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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Shanghai Zendai Property Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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### SHANGHAI ZENDAI PROPERTY LIMITED

上海証大房地產有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 755)**

### VERY SUBSTANTIAL DISPOSAL

*Financial adviser to the Company*



高銀融資有限公司  
GOLDIN FINANCIAL LIMITED

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A notice convening a special general meeting of the Company to be held at Unit A, 29/F., Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 14 March 2012 at 9:30 a.m. is set out on pages 76 and 77 of this circular. A form of proxy for use at the special general meeting is enclosed.

Whether or not you intend to attend and vote at the special general meeting, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 26, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the special general meeting or any adjournment 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 adjournment thereof should you so wish.

\* for identification purpose only

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## CONTENTS

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|                                                                                              | <i>Page</i> |
|----------------------------------------------------------------------------------------------|-------------|
| <b>Definitions</b> .....                                                                     | 1           |
| <b>Letter from the Board</b> .....                                                           | 7           |
| <b>Appendix I – Financial information of Shanghai Zendai Wudaokou Group</b> .....            | 37          |
| <b>Appendix II – Financial information of the Group</b> .....                                | 50          |
| <b>Appendix III – Unaudited pro forma financial information on the Remaining Group</b> ..... | 52          |
| <b>Appendix IV – Property valuation report</b> .....                                         | 65          |
| <b>Appendix V – General information</b> .....                                                | 70          |
| <b>Notice of SGM</b> .....                                                                   | 76          |

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## DEFINITIONS

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

|                                |                                                                                                                                                                                                                                          |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Agreement”                    | the agreement dated 29 December 2011 entered into among Shanghai Zendai Land, Greentown Jiahe and the Purchaser in relation to the Disposals (as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement) |
| “Announcement”                 | the announcement of the Company dated 5 January 2012 in relation to the Agreement, the Panshi Share Transfer Agreement and the transactions contemplated thereunder                                                                      |
| “Board”                        | the board of Directors                                                                                                                                                                                                                   |
| “Business Day(s)”              | a day on which licensed banks in the PRC are open for business                                                                                                                                                                           |
| “Company”                      | Shanghai Zendai Property Limited, an exempt company incorporated in Bermuda, the issued shares of which are listed on the Stock Exchange                                                                                                 |
| “Completion”                   | completion of the Agreement                                                                                                                                                                                                              |
| “connected persons”            | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                                   |
| “Consideration”                | collectively the Zendai Consideration and the Greentown Consideration                                                                                                                                                                    |
| “Director(s)”                  | the director(s) of the Company                                                                                                                                                                                                           |
| “Disposals”                    | collectively the Zendai Disposal and the Greentown Disposal                                                                                                                                                                              |
| “First Supplemental Agreement” | the first supplemental agreement dated 9 January 2012 entered into among Shanghai Zendai Land, Greentown Jiahe and the Purchaser to amend the conditions precedent to the Agreement                                                      |
| “Fosun”                        | Fosun International Limited (復星國際有限公司), a company incorporated under the laws of Hong Kong and the issued shares of which are listed on the main board of the Stock Exchange                                                             |

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## DEFINITIONS

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| “Greentown Consideration”      | the total consideration payable by the Purchaser to Greentown Jiahe for the purchase of the Greentown Sale Interest and the Greentown Shareholder’s Loan pursuant to the Agreement                                                                                               |
| “Greentown Disposal”           | the disposal of the Greentown Sale Interest and the Greentown Shareholder’s Loan by Greentown Jiahe to the Purchaser pursuant to the Agreement                                                                                                                                   |
| “Greentown Hesheng”            | 杭州綠城合升投資有限公司 (Hangzhou Greentown Hesheng Investment Company Limited)*, formerly known as 杭州綠城置業投資有限公司 (Hangzhou Greentown Real Estate Investment Co., Ltd.)*, a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of Greentown Jiahe |
| “Greentown Holdings”           | Greentown China Holdings Limited (綠城中國控股有限公司)*, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange                                                                                      |
| “Greentown Jiahe”              | 浙江嘉和實業有限公司 (Zhejiang Jiahe Industrial Co., Ltd.)*, a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of Greentown Holdings                                                                                                         |
| “Greentown Sale Interest”      | the entire equity interest in Greentown Hesheng                                                                                                                                                                                                                                  |
| “Greentown Shareholder’s Loan” | the shareholder’s loan payable to Greentown Jiahe by Greentown Hesheng as at Completion                                                                                                                                                                                          |
| “Group”                        | the Company and its subsidiaries                                                                                                                                                                                                                                                 |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the PRC                                                                                                                                                                                                                           |
| “Independent Third Party(ies)” | third party(ies) independent of the Company and its connected persons                                                                                                                                                                                                            |

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## DEFINITIONS

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|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Land Parcel”                     | a parcel of land located in 黃浦區小東門街道 574、578 地塊 (Lots 574 and 578 of Xiaodongmen Jiedao, Huangpu district, Shanghai, the PRC) with site areas of approximately 45,471.9 square metres, which is designated for integrated office, financial, commercial and cultural uses                             |
| “Latest Practicable Date”         | 27 February 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular                                                                                                                                        |
| “Listing Rules”                   | the Rules Governing the Listing of Securities on the Stock Exchange                                                                                                                                                                                                                                   |
| “New China Trust”                 | 新華信託股份有限公司 (New China Trust Co., Ltd.)*, a company established in the PRC with limited liability                                                                                                                                                                                                      |
| “New China Trust Arrangement”     | the trust arrangement which was established pursuant to a cooperation agreement dated 8 October 2010 and entered into among New China Trust, Shanghai Haizhimen, Shanghai Zendai Land and 上海証大投資發展有限公司 (Shanghai Zendai Investment Development Co., Ltd.)* and is expected to expire on 26 April 2012 |
| “Panshi Investment”               | 上海磐石投資有限公司 (Shanghai Panshi Investment Co., Ltd.)*, a limited liability company established under the laws of the PRC                                                                                                                                                                                 |
| “Panshi Sale Interest”            | the entire equity interest in Panshi Vehicle                                                                                                                                                                                                                                                          |
| “Panshi Share Transfer”           | the transfer of the Panshi Sale Interest from Panshi Investment to Shanghai Zendai Wudaokou pursuant to the Panshi Share Transfer Agreement                                                                                                                                                           |
| “Panshi Share Transfer Agreement” | the agreement dated 29 December 2011 entered into between Shanghai Zendai Wudaokou and Panshi Investment in relation to the transfer of the Panshi Sale Interest, details of which are contained in the Announcement                                                                                  |
| “Panshi Vehicle”                  | 上海盤石投資管理有限公司 (Shanghai Panshi Investment and Management Company Limited)*, a limited liability company established under the laws of the PRC                                                                                                                                                          |

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## DEFINITIONS

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| “Project Company”                    | 上海証大外灘國際金融服務中心置業有限公司 (Shanghai Zendai Bund International Finance Services Centre Real Estate Company Limited)*, a limited liability company established under the laws of the PRC                                                                                                                                                                                                                            |
| “Project Company Transfer Agreement” | the agreement dated 28 October 2011 entered into between Shanghai Zendai Land and Shanghai Haizhimen in relation to the disposal of the entire registered capital of the Project Company, and the shareholder’s loan owing to Shanghai Zendai Land by the Project Company, by Shanghai Zendai Land to Shanghai Haizhimen, details of which are set out in the circular of the Company dated 25 November 2011 |
| “PRC”                                | the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan                                                                                                                                                                                                                                                    |
| “Purchaser”                          | 上海長燁投資管理諮詢有限公司 (Shanghai Changye Investment Management Co., Ltd)*, a limited liability company established under the laws of the PRC and is a wholly-owned subsidiary of Soho China                                                                                                                                                                                                                          |
| “Remaining Group”                    | the Group immediately after Completion                                                                                                                                                                                                                                                                                                                                                                       |
| “Second Supplemental Agreement”      | the second supplemental agreement dated 15 February 2012 entered into between Shanghai Zendai Land and the Purchaser to establish an escrow arrangement after the transfer of Zendai Sale Interest                                                                                                                                                                                                           |
| “SFO”                                | the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong                                                                                                                                                                                                                                                                                                                                   |
| “SGM”                                | the special general meeting of the Company to be convened to approve the Agreement and the transactions contemplated thereunder                                                                                                                                                                                                                                                                              |
| “Shanghai Haizhimen”                 | 上海海之門房地產管理有限公司 (Shanghai Haizhimen Property Management Co., Ltd.)*, a limited liability company established under the laws of the PRC                                                                                                                                                                                                                                                                        |
| “Shanghai Zendai Land”               | 上海証大置業有限公司 (Shanghai Zendai Land Company Limited)*, an indirect wholly-owned subsidiary of the Company                                                                                                                                                                                                                                                                                                       |

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## DEFINITIONS

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|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Shanghai Zendai Wudaokou”       | 上海証大五道口房地產開發有限公司 (Shanghai Zendai Wudaokou Property Company Limited)*, an indirect wholly-owned subsidiary of the Company                                                                                                                                                                                                                 |
| “Share(s)”                       | share(s) of HK\$0.02 each in the share capital of the Company                                                                                                                                                                                                                                                                             |
| “Shareholder(s)”                 | holder(s) of the Shares                                                                                                                                                                                                                                                                                                                   |
| “Soho China”                     | SOHO China Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange                                                                                                                                                                        |
| “Stock Exchange”                 | The Stock Exchange of Hong Kong Limited                                                                                                                                                                                                                                                                                                   |
| “Trust Share Transfer Agreement” | the agreement dated 28 December 2011 entered into between Shanghai Zendai Wudaokou and New China Trust in relation to the release of 10% of equity interest in Shanghai Haizhimen by New China Trust to Shanghai Zendai Land under the New China Trust Arrangement                                                                        |
| “Vendors”                        | Shanghai Zendai Land and Greentown Jiahe                                                                                                                                                                                                                                                                                                  |
| “Zendai Consideration”           | the total consideration payable by the Purchaser to Shanghai Zendai Land for the purchase of the Zendai Sale Interest and the Zendai Shareholder’s Loan pursuant to the Agreement                                                                                                                                                         |
| “Zendai Disposal”                | the disposal of the Zendai Sale Interest and the Zendai Shareholder’s Loan by Shanghai Zendai Land to the Purchaser pursuant to the Agreement                                                                                                                                                                                             |
| “Zendai Sale Interest”           | the entire equity interest in Shanghai Zendai Wudaokou                                                                                                                                                                                                                                                                                    |
| “Zendai Shareholder’s Loan”      | the shareholder’s loan payable to Shanghai Zendai Land by Shanghai Zendai Wudaokou as at completion of the Zendai Spin-off                                                                                                                                                                                                                |
| “Zendai Spin-off”                | the disposal of all the assets held by Shanghai Zendai Wudaokou, other than its equity interest and receivable in Shanghai Haizhimen and the Zendai Shareholder’s Loan and having confirmed that Shanghai Zendai Wudaokou shall not bear any obligation and liability of any assets in relation to such disposal save as otherwise agreed |

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## DEFINITIONS

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| “Zhejiang Fosun” | 浙江復星商業發展有限公司 (Zhejiang Fosun Commerce Development Limited)*, a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of Fosun |
| “HK\$”           | Hong Kong dollars, the lawful currency of Hong Kong                                                                                                                    |
| “RMB”            | Renminbi, the lawful currency of the PRC                                                                                                                               |
| “%”              | per cent                                                                                                                                                               |

*For the purpose of this circular, unless otherwise stated, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1 to HK\$1.22. The exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been or may be exchanged at this or any other rates at all.*

*\* For identification purpose only*

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## LETTER FROM THE BOARD

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### SHANGHAI ZENDAI PROPERTY LIMITED

上海証大房地產有限公司\*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 755)**

***Executive Directors:***

Mr. Dai Zhikang (*Chairman*)

Mr. Wang Fujie

Mr. Zhu Nansong

Mr. Zuo Xingping

Ms. Zhou Yan

Mr. Tang Jian

***Non-executive Directors:***

Mr. Wu Yang

Mr. Zhou Chun

Mr. Dong Wenliang

Mr. Liu Zhiwei

***Independent non-executive Directors:***

Mr. Lo Mun Lam, Raymond

Mr. Lai Chik Fan

Dr. Tse Hiu Tung, Sheldon

***Registered office:***

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

***Head office and principal place  
of business in Hong Kong:***

Unit 6108

61/F., The Centre

99 Queen's Road Central

Hong Kong

28 February 2012

*To the Shareholders*

Dear Sir or Madam,

### VERY SUBSTANTIAL DISPOSAL

#### INTRODUCTION

Reference is made to the announcement and the circular of the Company dated 2 November 2011 and 25 November 2011 in respect of the Project Company Transfer Agreement. The resolution regarding the Project Company Transfer Agreement was duly passed by the independent Shareholders by way of poll on 19 December 2011. Upon completion of the Project Company Transfer Agreement, 35% of the equity interest in the Project Company would be beneficially owned by the Company through Shanghai Zendai Land. On 29 December

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## LETTER FROM THE BOARD

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2011, the Purchaser has conditionally agreed to acquire and each of Shanghai Zendai Land and Greentown Jiahe has conditionally agreed to sell (i) the Zendai Sale Interest and the Greentown Sale Interest, representing 100% of the equity interest in Shanghai Zendai Wudaokou and 100% of the equity interest in Greentown Hesheng, respectively; and (ii) the Zendai Shareholder's Loan as at completion of the Zendai Spin-off and the Greentown Shareholder's Loan at its face value as at Completion to the Purchaser, at an aggregate consideration of RMB4 billion (equivalent to approximately HK\$4.88 billion).

