business hours from the date of this circular up to and including Monday, 16 July 2007:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the annual reports of the Group for the two financial years ended 31 December 2005 and 2006;
- (c) the letter of advice issued by CIMB-GK;
- (d) the accountants' report of Sunco A and its subsidiaries prepared by Deloitte Touche Tohmatsu as set out in Appendix II to this circular;
- (e) the accountants' report of the New Project Companies and its subsidiaries prepared by Deloitte Touche Tohmatsu as set out in Appendix III to this circular;
- (f) the accountants' report of Shanghai Fangcheng prepared by Deloitte Touche Tohmatsu as set out in Appendix IV to this circular;
- (g) the report issued by Deloitte Touche Tohmatsu in connection with the unaudited pro forma combined balance sheet, unaudited pro forma combined income statement and the unaudited pro forma combined cashflow statement of the Enlarged Group as set out in Appendix V to this circular and the related accountants' report on unaudited pro forma financial information;
- (h) the reports issued by the RHL Appraisal Limited in connection with the property interests held by the Group, the Sunco A Group, the New Project Companies and Shanghai Fangcheng, respectively;
- (i) copies of the service contracts referred to in the paragraph headed "4. Directors' service contracts" in this appendix,
- (j) copies of material contracts of the Group referred to in the paragraph headed "6. Material contracts" in this appendix;
- (k) the written consents from CIMB-GK, Deloitte Touche Tohmatsu, RHL Appraisal Limited and Global Law Office referred to in the paragraph headed "8. Consents" in this appendix;
- (l) the circular of the Company dated 15 February 2007 in relation to the granting of Loan 5 to Sunco A;
- (m) the circular of the Company dated 16 April 2007 in relation to the granting of Loan 6 to Sunco A; and
- (n) this circular.

NOTICE OF SPECIAL GENERAL MEETING



ROAD KING INFRASTRUCTURE LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1098)

NOTICE IS HEREBY GIVEN that the special general meeting of Road King Infrastructure Limited (the “**Company**”) will be held at Suite 501, 5th Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Monday, 16 July 2007 at 10:30 a.m. for the purpose of considering, and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “THAT

- (i) the exercise by RK Investment (Beijing) Limited (“**RKI (BJ)**”), a wholly-owned subsidiary of the Company, of the options granted under:-
 - (a) the agreement (the “**Sunco A Purchase Option Agreement**”) dated 23 January 2007 entered into amongst RKI (BJ), Sunco China Holdings Limited (“**Sunco China**”), Sunco Management Holdings Limited (“**Sunco Management**”) and Mr. Sun Hongbin (“**Mr. Sun**”), whereby Sunco China and Sunco Management had granted an option (the “**Sunco A Purchase Option**”) to RKI (BJ) for RKI (BJ) to require Sunco China and Sunco Management to sell to RKI (BJ) (or such persons as it may designate) a total of 3,184 shares in the capital of Sunco Property Holdings Limited (formerly known as Sunco Binhai Land Limited) (“**Sunco A**”, and shares of US\$0.01 each in the capital of Sunco A, the “**Sunco A Shares**”);
 - (b) the agreement (the “**Sunco A Subscription Option Agreement**”) dated 23 January 2007 entered into between RKI (BJ) and Sunco A, whereby Sunco A had granted an option (the “**Sunco A Subscription Option**”) to RKI (BJ) for RKI (BJ) to require Sunco A to issue 10,000 new Sunco A Shares to RKI (BJ) (or such other persons as it may designate); and
 - (c) the agreement dated 17 October 2006 (as amended by two supplemental agreements dated 1 December 2006 and 23 January 2007) entered into amongst RKI (BJ), Elite Rich Investment Limited (“**Elite Rich**”), a wholly-owned subsidiary of Wai Kee Holdings Limited (“**Wai Kee**”), and Mr. Zhang Huaqiao (“**Mr. Zhang**”) as subscribers, Sunco A and Mr. Sun, Sunco China and Sunco Management as guarantors, whereby Sunco A granted to RKI (BJ), Elite Rich and Mr. Zhang an option (the