On the even date, Shanghai Zendai Wudaokou and Panshi Investment entered into the Panshi Share Transfer Agreement, pursuant to which Shanghai Zendai Wudaokou agreed to acquire and Panshi Investment agreed to sell the Panshi Sale Interest at a consideration of RMB82.13 million (equivalent to approximately HK\$100.20 million). Completion of the Panshi Share Transfer Agreement has taken place upon the signing of the Panshi Share Transfer Agreement.

On 9 January 2012, the Purchaser, Shanghai Zendai Land and Greentown Jiahe entered into the First Supplemental Agreement to amend one of the conditions precedent to the Agreement, pursuant to which the condition precedent of Shanghai Zendai Wudaokou having completed the Zendai Spin-off can be fulfilled after the transfer of the Zendai Sale Interest from Shanghai Zendai Land to the Purchaser or its designated entity.

On 15 February 2011, the Purchaser and Shanghai Zendai Land entered into the Second Supplemental Agreement to establish an escrow arrangement between the Purchaser and Shanghai Zendai Land after the transfer of Zendai Sale Interest to protect the Company's interest in all assets of Shanghai Zendai Wudaokou other than its equity interest and receivable in Shanghai Haizhimen.

The purpose of this circular is to provide you with, among other things, further details of the Agreement and the transactions contemplated thereunder and the notice of SGM.

### 1. THE AGREEMENT

#### **Date**

29 December 2011

#### **Parties**

Vendors:           (1) Shanghai Zendai Land, an indirect wholly-owned subsidiary of the Company

                          (2) Greentown Jiahe, an indirect wholly-owned subsidiary of Greentown Holdings

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## LETTER FROM THE BOARD

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Purchaser: 上海長燁投資管理諮詢有限公司 (Shanghai Changye Investment Management Co., Ltd)\*, a limited liability company established under the laws of the PRC and is an indirect wholly-owned subsidiary of Soho China

To the best of the Directors' knowledge, information and belief, and having made reasonable enquiries, Greentown Jiahe and the Purchaser and their respective ultimate beneficial owners are Independent Third Parties.

### **Details of the Disposals**

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and each of Shanghai Zendai Land and Greentown Jiahe has conditionally agreed to sell (i) the Zendai Sale Interest and the Greentown Sale Interest, representing 100% of the equity interest in Shanghai Zendai Wudaokou and 100% of the equity interest in Greentown Hesheng, respectively; and (ii) the Zendai Shareholder's Loan at its face value as at completion of the Zendai Spin-off and the Greentown Shareholder's Loan at its face value as at Completion to the Purchaser, at an aggregate consideration of RMB4 billion (equivalent to approximately HK\$4.88 billion).

As at the Latest Practicable Date, assuming the Project Company Transfer Agreement having been completed, Shanghai Zendai Land and Greentown Jiahe will be indirectly interested in 40% and 10% of the equity interest in the Project Company respectively, through Shanghai Haizhimen. The Purchaser will be indirectly interested in 50% of the equity interest in the Project Company through Shanghai Haizhimen as at Completion.

### **Consideration**

The Consideration, comprising the Zendai Consideration and the Greentown Consideration, payable by the Purchaser to the Vendors pursuant to the Agreement is RMB4 billion in aggregate (equivalent to approximately HK\$4.88 billion).

The Zendai Consideration for the Zendai Sale Interest and the Zendai Shareholder's Loan payable by the Purchaser to Shanghai Zendai Land shall be an aggregate of RMB2.96 billion (equivalent to approximately HK\$3.61 billion), of which the consideration for the Zendai Sale Interest is RMB1.68 billion (equivalent to approximately HK\$2.05 billion) and the consideration for the Zendai Shareholder's Loan is RMB1.28 billion (equivalent to approximately HK\$1.56 billion), being the principal amount of the Zendai Shareholder's Loan as at the date of the Agreement. Both considerations for the Zendai Sale Interest and the Zendai Shareholder's Loan are subject to adjustments as set out below.

### ***Adjustments to the consideration for the Zendai Sale Interest and the Zendai Shareholder's Loan***

The aggregate amount of the Zendai Consideration for the Zendai Sale Interest and the Zendai Shareholder's Loan will remain the same. However, allocation of the consideration for each of the Zendai Sale Interest and the Zendai Shareholder's Loan will be subject to

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## LETTER FROM THE BOARD

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adjustments. Pursuant to the Agreement, Shanghai Zendai Wudaokou has declared all its distributable profits by way of dividends to its sole shareholder. However, such distribution is subject to the finalisation of the audited accounts of Shanghai Zendai Wudaokou for the year ended 31 December 2011 and the actual amount distributed on or before the date of completion of Zendai Spin-off may be different from the amount declared. The Zendai Shareholder's Loan will be adjusted based on the final amount of dividends to be determined as at completion of the Zendai Spin-off. The consideration for the Zendai Sale Interest shall be adjusted upward by adding any excess or adjusted downward by deducting any shortfall between the principal amounts of the Shareholder's Loan as at the date of the Agreement and as at completion of the Zendai Spin-off on a dollar-to-dollar basis. In the event there shall be any breach of warranties or liabilities given by Shanghai Zendai Land and Greentown Jiahe, the Purchaser is entitled to reduce the relevant consideration accordingly. The consideration for the Zendai Sale Interest and the Zendai Shareholder's Loan shall not be adjusted other than in the manner as set out above.

The Consideration shall be satisfied by the Purchaser by cash in six installments in the manner set out below.

### *First installment*

RMB100 million (equivalent to approximately HK\$122 million) shall be paid as the partial consideration for the Zendai Sale Interest, while RMB900 million (equivalent to approximately HK\$1,098 million) shall be paid as the entire consideration for the Greentown Sale Interest and the partial consideration for the Greentown Shareholder's Loan.

The first installment shall be payable on the date of fulfillment of the following: (a) the due execution of the Agreement; (b) pledge of the Zendai Sale Interest and the Greentown Sale Interest in favour of the Purchaser pursuant to the Agreement; and (c) delivery of the certificates and licences and company seals of each of Shanghai Zendai Wudaokou and Greentown Hesheng to the Purchaser for joint custody purpose.

### *Second installment*

RMB700 million (equivalent to approximately HK\$854 million) shall be paid as the partial consideration for the Zendai Sale Interest and the partial consideration for the Zendai Shareholder's Loan, while RMB100 million (equivalent to approximately HK\$122 million) shall be paid to Greentown Jiahe as the partial consideration for the Greentown Shareholder's Loan. The second installment shall be payable on or before 10 January 2012.

### *Third installment*

RMB40 million (equivalent to approximately HK\$48.80 million) shall be paid as the remaining balance of the consideration for the Greentown Shareholder's Loan. The third installment shall be payable on the earlier of 1 March 2012 or the fifth Business Day after the fulfillment of the following: (a) the Shareholders having approved the Agreement and the

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## LETTER FROM THE BOARD

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transaction contemplated thereunder at the SGM; (b) completion of the business registration for the pledging of the Zendai Sale Interest and the Greentown Sale Interest in favour of the Purchaser pursuant to the Agreement or the transfer of such equity interests to the Purchaser having been completed within five Business Days after payment of the second installment; (c) completion of the due diligence review conducted by the Purchaser; (d) completion of the business registration for the transfer of the Greentown Sale Interest; (e) completion of the transfer of the Greentown Sale Interest having taken place; and (f) the representations and warranties given by each of the Vendors under the Agreement remaining valid.

### *Fourth installment*

RMB978.44 million (equivalent to approximately HK\$1,193.70 million) shall be paid as the remaining balance of the consideration for the Zendai Sale Interest. The fourth installment shall be payable before 26 April 2012 and after the fulfillment of the following: (a) all the conditions precedent to the Agreement having been fulfilled or otherwise waived; (b) completion of the business registration for the transfer of the Zendai Sale Interest; and (c) the representations and warranties given by each of the Vendors under the Agreement remaining valid.

### *Fifth installment*

RMB1,081.56 million (equivalent to approximately HK\$1,319.50 million) shall be paid as the partial consideration for the Zendai Shareholder's Loan. The fifth installment shall be payable on the earlier of 1 May 2012 or within five Business Days after the fulfillment of the following: (a) completion of the business registration for the transfer of the entire equity interest in Panshi Vehicle from Panshi Investment to Shanghai Zendai Wudaokou and completion of the transfer of the said interest pursuant to the Panshi Share Transfer Agreement having taken place; (b) completion of the transfer of the Zendai Sale Interest having taken place; and (c) the representations and warranties given by each of the Vendors under the Agreement remaining valid.

### *Sixth installment*

RMB100 million (equivalent to approximately HK\$122 million) shall be paid as the remaining balance of the consideration for the Zendai Shareholder's Loan. The sixth installment shall be payable within five Business Days after the fulfillment of the following: (a) completion of the Project Company Transfer Agreement having taken place and (b) completion of the transfer of the 5% equity interest in Shanghai Haizhimen held by Panshi Vehicle to an entity designated by the Purchaser and the subsequent transfer of the entire equity interest in Panshi Vehicle, through Shanghai Zendai Wudaokou, to an entity designated by the Vendors, or that the Purchaser having cooperated with Panshi Vehicle to transfer, through Shanghai Zendai Wudaokou, the assets of Panshi Vehicle (other than 5% equity interest in Shanghai Haizhimen) to an entity designated by the Vendors.

The Consideration, comprising the Zendai Consideration and the Greentown Consideration, is RMB4 billion (equivalent to approximately HK\$4.88 billion) in aggregate, of

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## LETTER FROM THE BOARD

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which the Zendai Consideration of approximately RMB2.96 billion (equivalent to approximately HK\$3.61 billion) was determined after arm's length negotiations between the Purchaser and Shanghai Zendai Land with reference to, among other things, (i) the unaudited net asset value of Shanghai Zendai Wudaokou, being approximately RMB360.20 million (equivalent to approximately HK\$439.44 million) as at 31 December 2011, assuming completions of the Project Company Transfer Agreement and the Zendai Spin-off having taken place; (ii) the Zendai Shareholder's Loan of approximately RMB1.28 billion (equivalent to approximately HK\$1.56 billion) as at the date of the Agreement; (iii) the consideration for the Panshi Sale Interest to be paid by the Company under the Panshi Share Transfer Agreement of approximately RMB82.13 million (equivalent to approximately HK\$100.20 million); and (iv) factors set out in the paragraph headed "Reasons for the Zendai Disposal" below.

The Company is of the view that it will benefit by entering into the Agreement with the Purchaser so as to conserve more financial resources of the Group for the funding of future investments when opportunities arise. For more details, please refer to the paragraph headed "Reasons for the Zendai Disposal" below.

Based on the factors mentioned above, the Directors considered that the Zendai Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent to the Agreement**

Completion of the Agreement is subject to the fulfilment or waiver (where applicable as provided below) of the following conditions:

- (i) the Purchaser having completed its due diligence review on Shanghai Zendai Wudaokou, Greentown Hesheng, Panshi Investment, Shanghai Haizhimen and the Project Company and having confirmed that there being no material discrepancy from the disclosure made by the Vendors;
- (ii) Greentown Hesheng having completed the disposal of all the assets held by Greentown Hesheng, other than its equity interest in Shanghai Haizhimen and the Greentown Shareholder's Loan, and having confirmed that Greentown Hesheng shall not bear any obligation and liability of any assets in relation to such disposal save as otherwise agreed;
- (iii) Shanghai Zendai Wudaokou having completed the Zendai Spin-off;
- (iv) Shanghai Zendai Wudaokou and Panshi Investment having completed the Panshi Share Transfer Agreement and the transaction contemplated thereunder;
- (v) Shanghai Zendai Wudaokou and New China Trust having completed the Trust Share Transfer Agreement and the transaction contemplated thereunder;
- (vi) the obtaining by the Vendors and the Purchaser of the approval of the Agreement and the transactions contemplated thereunder from their respective shareholders and board of directors;

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## LETTER FROM THE BOARD

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(vii) the obtaining by the Company of the approval of the Agreement and the transactions contemplated thereunder at the SGM; and

(viii) upon fulfillment of the above conditions precedent, there being no circumstances where the conditions precedent to the Project Company Transfer Agreement could not be reasonably fulfilled in accordance with the time set out therein.

Condition (vii) cannot be waived by the Purchaser. The Purchaser may, at its absolute discretion in writing, waive all other conditions precedent. As at the Latest Practicable Date, conditions (i), (ii) and (iv) had been fulfilled.

Pursuant to the First Supplemental Agreement, Shanghai Zendai Land and the Purchaser agreed that the Zendai Spin-off as stated in condition (iii) above can be completed after the transfer of the Zendai Sale Interest from Shanghai Zendai Land to the Purchaser or its designated entity. The Purchaser or its designated entity shall then at its best efforts complete the transfer of the equity interest and liabilities in Shanghai Haizhimen held by Shanghai Zendai Wudaokou to Greentown Hesheng or other Purchaser's designated entity by 31 December 2012 and shall transfer the Zendai Sale Interest, including Shanghai Zendai Wudaokou and all assets thereof other than its equity interest in Shanghai Haizhimen, back to Shanghai Zendai Land or its designated entity within one month after the transfer of the equity interest and liabilities in Shanghai Haizhimen. Having considered the transfer back of the Zendai Sale Interest to Shanghai Zendai Land will be only one single transfer and the Company would commence the preparatory work for such transfer before the transfer of the equity interest and liabilities in Shanghai Haizhimen to speed up completion of such transfer, the Directors are of the view that such transfer will be able to be completed within one month. In relation to the liability to bear the legal costs, the PRC legal adviser to the Company advised that, in the event that (i) the transfer of the interest of Shanghai Haizhimen can be completed before 31 December 2012, the Group will not be liable for any legal costs if Shanghai Zendai Wudaokou is under litigation after the transfer of the Zendai Sale Interest but before the Zendai Sale Interest is transferred back to the Company; and (ii) the transfer of the interest of Shanghai Haizhimen cannot be completed before 31 December 2012, the Group will not be liable for any legal costs if Shanghai Zendai Wudaokou is under litigation after the transfer of the Zendai Sale Interest, save for those related to the assets and liabilities attributable to the Zendai Spin-off.

As advised by the PRC legal adviser of the Company, according to the articles of Shanghai Haizhimen and the relevant PRC law, the transfer of equity interest of a company between its shareholders is not subject to any pre-emptive right. If the Purchaser transfers the equity interest in Shanghai Haizhimen from Shanghai Zendai Wudaokou to Greentown Hesheng, such transfer is not subject to pre-emptive right as both Shanghai Zendai Wudaokou and Greentown Hesheng are shareholders of Shanghai Haizhimen. If the Purchaser transfers the equity interest to other Purchaser's designated entity, it may be subject to pre-emptive right. In any event, the Purchaser shall complete such transfer by 31 December 2012 or the Zendai Spin-off shall be completed by 31 March 2013 in accordance with the First Supplemental Agreement. Although the direct transfer of the equity interest in Shanghai Haizhimen from Shanghai Zendai Wudaokou to Greentown Hesheng would not be subject to any pre-emptive right according to PRC law and the articles of Shanghai Haizhimen, the registration of such transfer would be conducted by Shanghai Haizhimen, the legal representative of which was nominated by Fosun. The Purchaser envisaged that it may not be easy to obtain the cooperation

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## LETTER FROM THE BOARD

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of Shanghai Haizhimen as the legal representative and major management were nominated by Fosun, which may lead to the delay of completion of the Zendai Disposal and in particular, the installment payment schedule under the Agreement. The arrangement of transferring the Zendai Sale Interest first to the Purchaser or its designated entity is to ensure that the payment schedule would not be affected, which is in the interest of the Company and the Shareholders as a whole.

### **Escrow arrangement**

On 15 February 2012, the Purchaser and Shanghai Zendai Land entered into the Second Supplemental Agreement to establish an escrow arrangement between the Purchaser and Shanghai Zendai Land after the transfer of Zendai Sale Interest to protect the Company's interest in all assets of Shanghai Zendai Wudaokou other than its equity interest in Shanghai Haizhimen. Pursuant to the Second Supplemental Agreement, the Purchaser and Shanghai Zendai Land agreed that the seal and chop of Shanghai Zendai Wudaokou would be escrowed by a safe custodian jointly appointed by the Purchaser and Shanghai Zendai Land. Without the consents of both the Purchaser and Shanghai Zendai Land, the seal and chop cannot be affixed to any agreement or contract intended to be entered by Shanghai Zendai Wudaokou. It was further agreed that all issues in relation to all assets in Shanghai Zendai Wudaokou other than the equity interest in Shanghai Haizhimen will be relied at the discretion by Shanghai Zendai Land while all issues in relation to the equity interest in Shanghai Haizhimen will be relied at the discretion by the Purchaser.

Since the seal and chop would be escrowed by a safe custodian jointly appointed by the Purchaser and Shanghai Zendai Land, it is not possible for Shanghai Zendai Wudaokou to enter into any agreement or contract which the Company disagrees. Furthermore, the companies held by Shanghai Zendai Wudaokou excluding Shanghai Haizhimen are managed by personnel designated by the Company and the operations of which will not be affected or restricted under such escrow arrangement. The Company considers that these measures are sufficient to protect its interest in all assets in Shanghai Zendai Wudaokou other than its equity interests in Shanghai Haizhimen and to ensure no liabilities not agreed by the Company would be incurred by Shanghai Zendai Wudaokou. In the presence of the Second Supplemental Agreement, the Company shall pursue legal proceedings to claim for losses against the Purchaser if the Purchaser has defaulted under the escrow arrangement.

### **Completion**

Completion shall take place within 15 days after the fulfilment or waiver (as the case may be) of the above conditions precedent or such other date as the parties thereto may agree.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE PURCHASER

The Purchaser is a limited liability company established under the laws of the PRC and is a wholly-owned subsidiary of Soho China with principal business activity of investment management. The principal business activity of Soho China is investment holding. The principal business activities of its major subsidiaries are development, operation and sale of commercial properties in central Beijing and Shanghai, the PRC. The issued shares of Soho China are listed on the main board of the Stock Exchange.

### INFORMATION ON THE VENDORS

Shanghai Zendai Land is an investment holding company of property project companies in the PRC and is an indirect wholly-owned subsidiary of the Company.

Greentown Jiahe is an investment holding company of property project companies in the PRC and is an indirect wholly-owned subsidiary of Greentown Holdings, the issued shares of which are listed on the main board of the Stock Exchange.

### INFORMATION ON SHANGHAI ZENDAI WUDAOKOU AND THE PROJECT COMPANY

#### Shanghai Zendai Wudaokou

Shanghai Zendai Wudaokou is a limited liability company established under the laws of the PRC and is an indirect wholly-owned subsidiary of the Company. Shanghai Zendai Wudaokou is an investment holding company and is principally engaged in property project investment in the PRC. Shanghai Zendai Wudaokou will be interested in 40% equity interest in the Project Company through Shanghai Haizhimen upon completion of the Project Company Transfer Agreement.

#### The Project Company

The Project Company is a limited liability company established under the laws of the PRC. The major asset of the Project Company comprises the Land Parcel.

The Land Parcel (外灘國際金融中心(8-1)地塊) is located in the bund of 黃浦區 (Huangpu District), between 豫園 (Yu Garden) and 十六鋪 (Shiliupu), Shanghai and covers a total site area of 45,471.9 square metres with planned above-ground spaces in the gross floor area of approximately 270,000 square metres and an additional 100,000 square metres of underground spaces. Pursuant to the supplemental land grant contract in relation to the Land Parcel dated 22 December 2011, such underground spaces will increase to approximately 151,000 square metres, subject to the payment by the Project Company of a premium of approximately RMB59.50 million (equivalent to approximately HK\$72.59 million), which was settled on 21 January 2012.

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## LETTER FROM THE BOARD

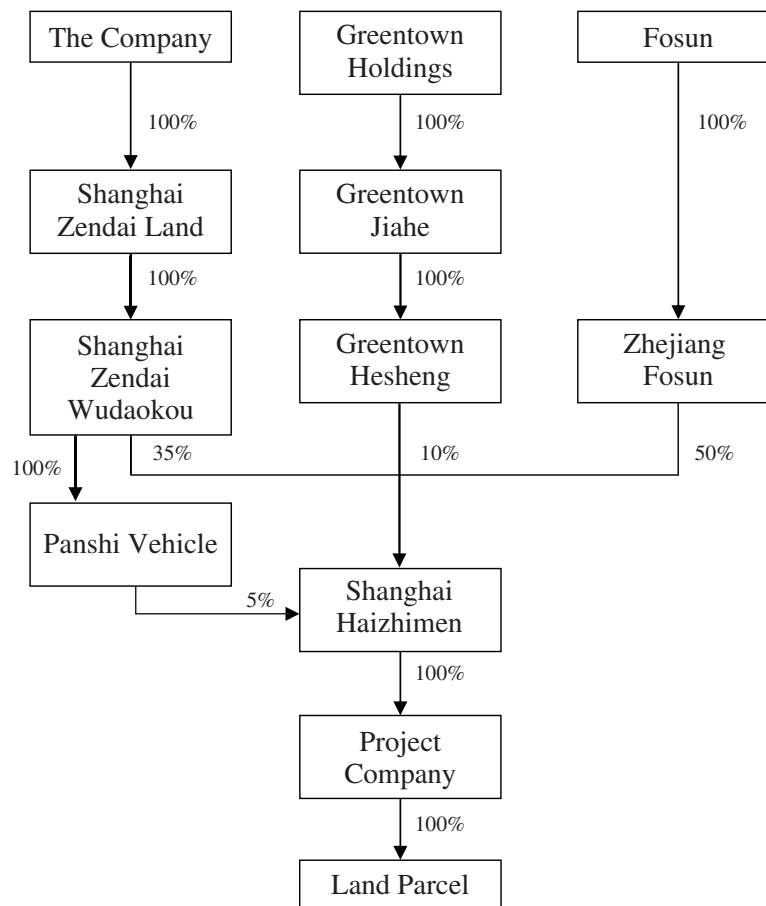
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This part of the bund is considered to be the prestigious central business district of the financial and commercial community in Shanghai. Located beside the Huangpu River, the Land Parcel provides a fantastic view of the Huangpu River, Shanghai World Financial Center (上海浦東上海環球金融中心) and Jin Mao Tower (金茂大廈) in Pudong district.

The Land Parcel is designated for integrated office, commercial, financial and cultural use. Upon completion of development, the office and commercial-related gross floor area of above-ground spaces shall not be less than 70% and 15% of the developed area respectively. The terms for the grant of the land use right of the Land Parcel for office use and commercial use are 50 years and 40 years respectively.

### CORPORATE STRUCTURE OF SHANGHAI ZENDAI WUDAOKOU AND THE PROJECT COMPANY

Set out below is the shareholding structure of Shanghai Zendai Wudaokou and the Project Company as at the Latest Practicable Date:

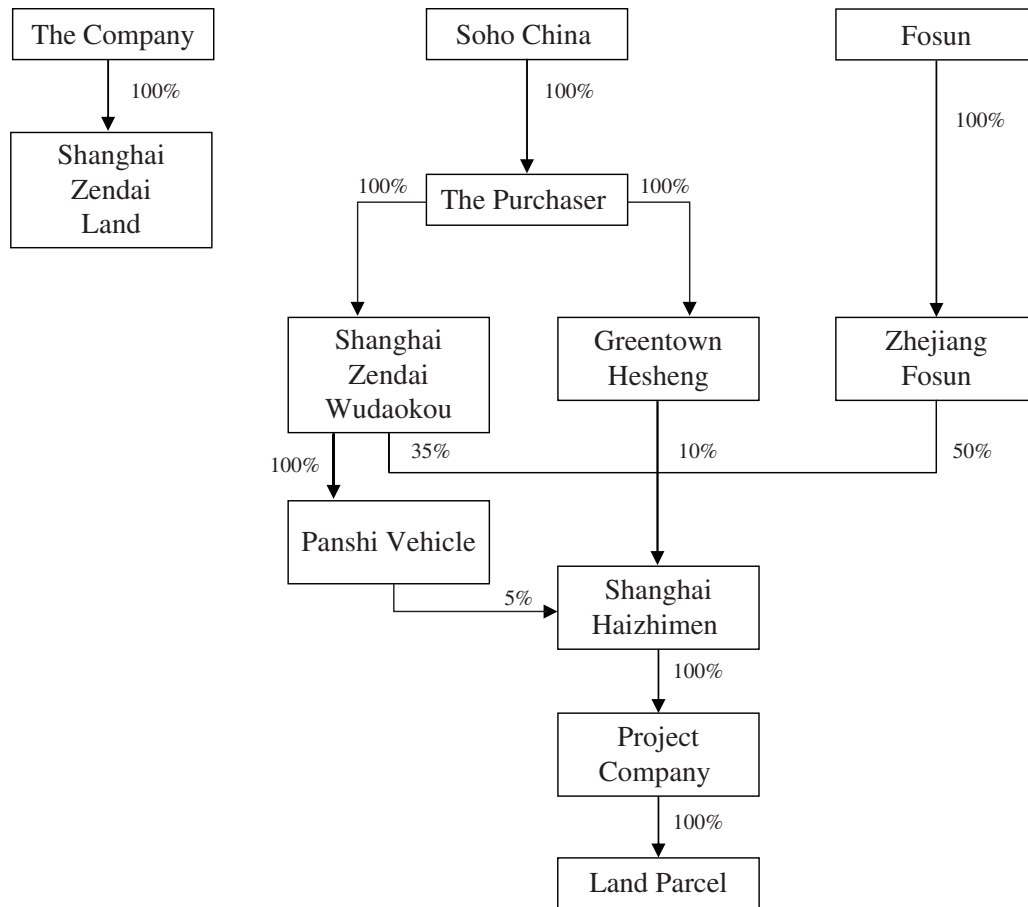


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## LETTER FROM THE BOARD

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Set out below is the shareholding structure of Shanghai Zendai Wudaokou and the Project Company upon the transfer of Shanghai Zendai Wudaokou to the Purchaser:

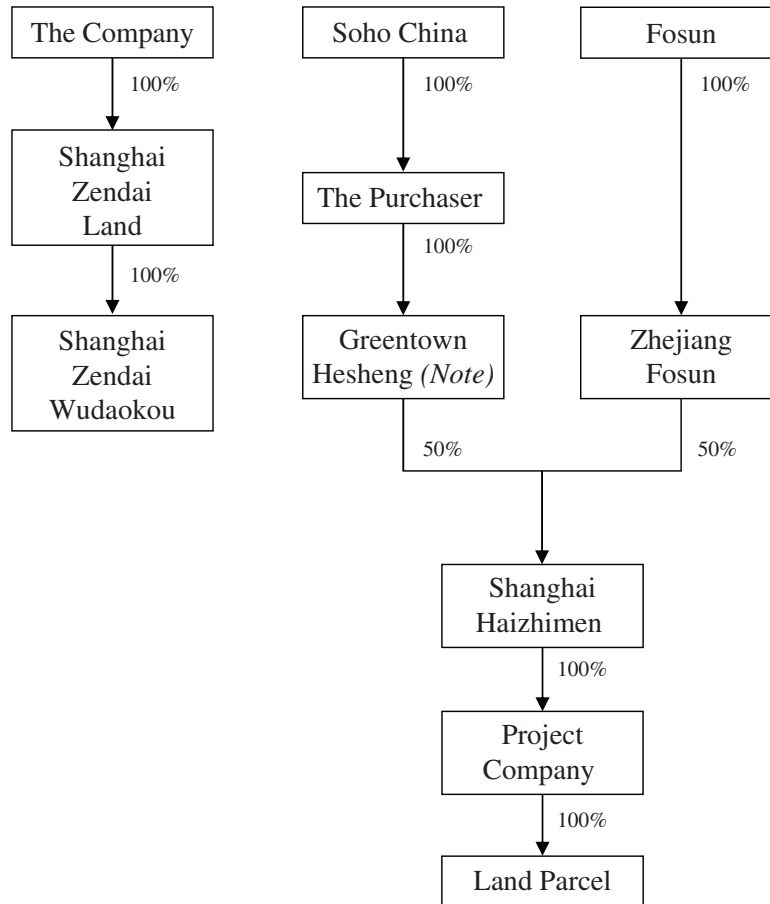


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## LETTER FROM THE BOARD

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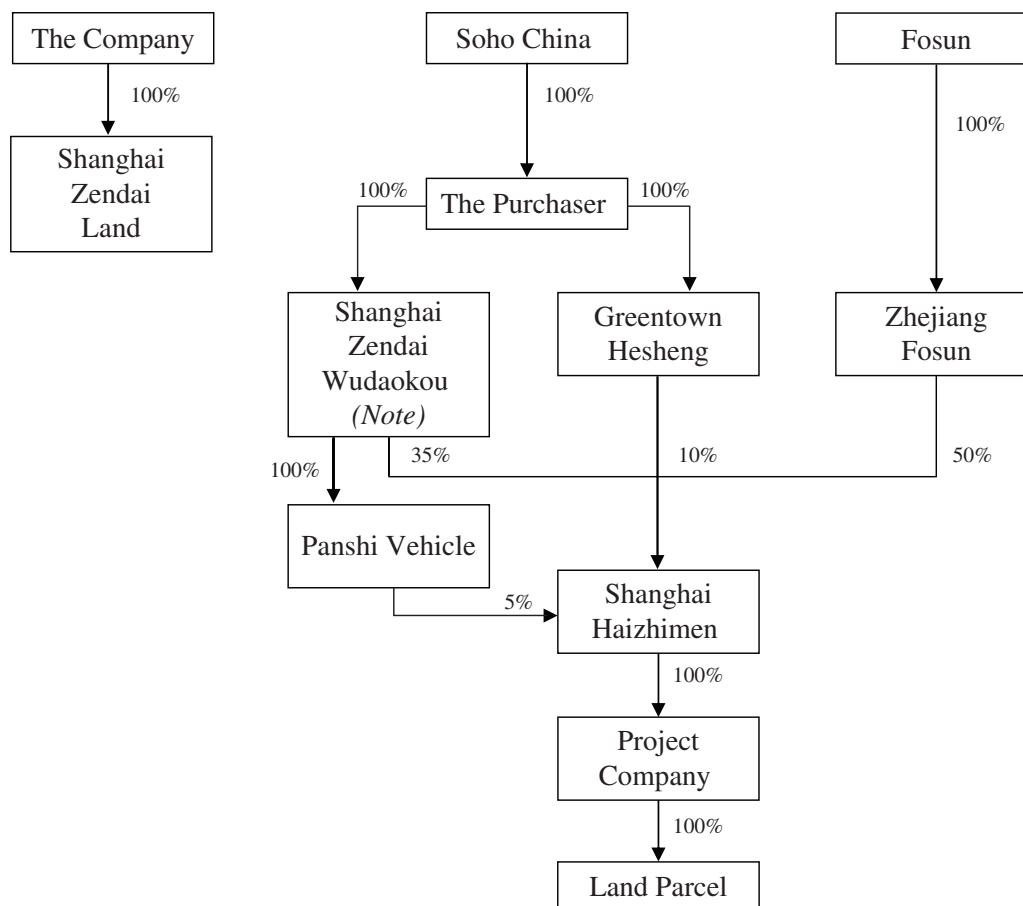
Set out below is the shareholding structure of Shanghai Zendai Wudaokou and the Project Company upon completion of the Agreement, assuming the transfer of the interest of Shanghai Haizhimen can be completed before 31 December 2012:



*Note:* For illustrative purposes only. The Purchaser shall transfer the equity interest in Shanghai Haizhimen held by Shanghai Zendai Wudaokou to Greentown Hesheng or other Purchaser's designated entity pursuant to the First Supplemental Agreement.

## LETTER FROM THE BOARD

Set out below is the shareholding structure of Shanghai Zendai Wudaokou and the Project Company upon completion of the Agreement, assuming the transfer of the interest of Shanghai Haizhimen cannot be completed before 31 December 2012:



*Note:* Shanghai Zendai Wudaokou is without the assets and liabilities attributable to the Zendai Spin-off.

The financial information of Shanghai Zendai Wudaokou for each of the two years ended 31 December 2011 was as follows, assuming that completions of the Project Company Transfer Agreement and the Zendai Spin-off have taken place:

|                      | <b>For the year ended</b> |                |
|----------------------|---------------------------|----------------|
|                      | <b>31 December</b>        |                |
|                      | <b>2010</b>               | <b>2011</b>    |
|                      | <i>RMB'000</i>            | <i>RMB'000</i> |
| Loss before taxation | 26,968                    | 178,798        |
| Loss after taxation  | 26,968                    | 178,798        |

As at 31 December 2011, the unaudited net asset value of Shanghai Zendai Wudaokou amounted to approximately RMB360.20 million (equivalent to approximately HK\$439.44 million), assuming that completions of the Project Company Transfer Agreement and the Zendai Spin-off have taken place.

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## LETTER FROM THE BOARD

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### POTENTIAL FINANCIAL EFFECTS OF THE ZENDAI DISPOSAL

Based on the Zendai Consideration, it is estimated that there will be a gain on the Zendai Disposal of approximately HK\$388.49 million which is based on the Zendai Consideration of RMB2,960.00 million (equivalent to approximately HK\$3,611.20 million) and the reclassification of adjustment of cumulative foreign exchange reserve upon Zendai Disposal of approximately HK\$66.42 million less (i) the Shareholder's Loan of approximately RMB1,280.13 million (equivalent to approximately HK\$1,561.76 million); (ii) settlement of other liabilities of Shanghai Zendai Wudaokou of approximately RMB97.67 million (equivalent to approximately HK\$119.16 million); (iii) the repayment of the borrowing owed to New China Trust of approximately RMB958.00 million (equivalent to approximately HK\$1,168.76 million); (iv) the unaudited net asset value of Shanghai Zendai Wudaokou of approximately RMB278.07 million (equivalent to approximately HK\$339.25 million), assuming completion of the Project Company Transfer Agreement and the Zendai Spin-off, all being the conditions precedent to the Agreement, having taken place but before the Panshi Share Transfer; and (v) the acquisition cost of the Panshi Sale Interest of approximately RMB82.13 million (equivalent to approximately HK\$100.20 million).

The cash proceeds from the Zendai Disposal after deducting the expenses relating to the Zendai Disposal is estimated to be approximately RMB2,958.00 million (equivalent to approximately HK\$3,608.76 million) and will be utilised as to approximately RMB958.00 million (equivalent to approximately HK\$1,168.76 million) for the repayment of the borrowing owed to New China Trust, as to approximately HK\$1,077.46 million for the settlement of the senior loan notes of the Group due on 6 June 2012 and as to the remaining balance for general working capital of the Group.

### EFFECTS OF THE ZENDAI DISPOSAL ON ASSETS AND LIABILITIES AND EARNINGS OF THE REMAINING GROUP

Based on the unaudited pro forma financial information of the Remaining Group as set out in the Appendix III to this circular, (i) the Group's total assets as at 30 June 2011 would increase by approximately 6.31% from approximately HK\$23,983.36 million to approximately HK\$25,495.71 million, and the Group's total liabilities as at 30 June 2011 would increase by approximately 2.27% from approximately HK\$18,615.38 million to approximately HK\$19,038.38 million assuming the Zendai Disposal had been completed on 30 June 2011; and (ii) the Group's profit for the six months ended 30 June 2011 would increase by approximately 1,310.89% from approximately HK\$101.94 million to approximately HK\$1,438.26 million, which is calculated based on the assumption that the Zendai Disposal was completed on 1 January 2011.

It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the financial position of the Remaining Group will be upon Completion.

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## LETTER FROM THE BOARD

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### REASONS FOR THE ZENDAI DISPOSAL

The Group is principally engaged in construction of commercial and residential properties for sale, ownership and operation of hotel business, leasing, management and agency of commercial and residential properties, provision of travel and related services.

The Group is a diversified property development company in the PRC, focusing on the development, investment and management of residential and commercial properties in the PRC. The Group currently has property projects under development in 12 cities which are located in three regions including northern China, Shanghai city and its surroundings and Hainan province. The Group is committed to pursuing promising integrated commercial and residential property projects in the PRC. The Group will keep on enhancing its overall competence and push for continuous growth so as to bring satisfactory returns to the Shareholders.

Following the entering into of the Project Company Transfer Agreement, the Directors noticed the fluctuation in the sales amounts of properties in late 2011 after obtaining the complete sales figures in respect of each of the Group's property projects for November 2011, and were conservative towards the expected sales of properties to be recorded for the year ending 2012. In response to the aforementioned, the Directors considered that the business strategy of the Group should respond promptly to any possible fluctuation in the sales in 2012 and should from time to time closely monitor the Group's financial position. While the Group has been approached by various interested parties regarding the disposal of its 35% interests in the Land Parcel, the Board was of the view that the terms offered by the Purchaser were more favourable to the Group than those offered by other interested parties, including but not limited to, (i) the Zendai Consideration which is estimated to bring in a gain of approximately HK\$388.49 million to the Group as discussed above; and (ii) the payment schedule which better suits the Group's cash flow management, and the Company intended to proceed with the Zendai Disposal on 23 December 2011 after the Board having made various enquiries and having assessed the relevant information and analysis in relation to the Zendai Disposal. In view of the increasing labour and material cost in the PRC, the Board expects that massive capital will need to be deployed in the development of the Land Parcel. The Board therefore considers that the Zendai Disposal represents a good opportunity for the Group to reduce its overall capital commitment and realise its investment in the Land Parcel for better allocation of the Group's financial resources, with the aims to restructure its asset portfolio and to increase Shareholders' value.

The Board is of the view that the net proceeds from the Zendai Disposal would strengthen the Group's cash flow and increase its working capital to conserve more financial resources for the funding of future investments when opportunities arise. Part of the net proceeds from the Zendai Disposal will be utilised for the settlement of the senior loan notes of the Group due on 6 June 2012 and it is expected that the Zendai Disposal would improve the gearing level and strengthen the financial position of the Group. While the Directors consider that the Group has sufficient financial resources to meet its current financial obligation, having reviewed the financial resources available to the Group and the substantial assets base of the Group, in view

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## LETTER FROM THE BOARD

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of the fluctuation in the sales of properties in late 2011 and that the Group primarily relied on obtaining bank borrowings to finance most of its properties development projects, which is a common and usual financing method in the property development industry, the Directors considered that the proceeds of the Zendai Disposal would provide more flexibility to the Directors in managing the Company's working capital needs and therefore improve its liquidity. The liquidity difficulty as disclosed in the Announcement was purely referring to the circumstances surrounding the fluctuation in the sales amounts in late 2011 and did not mean any going concern problem of the Group nor any insufficiency in the Group's working capital requirements.

Pursuant to the Agreement, the business registration for the transfer of Zendai Sale Interest from Shanghai Zendai Land to the Purchaser or its designated entity has to be completed on or before 26 April 2012 before the payment of the fourth installment of RMB978.44 million by the Purchaser. The Zendai Spin-off has to be completed prior to the transfer of the Zendai Sale Interest, which shall also be completed prior to 26 April 2012. In the process of preparing the documentations for the Zendai Spin-off involving the transfer of certain investments and properties for sales held by Shanghai Zendai Wudaokou to Shanghai Zendai Land, the Company envisaged that it might not be able to complete the Zendai Spin-off by 26 April 2012. The entering into of the First Supplemental Agreement is to amend one of the conditions precedent to the Agreement so that the Zendai Spin-off can be completed after the transfer of the Zendai Sale Interest and the schedule of the fourth installment payment will remain unchanged, which is in the interest of the Company and the Shareholders. As advised by the PRC legal adviser of the Company, the Company will continue to be the beneficial owner of all assets of Shanghai Zendai Wudaokou other than its equity interest in Shanghai Haizhimen and will bear all the liabilities and obligations incurred therefrom after the transfer of Zendai Sale Interest. Therefore, the Company shall continue to record the assets and liabilities of the Zendai Spin-off during the transfer of Zendai Sale Interest from Shanghai Zendai Land to the Purchaser or its designated entity.

The entering into of the Second Supplemental Agreement is to establish an escrow arrangement between the Purchaser and Shanghai Zendai Land for the transfer of Zendai Sale Interest such that the Company's interest in all assets of Shanghai Zendai Wudaokou other than its equity interest in Shanghai Haizhimen is protected and no liabilities not agreed by the Company would be incurred by Shanghai Zendai Wudaokou.

Based on the abovementioned, the Directors consider that the terms of the Agreement, the First Supplemental Agreement and the Second Supplemental Agreement are on normal commercial terms and the Zendai Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is the management discussion and analysis on the Remaining Group for the three years ended 31 December 2010 and the six months ended 30 June 2011:

#### **(i) For the six months ended 30 June 2011**

##### *Results*

For the six months ended 30 June 2011, the Remaining Group's consolidated turnover was approximately HK\$1,322.7 million (2010: approximately HK\$2,792.9

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## LETTER FROM THE BOARD

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million), which mainly comprised revenue from sale of properties of approximately HK\$1,125.7 million (2010: approximately HK\$2,636.7 million), revenue from hotel operations of approximately HK\$76.1 million (2010: approximately HK\$70.2 million), revenue from properties rental, management and agency services of approximately HK\$115.3 million (2010: approximately HK\$80.7 million) and revenue from travel and related services of approximately HK\$5.6 million (2010: approximately HK\$5.4 million).