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“**Adjustment Option**”) (a copy of each which marked “A”, “B” and “C” respectively having been produced before the meeting and signed by the chairman of the meeting for the purpose of identification) to subscribe for 4,455 and 455 and 90 new Sunco A Shares respectively,

be and is hereby approved;

- (ii) the transactions contemplated under the agreement (the “**Zhang Participation Agreement**”) dated 26 May 2007 entered into between RKI (BJ) and Mr. Zhang (a copy of which having been produced before the meeting and signed by the chairman of the meeting for the purpose of identification), pursuant to which RKI (BJ) shall, if and when it exercises the Sunco A Subscription Option, direct Sunco A to issue 60 new Sunco A Shares at HK\$100,000 per Sunco A Share to Mr. Zhang instead of RKI (BJ), be and are hereby approved; and
- (iii) the board of directors (the “**Board**”) be and is hereby authorized to do all such things and take all other steps which, in the opinion of the Board, may be necessary or desirable in connection with the exercise of the Sunco A Purchase Option, Sunco A Subscription Option and Adjustment Option and the completion of the acquisitions of further Sunco A Shares pursuant to such exercise and the implementation of the Zhang Participation Agreement.”

2. ”THAT

- (i) the transactions contemplated under the agreement (the “**Elite Rich Agreement**”) dated 23 January 2007 between RKI (BJ) and Elite Rich as amended by the supplemental agreement (the “**Elite Rich Supplemental Agreement**”) dated 26 May 2007 entered into between RKI (BJ) and Elite Rich (a copy of which having been produced before the meeting and signed by the chairman of the meeting for the purpose of identification) pursuant to which, if and when RKI (BJ) exercises the Sunco A Purchase Option:-
 - (a) Elite Rich (in consideration of HK\$1.00) agreed on receipt of a notice in writing from RKI (BJ) to assign at face value its portion of loan advances (together with all accrued and unpaid interest) (the “**Assignment Price**”) under the loan (“**Loan 4**”) advanced by Elite Rich to Sunco Real Estate Investment Limited (“**Sunco B**”) pursuant to the loan agreement dated 28 November 2006 between Elite Rich and Sunco B in the sum of RMB36,363,636 in HK\$ equivalent and to release the related securities and guarantees as RKI (BJ) may direct; and
 - (b) RKI (BJ) shall direct Sunco China and Sunco Management to transfer a total of 364 existing Sunco A Shares to Elite Rich under the Sunco A Purchase Option Agreement for the purpose of satisfying RMB36,363,636 of the Assignment Price, and RKI (BJ) shall pay the balance of the Assignment Price to Elite Rich in cash,

be and are hereby approved; and

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- (ii) the Board be and is hereby authorized to do all such things and take all other steps which, in the opinion of the Board, may be necessary or desirable in connection with the Elite Rich Agreement and the Elite Rich Supplemental Agreement.”

By Order of the Board
Fong Shiu Leung, Keter
Company Secretary

Hong Kong, 30 June 2007

Notes:

1. Any member of the Company entitled to attend and vote at the meeting of the Company by the above notice shall be entitled to appoint another person as his/her proxy to attend and vote instead of such member. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the office of Secretaries Limited, the Company's branch share registrar in Hong Kong at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong or by way of notice to or in any document accompanying the notice convening the meeting not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share, anyone of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
6. The votes to be taken at the meeting of the Company by the above notice will be taken by poll. As at the date of this notice, the Board comprises Mr. Zen Wei Pao, William, Mr. Ko Yuk Bing, Mr. Chan Kam Hung, Mr. Fong Shiu Leung, Keter and Mr. Zen Wei Peu, Derek as Executive Directors, Mr. Hu Aimin and Mr. Zhang Yijun as Non-executive Directors and Mr. Chan Hing Chiu, Vincent, Mr. Chow Shiu Kee, Stephen and Mr. Lau Sai Yung as Independent Non-executive Directors.