The considerable decrease in turnover of the Remaining Group for the period ended 30 June 2011 was due to that substantially less property were delivered as compared to the previous respective period. The profit of the Remaining Group decreased significantly from approximately HK\$386.1 million for the six months ended 30 June 2010 to approximately HK\$263.3 million for the six months ended 30 June 2011. This was mainly due to the decrease in turnover from approximately HK\$2,792.9 million for the six months ended 30 June 2010 to approximately HK\$1,322.7 million for the six months ended 30 June 2011, the share of results of associates of a loss of approximately HK\$54.5 million for the six months ended 30 June 2011 while a gain of approximately HK\$40.0 million for the six months ended 30 June 2010 and the increase in the finance cost from approximately HK\$105.9 million for the six months ended 30 June 2010 to approximately HK\$135.6 million for the six months ended 30 June 2011. The increase in finance cost was mainly due to increase in bank loans in the second half of 2010 and in the first half of 2011.

### *Segment results*

For sale of properties, segment turnover amounted to approximately HK\$1,125.7 million, decreasing by approximately 57.3% from approximately HK\$2,636.7 million for the six months ended 30 June 2010 and segment profit before income tax expenses amounted to approximately HK\$555.4 million, decreasing by approximately 39.6% from approximately HK\$919.4 million in the respective previous period. The substantial decreases in both segment turnover and segment profit were due to considerably less properties were delivered.

For hotel operations, segment turnover amounted to approximately HK\$76.1 million, increasing by approximately 8.4% from approximately HK\$70.2 million for the six months ended 30 June 2010 and segment profit before income tax expenses amounted to approximately HK\$13.6 million, decreasing by approximately 76.8% from approximately HK\$58.6 million. The increase in segment turnover was due to the increase in room rate while the decrease in segment profit was attributable to the absence of reversal of impairment loss on property, plant and equipment and on payment for leasehold land held for own use under operating leases for the current period (there was a reversal in the aggregate sum of approximately HK\$44.6 million in the corresponding period in last year).

For properties rental, management and agency services, segment turnover amounted to approximately HK\$115.3 million, increasing by approximately 42.9% from approximately HK\$80.7 million for the six months ended 30 June 2010 and segment

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## LETTER FROM THE BOARD

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profit before income tax expenses amounted to approximately HK\$35.5 million, increasing by approximately 133.6% from approximately HK\$15.2 million. The increases in both segment turnover and segment profit were due to the increase in rent and management fee charged.

For travel and related services, segment turnover amounted to approximately HK\$5.6 million, increasing by approximately 3.7% from approximately HK\$5.4 million for the six months ended 30 June 2010 and segment profit before income tax expenses amounted to approximately HK\$0.033 million, increasing by approximately 106.3% from approximately HK\$0.016 million.

### *Liquidity, financial resources and capital structure*

As at 30 June 2011, the net assets of the Remaining Group were approximately HK\$5,399.8 million (31 December 2010: approximately HK\$4,799.9 million). Net current assets amounted to approximately HK\$4,597.9 million (31 December 2010: approximately HK\$9,596.8 million) with current ratio of the Remaining Group as at 30 June 2011 was approximately 1.32 times (31 December 2010: 3.39 times). As at 30 June 2011, the Remaining Group had cash and cash equivalents including pledge bank deposits of approximately HK\$12,195.6 million (31 December 2010: approximately HK\$2,663.9 million), with bank and other loans of approximately HK\$2,924.2 million (31 December 2010: approximately HK\$2,541.3 million), of which approximately HK\$817.7 million (31 December 2010: approximately HK\$896.7 million) is repayable within one year and approximately HK\$2,106.5 million (31 December 2010: approximately HK\$1,644.6 million) is repayable more than one year.

### *Charges on assets*

As at 30 June 2011, the Remaining Group's property, plant and equipment, payment for leasehold land held for own use under operating leases, investment properties, properties under development and for sales and pledged bank deposits of approximately HK\$369.0 million, approximately HK\$594.6 million, approximately HK\$1,810.2 million, approximately HK\$1,516.8 million and approximately HK\$261.5 million respectively had been pledged to banks to secure bank and other loans granted to the Remaining Group.

The Remaining Group pledged entire interest in a subsidiary, 上海証大西鎮置業有限公司 (Shanghai Zendai Xizhen Development Company Limited)\* which has properties under development with carrying amount of approximately HK\$601.2 million (31 December 2010: approximately HK\$568.2 million) for other financing arrangements of the Remaining Group. Moreover, the Remaining Group pledged 45% equity interest in 上海証大喜瑪拉雅置業有限公司 (Shanghai Zendai Himalayas Real Estate Company Limited)\*, being an associate of the Remaining Group with attributable carrying amount of approximately HK\$424.1 million (31 December 2010: approximately HK\$458.7 million) to secure the shareholder's loan provided to the Shanghai Haizhimen.

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## LETTER FROM THE BOARD

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The Remaining Group also pledged its equity interests in certain subsidiaries to secure the senior loan notes.

### *Gearing ratio*

The gearing ratio of the Remaining Group (total of amounts due to related companies, bank and other loans, senior loan notes and other borrowing divided by Shareholders' funds) increased from approximately 0.63 times as at 31 December 2010 to approximately 0.75 times as at 30 June 2011. The increase in the gearing ratio was mainly due to the increase in bank and other loans.

### *Exchange rate and interest rate risks exposure*

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. Part of the Group's cash and cash equivalents and the Group's senior loan notes are denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

### *Contingent liabilities*

The Remaining Group provided guarantees of approximately HK\$392.8 million as at 30 June 2011 (31 December 2010: approximately HK\$335.2 million) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the purchase of the Group's developed properties.

Save as disclosed above, the Remaining Group did not have any material contingent liabilities outstanding.

### *Material acquisitions or disposals of subsidiaries and associated companies*

On 28 June 2011, the Group's parcel of land with an area of approximately 59,935 square metres in Huzhou, Zhejiang Province was sold at a total consideration of approximately HK\$263.0 million.

During the six months ended 30 June 2011, save for the above and the Disposal, the Remaining Group did not acquire or dispose of any material subsidiary or associated company.

### *Employees and remuneration policies*

As at 30 June 2011, the Remaining Group employed approximately 1,490 employees (31 December 2010: 1,300) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

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## LETTER FROM THE BOARD

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### (ii) For the year ended 31 December 2010

#### *Results*

For the year ended 31 December 2010, the Remaining Group's consolidated turnover was approximately HK\$3,959.1 million (2009: approximately HK\$2,162.1 million), which mainly comprised revenue from sale of properties of approximately HK\$3,612.1 million (2009: approximately HK\$1,882.0 million), revenue from hotel operation of approximately HK\$153.0 million (2009: approximately HK\$108.2 million), revenue from properties rental, management and agency services of approximately HK\$182.0 million (2009: approximately HK\$163.1 million) and revenue from travel and related services of approximately HK\$12.0 million (2009: approximately HK\$8.9 million).

The increase in turnover of the Remaining Group for the year ended 31 December 2010 was mainly due to more properties delivered as compared to the previous corresponding year. The profit of the Remaining Group increased significantly from approximately HK\$450.3 million for the year ended 31 December 2009 to approximately HK\$658.5 million for the year ended 31 December 2010. This was mainly due to the significant increase in turnover from approximately HK\$2,162.1 million for the year ended 31 December 2009 to approximately HK\$3,959.1 million for the year ended 31 December 2010 and the share of results of associates of a gain of approximately HK\$297.6 million for the year ended 31 December 2010 while a loss of approximately HK\$26.0 million for the year ended 31 December 2009.

#### *Segment results*

For sale of properties, segment turnover amounted to approximately HK\$3,612.1 million, increasing by approximately 91.9% from approximately HK\$1,882.0 million for the year ended 31 December 2009 and segment profit before income tax expenses amounted to approximately HK\$1,314.9 million, increasing by approximately 94.7% from approximately HK\$675.4 million. The substantial increases in both segment turnover and segment profit were due to more properties were delivered in 2010.

For hotel operations, segment turnover amounted to approximately HK\$153.0 million, increasing by approximately 41.4% from approximately HK\$108.2 million for the year ended 31 December 2009 and segment profit before income tax expenses amounted to approximately HK\$83.1 million, increasing by approximately 194.7% from approximately HK\$28.2 million. The increases in both segment turnover and segment profit were due to the higher occupancy rate and room rate charged as a result of Shanghai Expo took place in Shanghai.

For properties rental, management and agency services, segment turnover amounted to approximately HK\$182.0 million, increasing by approximately 11.6% from approximately HK\$163.1 million for the year ended 31 December 2009 and segment

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## LETTER FROM THE BOARD

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profit before income tax expenses amounted to approximately HK\$57.1 million, decreasing by approximately 82.0% from approximately HK\$317.0 million. Such decrease was mainly due to revaluation surplus of investment properties decreasing from HK\$275.9 million in 2009 to HK\$21.8 million in 2010.

For travel and related services, segment turnover amounted to approximately HK\$12.0 million, increasing by approximately 34.8% from approximately HK\$8.9 million for the year ended 31 December 2009 and segment profit before income tax expenses amounted to approximately HK\$0.02 million, which improved from a loss of approximately HK\$0.2 million. The increases in both segment turnover and segment profit were due to the recovery of the economy as the adverse effect of the financial crisis in 2009 diminished.

### *Liquidity, financial resources and capital structure*

As at 31 December 2010, the net assets of the Remaining Group were approximately HK\$5,124.2 million (31 December 2009: approximately HK\$3,784.2 million). Net current assets amounted to approximately HK\$4,787.7 million (31 December 2009: approximately HK\$3,372.7 million) with current ratio of the Remaining Group as at 31 December 2010 was approximately 1.38 times (31 December 2009: 2.13 times). As at 31 December 2010, the Remaining Group had cash and cash equivalents including pledge bank deposits of approximately HK\$11,744.7 million (31 December 2009: approximately HK\$599.9 million), with bank and other loans of approximately HK\$2,541.3 million (31 December 2009: approximately HK\$1,390.6 million), of which approximately HK\$896.7 million (31 December 2009: approximately HK\$282.0 million) is repayable within one year and approximately HK\$1,644.6 million (31 December 2009: approximately HK\$1,108.6 million) is repayable more than one year.

### *Charges on assets*

As at 31 December 2010, the Remaining Group's property, plant and equipment, payment for leasehold land held for own use under operating leases, investment properties, properties under development and for sales and pledged bank deposits of approximately HK\$361.6 million, approximately HK\$591.8 million, approximately HK\$1,769.1 million, approximately HK\$2,805.0 million and approximately HK\$393.9 million respectively had been pledged to banks to secure bank and other loans granted to the Remaining Group.

The Remaining Group also pledged its entire interest in 上海証大喜瑪拉雅置業有限公司 (Shanghai Zendai Himalayas Real Estate Company Limited)\* with attributable carrying amounts of approximately HK\$458.7 million and a subsidiary, 上海証大西鎮房地產開發有限公司 (Shanghai Zendai Xizhen Development Company Limited)\* with carrying amount of approximately HK\$479.1 million (including properties under development and for sales with carrying amount of approximately HK\$568.2 million) for other financing arrangements of the Group.

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## LETTER FROM THE BOARD

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### *Gearing ratio*

The gearing ratio of the Remaining Group (total of amounts due to related companies, bank and other loans, senior loan notes and other borrowing divided by Shareholders' funds) increased from approximately 0.70 times as at 31 December 2009 to approximately 0.71 times as at 31 December 2010. The increase in the gearing ratio was mainly due to the increase in bank loans and other borrowing.

### *Exchange rate and interest rate risks exposure*

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. Part of the Group's cash and cash equivalents and the Group's senior loan notes are denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

### *Contingent liabilities*

The Remaining Group provided guarantees of approximately HK\$335.2 million at 31 December 2010 (31 December 2009: approximately HK\$273.8 million) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the 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 loans granted.

Save as disclosed above, the Remaining Group did not have any material contingent liabilities outstanding.

### *Material acquisitions or disposals of subsidiaries and associated companies*

The Group succeeded in its bid for the Land Parcel for RMB9,220,000,000 in February 2010. The Land Parcel has a total site area of 45,472 square meters and is designated for integrated office, commercial, financial and culture use.

During the year ended 31 December 2010, save for the above and the Disposal, the Remaining Group did not acquire or dispose of any material subsidiary or associated company.

### *Employees and remuneration policies*

As at 31 December 2010, the Remaining Group employed approximately 1,300 employees (31 December 2009: 1,110) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

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## LETTER FROM THE BOARD

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### **(iii) For the year ended 31 December 2009**

#### *Results*

For the year ended 31 December 2009, the Remaining Group's consolidated turnover was approximately HK\$2,162.1 million (2008: approximately HK\$1,968.6 million), which mainly comprised revenue from sale of properties of approximately HK\$1,882.0 million (2008: approximately HK\$1,802.7 million), revenue from hotel operation of approximately HK\$108.2 million (2008: approximately HK\$59.4 million), revenue from properties rental, management and agency services of approximately HK\$163.1 million (2008: approximately HK\$94.7 million) and revenue from travel and related services of approximately HK\$8.9 million (2008: approximately HK\$11.8 million).

The increase in turnover of the Remaining Group for the year ended 31 December 2009 was due to the incomes from the property rental, management and agency services and hotel operations companies acquired in July 2008 were fully booked in this year. The profit of the Remaining Group increased significantly from approximately HK\$304.6 million for the year ended 31 December 2008 to approximately HK\$450.3 million for the year ended 31 December 2009. This was mainly due to the significant increase in fair value of investment properties of approximately HK\$275.9 million in 2009 as opposed to a loss of approximately HK\$169.0 million in 2008.

#### *Segment results*

For sale of properties, segment turnover amounted to approximately HK\$1,882.0 million, increasing by approximately 4.4% from approximately HK\$1,802.7 million for the year ended 31 December 2008 and segment profit before income tax expenses amounted to approximately HK\$675.4 million, decreasing by approximately 45.4% from approximately HK\$1,236.5 million due to gain on disposal of a subsidiary and negative goodwill arising from acquisition of Giant Hope Investment Limited and its subsidiaries in the sum of HK\$128.0 million and HK\$371.8 million respectively in 2008 but there was no such item in 2009.

For hotel operations, segment turnover amounted to approximately HK\$108.2 million, increasing by approximately 82.2% from approximately HK\$59.4 million for the year ended 31 December 2008 and segment profit before income tax expenses amounted to approximately HK\$28.2 million, improved significantly as opposed to a loss of approximately HK\$156.6 million due to the impairment loss of hotel properties in 2008 of approximately HK\$158.3 million.

For properties rental, management and agency services, segment turnover amounted to approximately HK\$163.1 million, increasing by approximately 72.2% from approximately HK\$94.7 million for the year ended 31 December 2008 and segment profit before income tax expenses amounted to approximately HK\$317.0 million, improved

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## LETTER FROM THE BOARD

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significantly as opposed to a loss of approximately HK\$113.9 million. The increase in both segment turnover and the improvement in the segment earnings were due to the fact that income from the investment properties, management and agency services companies acquired in July 2008 was fully booked in 2009.

For travel and related services, segment turnover amounted to approximately HK\$8.9 million, decreasing by approximately 24.6% from approximately HK\$11.8 million for the year ended 31 December 2008 and segment loss before income tax expenses amounted to approximately HK\$0.2 million, as opposed to the profit of approximately HK\$0.09 million. The decrease in the segment turnover and profit were due to the decrease in revenue from inbound tours.

### *Liquidity, financial resources and capital structure*

As at 31 December 2009, the net assets of the Remaining Group were approximately HK\$3,784.2 million (31 December 2008: approximately HK\$3,300.0 million). Net current assets amounted to approximately HK\$3,372.7 million (31 December 2008: approximately HK\$2,850.4 million) with current ratio of the Remaining Group as at 31 December 2009 was approximately 2.13 times (31 December 2008: 2.12 times). As at 31 December 2009, the Remaining Group had cash and cash equivalents of approximately HK\$599.9 million (31 December 2008: approximately HK\$384.4 million), with bank and other loans of approximately HK\$1,390.6 million (31 December 2008: approximately HK\$1,015.1 million), of which approximately HK\$282.0 million (31 December 2008: approximately HK\$325.4 million) is repayable within one year and approximately HK\$1,108.6 million (31 December 2008: approximately HK\$689.7 million) is repayable more than one year.

### *Charges on assets*

As at 31 December 2009, the Remaining Group's hotel buildings, investment properties and properties for development and sales of approximately HK\$348 million, HK\$1,333 million and HK\$1,323 million respectively had been pledged to banks to secure bank loans granted to the Remaining Group.

### *Gearing ratio*

The gearing ratio of the Remaining Group (total of amounts due to related companies, bank loans, notes payable, convertible notes divided by Shareholders' funds) increased from approximately 0.69 times as at 31 December 2008 to approximately 0.70 times as at 31 December 2009. The increase in the gearing ratio was mainly due to the increase in bank loans.

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## LETTER FROM THE BOARD

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### *Exchange rate and interest rate risks exposure*

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. Part of the Group's cash and cash equivalents and senior loan notes are denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

### *Contingent liabilities*

The Remaining Group provided guarantees of approximately HK\$273.8 million at 31 December 2009 (31 December 2008: approximately HK\$356.9 million) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the 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 loans granted.

Save as disclosed above, the Remaining Group did not have any material contingent liabilities outstanding.

### *Material acquisitions or disposals of subsidiaries and associated companies*

In December 2009, the Group cooperated with Shanghai Media & Entertainment Group to form a joint venture company to acquire and develop two parcels of land in Nantong city, Jiangsu Province in the PRC. The two parcels of land have a total site area of 281,912 square metres and the cost is RMB532,812,508.20.

During the year ended 31 December 2009, save for the above, the Remaining Group did not acquire or dispose of any material subsidiary or associated company.

### *Employees and remuneration policies*

As at 31 December 2009, the Remaining Group employed approximately 1,110 employees (31 December 2008: 1,150) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

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## LETTER FROM THE BOARD

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### (iv) For the year ended 31 December 2008

#### *Results*

For the year ended 31 December 2008, the Remaining Group's consolidated turnover was approximately HK\$1,968.6 million (2007: approximately HK\$1,556.2 million), which mainly comprised revenue from sale of properties of approximately HK\$1,802.7 million (2007: approximately HK\$1,507.7 million), revenue from hotel operation of approximately HK\$59.4 million (2007: nil), revenue from properties rental, management and agency services of approximately HK\$94.7 million (2007: approximately HK\$33.2 million) and revenue from travel and related services of approximately HK\$11.8 million (2007: approximately HK\$15.4 million).

The increase in turnover of the Remaining Group for the year ended 31 December 2008 was due to the more delivery of high value properties by the Remaining Group and the gain from disposal of part of interest in Shanghai Zendai Himalaya Real Estate Company Limited. The profit of the Remaining Group decreased from approximately HK\$357.3 million for the year ended 31 December 2007 to approximately HK\$304.6 million for the year ended 31 December 2008. This was mainly due to the increase in administrative expenses from approximately HK\$69.3 million to approximately HK\$182.4 million and increase in finance cost from approximately HK\$94.4 million to approximately HK\$184.2 million, which was due to the consolidation of the administrative expenses and finance cost as a result of the acquisition of Giant Hope Investment Limited and its subsidiaries in July 2008.

#### *Segment results*

For sale of properties, segment turnover amounted to approximately HK\$1,802.7 million, increasing by approximately 19.6% from approximately HK\$1,507.7 million for the year ended 31 December 2007 and segment profit before income tax expenses amounted to approximately HK\$1,236.5 million, increasing by approximately 126.9% from approximately HK\$545.0 million. The increase in segment turnover was mainly due to the increase in high value properties available for delivery to buyers by the Remaining Group during the year. The increase in segment profit was mainly due to the increase in the segment turnover and the one-off gain of excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost.

For hotel operations, segment turnover amounted to approximately HK\$59.4 million and segment loss amounted to approximately HK\$156.7 million. The increase in segment turnover was due to the acquisition of Raddison Hotel during the year while the segment loss was mainly due to impairment loss of Raddison Hotel of HK\$158.3 million.

For properties rental, management and agency services, segment turnover amounted to approximately HK\$94.7 million, increasing by approximately 185.2% from approximately HK\$33.2 million for the year ended 31 December 2007 and segment loss

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## LETTER FROM THE BOARD

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amounted to approximately HK\$113.9 million, as opposed to the segment profit before income tax expenses of approximately HK\$218.2 million. The increase in segment turnover was due to the acquisition of investment properties and management and agency services companies during the year. The segment loss as opposed to the segment profit in previous year was mainly due to the revaluation loss of investment properties of HK\$169.0 million in 2008 as opposed to the gain of approximately HK\$192.7 million in 2007.

For travel and related services, segment turnover amounted to approximately HK\$11.8 million, decreasing by approximately 23.4% from approximately HK\$15.4 million for the year ended 31 December 2007 and segment profit before income tax expenses amounted to approximately HK\$0.06 million, as opposed to the loss of approximately HK\$1.0 million.

### *Liquidity, financial resources and capital structure*

As at 31 December 2008, the net assets of the Remaining Group were approximately HK\$3,300.0 million (31 December 2007: approximately HK\$2,529.5 million). Net current assets amounted to approximately HK\$2,850.4 million (31 December 2007: approximately HK\$3,133.8 million) with current ratio of the Remaining Group as at 31 December 2008 was approximately 2.12 times (31 December 2007: 2.27 times). As at 31 December 2008, the Remaining Group had cash and cash equivalents of approximately HK\$384.4 million (31 December 2007: approximately HK\$1,327.9 million), with bank and other loans of approximately HK\$1,015.1 million (31 December 2007: approximately HK\$708.9 million), of which approximately HK\$325.4 million (31 December 2007: approximately HK\$198.8 million) is repayable within one year and approximately HK\$689.7 million (31 December 2007: approximately HK\$510.2 million) is repayable more than one year.

### *Charges on assets*

As at 31 December 2008, the Remaining Group's hotel buildings, investment properties and properties for development and sales of approximately HK\$341 million, HK\$1,004 million and HK\$1,006 million respectively had been pledged to banks to secure bank loans granted to the Remaining Group.

### *Gearing ratio*

The gearing ratio of the Remaining Group (total of amounts due to related companies, bank loans, notes payable, convertible notes divided by Shareholders' funds) decreased from approximately 0.91 times as at 31 December 2007 to approximately 0.69 times as at 31 December 2008. The improvement in the gearing ratio was mainly due to the increase in the reserve of the Remaining Group as a result of issue of subscription shares.

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## LETTER FROM THE BOARD

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### *Exchange rate and interest rate risks exposure*

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. Part of the Group's cash and cash equivalents and senior loan notes are denominated in currencies other than RMB, hence exposures to exchange rate fluctuations arise. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

### *Contingent liabilities*

The Remaining Group provided guarantees of approximately HK\$356.9 million at 31 December 2008 (31 December 2007: approximately HK\$47.5 million) for customers in favour of banks in respect of the mortgage loans provided by the banks to customers for the 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 loans granted.

Save as disclosed above, the Remaining Group did not have any material contingent liabilities outstanding.

### *Material acquisitions or disposals of subsidiaries and associated companies*

On 9 October 2007, the Group entered into an agreement with Shanghai Zendai Investment Development Company Limited, a company which is wholly owned by Mr. Dai Zhikang, a director of the Company, to further acquire the remaining 20% of the issued share capital of a subsidiary, Shanghai Zendai Land, at a consideration of RMB305,000,000 (equivalent to approximately HK\$334,929,000). The acquisition was completed on 23 January 2008.

On 2 January 2008, the Group entered into an agreement with an independent third party to acquire entire interest in Meiyi International Limited which held 60% interest in Hainan Huayi Land Company Limited (collectively referred to as "Meiyi Group") at a cash consideration of not more than RMB206,260,000. The major asset in Meiyi Group is a parcel of land with approximately 1,309,000 square metres in Chenmai County, Hainan. The acquisition was completed in January 2008.

On 15 April 2008, the Group entered into an agreement with Jointex Investment Holdings Limited ("Jointex") to acquire the entire interest of Giant Hope Investments Limited and its subsidiaries ("Giant Hope Group") and the loan due to Jointex by Giant Hope Group amounting to HK\$97,290,000 at a total consideration of HK\$702,240,000, satisfied by allotting 3,344,000,000 Company's shares to Jointex. Jointex is 85% owned by Giant Glory Assets Limited which is wholly owned by Mr. Dai Zhikang, a director of the Company. The remaining 15% of Jointex is owned by Conwealth International Limited, which is wholly owned by Mr. Zhu Nansong, also a director of the Company. The transaction was completed on 9 July 2008.

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## LETTER FROM THE BOARD

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On 19 August 2008, the Group entered into an agreement with The Bureau of Land Resources in Dongsheng Area of Ordos City for the acquisition of two parcels of land in Inner Mongolia Autonomous Region, PRC at an aggregate consideration of RMB146,389,500 (equivalent to approximately HK\$166,940,000). The land parcels with total site area of 149,468 square meters are designated for commercial and residential use.

On 5 November 2008, the Group entered into an agreement with Shanghai Zendai Investment Development Company Limited to acquire 15% interest of HLCL at a consideration of RMB112,000,000 satisfied by cash of RMB15,478,000 and setting off a receivable from Shanghai Zendai Investment Development Company Limited of RMB96,522,000.

During the year ended 31 December 2008, save for the above, the Remaining Group did not acquire or dispose of any material subsidiary or associated company.

### *Employees and remuneration policies*

As at 31 December 2008, the Remaining Group employed approximately 1,150 employees (31 December 2007: 280) in Hong Kong and the PRC. They were remunerated according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, insurance and medical insurance and share option scheme.

## FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

Following Completion, the Remaining Group will continue to focus on the development, investment and management of commercial and residential properties, which consists of various integrated commercial complex, grade A office buildings and residential buildings in Shanghai as well as other cities in the PRC.

Taking into account the fluctuation in the sales amounts of properties in late 2011 and the measures taken by the PRC government targeting to control over the property price, the Directors are conservative towards the expected sales amounts of properties to be recorded for the year ending 2012. Notwithstanding the above, the Directors are of the view that factors such as increasing urbanisation and rising household income would support the development of the property market in the PRC and therefore consider the prospect of the property market in the PRC to be optimistic in the future. The Group will cautiously seek investment opportunities on the development of commercial properties in the PRC in order to enhance the Shareholder's value. In addition, the Group will monitor closely the macro-economic control policy under the prevailing situation and adjust the development strategies as and when appropriate. The Directors will also from time to time closely monitor the financial position and liquidity position of the Group with a view to enhancing the capital management and treasury function of the Group and catering for any changes in the real estate market. As such, the Directors expect that the financial position of the Group would remain solid taking into account the financial resources available to the Group and the substantial assets base of the Group.

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## LETTER FROM THE BOARD

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### IMPLICATIONS OF THE LISTING RULES

Given certain of the applicable percentage ratios (as defined in the Listing Rules) under Rule 14.07 of the Listing Rules in respect of the Zendai Disposal exceed 75%, the Zendai Disposal constitutes a very substantial disposal for the Company and is therefore subject to the requirements of reporting, announcement and shareholders' approval pursuant to Chapter 14 of the Listing Rules. As no Shareholder has a material interest in the Agreement which is different from the other Shareholders, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the Agreement.

### SGM

The SGM will be held at Unit A, 29/F., Admiralty Centre I, 18 Harcourt Road, Hong Kong on Wednesday, 14 March 2012 at 9:30 a.m., the notice of which is set out on pages 76 to 77 of this circular, for the Shareholders to consider and, if thought fit to approve, the Agreement and the transactions contemplated thereunder.

Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 26, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### RECOMMENDATION

Based on the reasons set out in the section headed "Reasons for the Zendai Disposal" above, the Directors consider that the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Directors recommend the Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

By order of the Board  
**SHANGHAI ZENDAI PROPERTIES LIMITED**  
**Dai Zhikang**  
*Chairman*

\* for identification purpose only

Set out below are the the unaudited consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Shanghai Zendai Wudaokou and its subsidiaries (the “Shanghai Zendai Wudaokou Group”) for the three years ended 31 December 2009, 2010 and 2011, and the six months ended 30 June 2011 (the “Relevant Periods”) and consolidated statements of financial position of the Shanghai Zendai Wudaokou Group as at 31 December 2009, 2010 and 2011, and 30 June 2011 which have been reviewed by our independent auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the unaudited financial information of the Shanghai Zendai Wudaokou Group is not prepared, in all material respects, in accordance with the accounting policies of the Group in the Relevant Periods.

Without modifying their conclusion, they draw attention to note 1 to the financial information which describe the presentation and classification of assets held for sale, liabilities associated with assets held for sale and discontinued operation in the financial information are based on the assumption that Zendai Spin-off is completed prior to the Zendai Disposal.

# APPENDIX I

# FINANCIAL INFORMATION OF SHANGHAI ZENDAI WUDAOKOU GROUP

## FINANCIAL INFORMATION OF SHANGHAI ZENDAI WUDAOKOU GROUP

### (a) The consolidated statements of comprehensive income of Shanghai Zendai Wudaokou Group for the Relevant Periods are as follows:

|                                                                                                   | Year ended 31 December 2009 |                        |           | Year ended 31 December 2010 |                        |             | Year ended 31 December 2011 |                        |           | Six months ended 30 June 2011 |                        |           |
|---------------------------------------------------------------------------------------------------|-----------------------------|------------------------|-----------|-----------------------------|------------------------|-------------|-----------------------------|------------------------|-----------|-------------------------------|------------------------|-----------|
|                                                                                                   | Continuing operation        | Discontinued operation | Total     | Continuing operation        | Discontinued operation | Total       | Continuing operation        | Discontinued operation | Total     | Continuing operation          | Discontinued operation | Total     |
|                                                                                                   | HK\$'000                    | HK\$'000               | HK\$'000  | HK\$'000                    | HK\$'000               | HK\$'000    | HK\$'000                    | HK\$'000               | HK\$'000  | HK\$'000                      | HK\$'000               | HK\$'000  |
|                                                                                                   | (Note 1 and 2)              |                        |           | (Note 1 and 2)              |                        |             | (Note 1 and 2)              |                        |           | (Note 1 and 2)                |                        |           |
| Turnover                                                                                          | –                           | 1,208,181              | 1,208,181 | –                           | 2,325,607              | 2,325,607   | –                           | 1,790,337              | 1,790,337 | –                             | 956,850                | 956,850   |
| Cost of sales                                                                                     | –                           | (715,502)              | (715,502) | –                           | (1,344,100)            | (1,344,100) | –                           | (680,122)              | (680,122) | –                             | (405,844)              | (405,844) |
| Gross profit                                                                                      | –                           | 492,679                | 492,679   | –                           | 981,507                | 981,507     | –                           | 1,110,215              | 1,110,215 | –                             | 551,006                | 551,006   |
| Other income and gains                                                                            | –                           | 24,368                 | 24,368    | –                           | 18,171                 | 18,171      | –                           | 5,974                  | 5,974     | –                             | 1,767                  | 1,767     |
| Distribution expenses                                                                             | –                           | (17,894)               | (17,894)  | –                           | (26,806)               | (26,806)    | –                           | (96,475)               | (96,475)  | –                             | (17,745)               | (17,745)  |
| Administrative expenses                                                                           | –                           | (102,443)              | (102,443) | –                           | (143,443)              | (143,443)   | –                           | (176,900)              | (176,900) | –                             | (74,204)               | (74,204)  |
| Reversal of impairment/ (impairment loss) on property, plant and equipment                        | –                           | 16,590                 | 16,590    | –                           | 11,001                 | 11,001      | –                           | (9,694)                | (9,694)   | –                             | –                      | –         |
| Reversal of impairment loss on payment for leasehold land held for own use under operating leases | –                           | 10,293                 | 10,293    | –                           | 47,982                 | 47,982      | –                           | 45,371                 | 45,371    | –                             | –                      | –         |
| Reversal of write-down of properties under development                                            | –                           | 16,586                 | 16,586    | –                           | 22,369                 | 22,369      | –                           | –                      | –         | –                             | –                      | –         |
| Change in fair value of investment properties                                                     | –                           | 35,124                 | 35,124    | –                           | 881                    | 881         | –                           | 25,443                 | 25,443    | –                             | 6,768                  | 6,768     |
| Impairment loss on goodwill                                                                       | –                           | –                      | –         | –                           | (17,381)               | (17,381)    | –                           | –                      | –         | –                             | –                      | –         |
| Share of results of associates                                                                    | –                           | (3,258)                | (3,258)   | 394                         | 89,562                 | 89,956      | (208)                       | (3,669)                | (3,877)   | (206)                         | (2,347)                | (2,553)   |
| Finance costs                                                                                     | –                           | (36,883)               | (36,883)  | (39,889)                    | (32,185)               | (72,074)    | (215,491)                   | (44,974)               | (260,465) | (102,627)                     | (25,560)               | (128,187) |
| Profit/(loss) before income tax expenses                                                          | –                           | 435,162                | 435,162   | (39,495)                    | 951,658                | 912,163     | (215,699)                   | 855,291                | 639,592   | (102,833)                     | 439,685                | 336,852   |
| Income tax expenses                                                                               | –                           | (112,485)              | (112,485) | –                           | (236,372)              | (236,372)   | –                           | (397,947)              | (397,947) | –                             | (105,310)              | (105,310) |
| Profit/(loss) for the year/period                                                                 | –                           | 322,677                | 322,677   | (39,495)                    | 715,286                | 675,791     | (215,699)                   | 457,344                | 241,645   | (102,833)                     | 334,375                | 231,542   |
| <b>Other comprehensive income</b>                                                                 |                             |                        |           |                             |                        |             |                             |                        |           |                               |                        |           |
| Exchange differences arising on translation of foreign operations                                 | –                           | 4,425                  | 4,425     | (1,069)                     | 79,750                 | 78,681      | (3,034)                     | 99,730                 | 96,696    | (1,102)                       | 58,993                 | 57,891    |
| Total comprehensive income for the year/period                                                    | –                           | 327,102                | 327,102   | (40,564)                    | 795,036                | 754,472     | (218,733)                   | 557,074                | 338,341   | (103,935)                     | 393,368                | 289,433   |
| Profit/(loss) for the year/period attributable to:                                                |                             |                        |           |                             |                        |             |                             |                        |           |                               |                        |           |
| – Owners of the Shanghai Zendai Wudaokou                                                          | –                           | 329,447                | 329,447   | (39,495)                    | 656,176                | 616,681     | (215,699)                   | 461,249                | 245,550   | (102,833)                     | 329,043                | 226,210   |
| – Non-controlling interests                                                                       | –                           | (6,770)                | (6,770)   | –                           | 59,110                 | 59,110      | –                           | (3,905)                | (3,905)   | –                             | 5,332                  | 5,332     |
|                                                                                                   | –                           | 322,677                | 322,677   | (39,495)                    | 715,286                | 675,791     | (215,699)                   | 457,344                | 241,645   | (102,833)                     | 334,375                | 231,542   |
| Total comprehensive income for the year/period attributable to:                                   |                             |                        |           |                             |                        |             |                             |                        |           |                               |                        |           |
| – Owners of the Shanghai Zendai Wudaokou                                                          | –                           | 333,067                | 333,067   | (40,564)                    | 725,190                | 684,626     | (218,733)                   | 547,655                | 328,922   | (103,935)                     | 380,033                | 276,098   |
| – Non-controlling interests                                                                       | –                           | (5,965)                | (5,965)   | –                           | 69,846                 | 69,846      | –                           | 9,419                  | 9,419     | –                             | 13,335                 | 13,335    |
|                                                                                                   | –                           | 327,102                | 327,102   | (40,564)                    | 795,036                | 754,472     | (218,733)                   | 557,074                | 338,341   | (103,935)                     | 393,368                | 289,433   |

**APPENDIX I**
**FINANCIAL INFORMATION OF  
SHANGHAI ZENDAI WUDAOKOU GROUP**

(b) The consolidated statements of financial position of the Shanghai Zendai Wudaokou Group as at 31 December 2009, 2010 and 2011 and 30 June 2011 are as follows:

|                                                                    | <i>Note</i> | As at 31<br>December<br>2009<br><i>HK\$'000</i> | As at 31<br>December<br>2010<br><i>HK\$'000</i> | As at 31<br>December<br>2011<br><i>HK\$'000</i> | As at<br>30 June<br>2011<br><i>HK\$'000</i> |
|--------------------------------------------------------------------|-------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|---------------------------------------------|
| <b>Non-current Assets</b>                                          |             |                                                 |                                                 |                                                 |                                             |
| Property, plant and equipment                                      |             | 366,949                                         | 381,448                                         | –                                               | 383,320                                     |
| Investment properties                                              |             | 399,238                                         | 426,083                                         | –                                               | 443,098                                     |
| Payment for leasehold land held for own use under operating leases |             | 539,652                                         | 591,808                                         | –                                               | 596,562                                     |
| Goodwill                                                           |             | 17,202                                          | –                                               | –                                               | –                                           |
| Interests in associates                                            |             | 49,299                                          | 555,509                                         | 506,624                                         | 527,542                                     |
| Available-for-sale investments                                     |             | 57                                              | 59                                              | –                                               | 7,287                                       |
| <b>Total non-current assets</b>                                    |             | <u>1,372,397</u>                                | <u>1,954,907</u>                                | <u>506,624</u>                                  | <u>1,957,809</u>                            |
| <b>Current Assets</b>                                              |             |                                                 |                                                 |                                                 |                                             |
| Properties under development and for sales                         |             | 2,057,156                                       | 1,311,099                                       | –                                               | 1,312,146                                   |
| Inventories                                                        |             | 1,118                                           | 1,637                                           | –                                               | 1,810                                       |
| Trade and other receivables                                        |             | 49,317                                          | 107,898                                         | –                                               | 183,536                                     |
| Available-for-sale investments                                     |             | 567                                             | 589                                             | –                                               | 1,204                                       |
| Amount due from immediate holding company                          |             | 851,119                                         | 1,888,163                                       | –                                               | 1,969,161                                   |
| Amounts due from fellow subsidiaries                               |             | 351,756                                         | 36,861                                          | –                                               | 36,543                                      |
| Amount due from an associate                                       |             | –                                               | 1,486,582                                       | 2,789,513                                       | 1,581,356                                   |
| Amounts due from related companies                                 |             | 57                                              | 11,523                                          | –                                               | 21,490                                      |
| Amount due from a minority owner of the Shanghai Zendai Wudaokou   |             | 65,784                                          | –                                               | –                                               | –                                           |
| Pledged bank deposits                                              |             | –                                               | 11,770                                          | –                                               | 12,044                                      |
| Cash and cash equivalents                                          |             | <u>287,572</u>                                  | <u>332,536</u>                                  | <u>–</u>                                        | <u>188,686</u>                              |
|                                                                    |             | 3,664,446                                       | 5,188,658                                       | 2,789,513                                       | 5,307,976                                   |
| Assets classified as held for sale                                 | 2           | <u>–</u>                                        | <u>–</u>                                        | <u>5,587,463</u>                                | <u>–</u>                                    |
| <b>Total current assets</b>                                        |             | <u>3,664,446</u>                                | <u>5,188,658</u>                                | <u>8,376,976</u>                                | <u>5,307,976</u>                            |
| <b>Total assets</b>                                                |             | <u><u>5,036,843</u></u>                         | <u><u>7,143,565</u></u>                         | <u><u>8,883,600</u></u>                         | <u><u>7,265,785</u></u>                     |

**APPENDIX I**
**FINANCIAL INFORMATION OF  
SHANGHAI ZENDAI WUDAOKOU GROUP**

|                                                                                    | <i>Note</i> | As at 31<br>December<br>2009<br>HK\$'000 | As at 31<br>December<br>2010<br>HK\$'000 | As at 31<br>December<br>2011<br>HK\$'000 | As at<br>30 June<br>2011<br>HK\$'000 |
|------------------------------------------------------------------------------------|-------------|------------------------------------------|------------------------------------------|------------------------------------------|--------------------------------------|
| <b>Current liabilities</b>                                                         |             |                                          |                                          |                                          |                                      |
| Trade and other payables                                                           |             | 395,255                                  | 293,270                                  | –                                        | 367,827                              |
| Receipt in advance from customers                                                  |             | 102,431                                  | 228,047                                  | –                                        | 13,984                               |
| Amount due to ultimate holding company                                             |             | 928,163                                  | 673,345                                  | –                                        | 684,503                              |
| Amount due to immediate holding company                                            |             | 299,226                                  | 337,847                                  | 3,882,128                                | 349,020                              |
| Amounts due to fellow subsidiaries                                                 |             | 11,342                                   | 695,001                                  | –                                        | 611,866                              |
| Amount due to a related company                                                    |             | 18                                       | –                                        | –                                        | –                                    |
| Amount due to a minority owner of the Shanghai Zendai Wudaokou                     |             | 247,636                                  | –                                        | –                                        | –                                    |
| Bank loans                                                                         |             | 180,984                                  | 205,785                                  | –                                        | 307,058                              |
| Other borrowing                                                                    |             | –                                        | –                                        | 1,171,722                                | 1,153,800                            |
| Tax payable                                                                        |             | 248,946                                  | 455,918                                  | –                                        | 338,942                              |
|                                                                                    |             | <u>2,414,001</u>                         | <u>2,889,213</u>                         | <u>5,053,850</u>                         | <u>3,827,000</u>                     |
| Liabilities associated with assets classified as held for sale                     | 2           | <u>–</u>                                 | <u>–</u>                                 | <u>3,037,922</u>                         | <u>–</u>                             |
| <b>Total current liabilities</b>                                                   |             | <u>2,414,001</u>                         | <u>2,889,213</u>                         | <u>8,091,772</u>                         | <u>3,827,000</u>                     |
| <b>Non-current liabilities</b>                                                     |             |                                          |                                          |                                          |                                      |
| Bank loans                                                                         |             | 565,965                                  | 374,547                                  | –                                        | 391,425                              |
| Other borrowing                                                                    |             | –                                        | 1,127,589                                | –                                        | –                                    |
| Deferred tax liabilities                                                           |             | 457,613                                  | 368,466                                  | –                                        | 374,176                              |
|                                                                                    |             | <u>1,023,578</u>                         | <u>1,870,602</u>                         | <u>–</u>                                 | <u>765,601</u>                       |
| <b>Total non-current liabilities</b>                                               |             | <u>1,023,578</u>                         | <u>1,870,602</u>                         | <u>–</u>                                 | <u>765,601</u>                       |
| <b>Total liabilities</b>                                                           |             | <u>3,437,579</u>                         | <u>4,759,815</u>                         | <u>8,091,772</u>                         | <u>4,592,601</u>                     |
| <b>TOTAL NET ASSETS</b>                                                            |             | <u>1,599,264</u>                         | <u>2,383,750</u>                         | <u>791,828</u>                           | <u>2,673,184</u>                     |
| <b>Capital and reserves attributable to owners of the Shanghai Zendai Wudaokou</b> |             |                                          |                                          |                                          |                                      |
| Capital                                                                            |             | 231,700                                  | 231,700                                  | 231,700                                  | 231,700                              |
| Reserves                                                                           |             | 1,125,604                                | 1,810,230                                | 414,385                                  | 2,086,329                            |
| Equity attributable to owners of the Shanghai Zendai Wudaokou                      |             | <u>1,357,304</u>                         | <u>2,041,930</u>                         | <u>646,085</u>                           | <u>2,318,029</u>                     |
| <b>Non-controlling interests</b>                                                   |             | <u>241,960</u>                           | <u>341,820</u>                           | <u>145,743</u>                           | <u>355,155</u>                       |
| <b>TOTAL EQUITY</b>                                                                |             | <u>1,599,264</u>                         | <u>2,383,750</u>                         | <u>791,828</u>                           | <u>2,673,184</u>                     |

**APPENDIX I**
**FINANCIAL INFORMATION OF  
SHANGHAI ZENDAI WUDAOKOU GROUP**
**(c) The consolidated statements of changes in equity of the Shanghai Zendai Wudaokou Group for the Relevant Periods are as follows:**

|                                                                                              | Capital<br><i>HK\$'000</i> | Statutory<br>surplus<br>reserve<br><i>HK\$'000</i> | Retained<br>profits<br><i>HK\$'000</i> | Foreign<br>exchange<br>reserve<br><i>HK\$'000</i> | Equity<br>attributable<br>to owners<br>of the<br>Shanghai<br>Zendai<br>Wudaokou<br><i>HK\$'000</i> | Non-<br>controlling<br>interests<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|----------------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------|----------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------------|--------------------------|
| <b>At 1 January 2009</b>                                                                     | 231,700                    | 28,542                                             | 705,279                                | 58,785                                            | 1,024,306                                                                                          | 253,962                                             | 1,278,268                |
| Profit/(loss) for the year                                                                   | –                          | –                                                  | 329,447                                | –                                                 | 329,447                                                                                            | (6,770)                                             | 322,677                  |
| Exchange differences arising<br>on translation from<br>functional currency of RMB<br>to HK\$ | –                          | –                                                  | –                                      | 3,620                                             | 3,620                                                                                              | 805                                                 | 4,425                    |
| Total comprehensive income<br>for the year                                                   | –                          | –                                                  | 329,447                                | 3,620                                             | 333,067                                                                                            | (5,965)                                             | 327,102                  |
| Acquisition of additional<br>interests in subsidiaries                                       | –                          | –                                                  | (69)                                   | –                                                 | (69)                                                                                               | (6,037)                                             | (6,106)                  |
| Transfer to statutory surplus<br>reserve                                                     | –                          | 74,094                                             | (74,094)                               | –                                                 | –                                                                                                  | –                                                   | –                        |
| <b>At 31 December 2009 and<br/>1 January 2010</b>                                            | 231,700                    | 102,636                                            | 960,563                                | 62,405                                            | 1,357,304                                                                                          | 241,960                                             | 1,599,264                |
| Profit for the year                                                                          | –                          | –                                                  | 616,681                                | –                                                 | 616,681                                                                                            | 59,110                                              | 675,791                  |
| Exchange differences arising<br>on translation from<br>functional currency of RMB<br>to HK\$ | –                          | –                                                  | –                                      | 67,945                                            | 67,945                                                                                             | 10,736                                              | 78,681                   |
| Total comprehensive income<br>for the year                                                   | –                          | –                                                  | 616,681                                | 67,945                                            | 684,626                                                                                            | 69,846                                              | 754,472                  |
| Capital injection to a<br>subsidiary by non-<br>controlling interests                        | –                          | –                                                  | –                                      | –                                                 | –                                                                                                  | 30,014                                              | 30,014                   |
| Transfer to statutory surplus<br>reserve                                                     | –                          | 85,340                                             | (85,340)                               | –                                                 | –                                                                                                  | –                                                   | –                        |
| <b>At 31 December 2010 and<br/>1 January 2011</b>                                            | 231,700                    | 187,976                                            | 1,491,904                              | 130,350                                           | 2,041,930                                                                                          | 341,820                                             | 2,383,750                |

**APPENDIX I**
**FINANCIAL INFORMATION OF  
SHANGHAI ZENDAI WUDAOKOU GROUP**

|                                                                                              | Capital<br><i>HK\$'000</i> | Statutory<br>surplus<br>reserve<br><i>HK\$'000</i> | Retained<br>profits<br><i>HK\$'000</i> | Foreign<br>exchange<br>reserve<br><i>HK\$'000</i> | Equity<br>attributable<br>to owners<br>of the<br>Shanghai<br>Zendai<br>Wudaokou<br><i>HK\$'000</i> | Non-<br>controlling<br>interests<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|----------------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------|----------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------------|--------------------------|
| Profit/(loss) for the year                                                                   | –                          | –                                                  | 245,550                                | –                                                 | 245,550                                                                                            | (3,905)                                             | 241,645                  |
| Exchange differences arising<br>on translation from<br>functional currency of RMB<br>to HK\$ | –                          | –                                                  | –                                      | 83,372                                            | 83,372                                                                                             | 13,324                                              | 96,696                   |
| Total comprehensive income<br>for the year                                                   | –                          | –                                                  | 245,550                                | 83,372                                            | 328,922                                                                                            | 9,419                                               | 338,341                  |
| Dividends distributed to non-<br>controlling interests                                       | –                          | –                                                  | –                                      | –                                                 | –                                                                                                  | (205,496)                                           | (205,496)                |
| Dividends approved                                                                           | –                          | –                                                  | (1,724,767)                            | –                                                 | (1,724,767)                                                                                        | –                                                   | (1,724,767)              |
| Transfer to statutory surplus<br>reserve                                                     | –                          | 7,988                                              | (7,988)                                | –                                                 | –                                                                                                  | –                                                   | –                        |
| <b>At 31 December 2011</b>                                                                   | <b>231,700</b>             | <b>195,964</b>                                     | <b>4,699</b>                           | <b>213,722</b>                                    | <b>646,085</b>                                                                                     | <b>145,743</b>                                      | <b>791,828</b>           |

## (d) The consolidated statements of cash flows of the Shanghai Zendai Wudaokou Group for the Relevant Periods are as follows:

|                                                                                                   | Year ended<br>31 December<br>2009<br>HK\$'000 | Year ended<br>31 December<br>2010<br>HK\$'000 | Year ended<br>31 December<br>2011<br>HK\$'000 | Six months<br>ended<br>30 June<br>2011<br>HK\$'000 |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|----------------------------------------------------|
| <b>Cash flows from operating activities</b>                                                       |                                               |                                               |                                               |                                                    |
| Profit before income tax expenses                                                                 | 435,162                                       | 912,163                                       | 639,592                                       | 336,852                                            |
| Adjustments for:                                                                                  |                                               |                                               |                                               |                                                    |
| Interest income                                                                                   | (177)                                         | (4,418)                                       | (1,483)                                       | (144)                                              |
| Dividend income from available-for-sale investments                                               | –                                             | (38)                                          | –                                             | –                                                  |
| Finance costs                                                                                     | 36,883                                        | 72,074                                        | 260,465                                       | 128,187                                            |
| Depreciation of property, plant and equipment                                                     | 16,575                                        | 18,702                                        | 16,428                                        | 8,568                                              |
| Amortisation of payment for leasehold land held for own use under operating leases                | 16,531                                        | 17,040                                        | 17,934                                        | 8,907                                              |
| (Reversal of impairment)/impairment loss on property, plant and equipment                         | (16,590)                                      | (11,001)                                      | 9,694                                         | –                                                  |
| Reversal of impairment loss on payment for leasehold land held for own use under operating leases | (10,293)                                      | (47,982)                                      | (45,371)                                      | –                                                  |
| Reversal of write-down of properties under development                                            | (16,586)                                      | (22,369)                                      | –                                             | –                                                  |
| Change in fair value of investment properties                                                     | (35,124)                                      | (881)                                         | (25,443)                                      | (6,768)                                            |
| Share of results of associates                                                                    | 3,258                                         | (89,956)                                      | 3,877                                         | 2,553                                              |
| Write-off of property, plant and equipment                                                        | 45                                            | 543                                           | 5,243                                         | –                                                  |
| Impairment loss on goodwill                                                                       | –                                             | 17,381                                        | –                                             | –                                                  |
| Gain on disposal of investment properties                                                         | –                                             | –                                             | (54,345)                                      | –                                                  |
| Gain on disposal of available-for-sale investments                                                | (353)                                         | –                                             | (24)                                          | (23)                                               |
| Gain on disposal of a subsidiary                                                                  | –                                             | (2,632)                                       | –                                             | –                                                  |

**APPENDIX I**
**FINANCIAL INFORMATION OF  
SHANGHAI ZENDAI WUDAOKOU GROUP**

|                                                                              | Year ended<br>31 December<br>2009<br><i>HK\$'000</i> | Year ended<br>31 December<br>2010<br><i>HK\$'000</i> | Year ended<br>31 December<br>2011<br><i>HK\$'000</i> | Six months<br>ended<br>30 June<br>2011<br><i>HK\$'000</i> |
|------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------|
| <b>Operating profit before working capital changes</b>                       | 429,331                                              | 858,626                                              | 826,567                                              | 478,132                                                   |
| Decrease/(increase) in trade and other receivables                           | 29,687                                               | (56,763)                                             | 10,642                                               | (73,129)                                                  |
| Decrease/(increase) in properties under development and for sales            | 137,445                                              | 813,510                                              | (29,755)                                             | 29,429                                                    |
| Decrease/(increase) in inventories                                           | 39                                                   | (476)                                                | (183)                                                | 135                                                       |
| Increase/(decrease) in trade and other payables                              | 235,049                                              | (117,826)                                            | (175,057)                                            | (30,101)                                                  |
| (Decrease)/increase in receipts in advance from customers                    | <u>(399,959)</u>                                     | <u>121,748</u>                                       | <u>(127,015)</u>                                     | <u>(219,364)</u>                                          |
| <b>Cash generated from operations</b>                                        | 431,592                                              | 1,618,819                                            | 505,199                                              | 185,102                                                   |
| Interest received                                                            | 177                                                  | 4,418                                                | 1,483                                                | 144                                                       |
| Interest paid                                                                | (56,085)                                             | (49,365)                                             | (56,867)                                             | (30,346)                                                  |
| Income taxes paid                                                            | <u>(57,021)</u>                                      | <u>(151,310)</u>                                     | <u>(271,704)</u>                                     | <u>(235,737)</u>                                          |
| <b>Net cash generated from/(used in) operating activities</b>                | <u>318,663</u>                                       | <u>1,422,562</u>                                     | <u>178,111</u>                                       | <u>(80,837)</u>                                           |
| <b>Investing activities</b>                                                  |                                                      |                                                      |                                                      |                                                           |
| Capital injection in an associate                                            | –                                                    | (568,311)                                            | –                                                    | –                                                         |
| Increase in amount due from immediate holding company                        | (397,440)                                            | (1,004,907)                                          | (426,088)                                            | (37,108)                                                  |
| (Increase)/decrease in amounts due from fellow subsidiaries                  | (44,185)                                             | 328,178                                              | (2,954)                                              | 1,175                                                     |
| Decrease/(increase) in amounts due from related companies                    | 5,906                                                | (11,464)                                             | 9,939                                                | (9,698)                                                   |
| Decrease in amount due from a minority owner of the Shanghai Zendai Wudaokou | 22,684                                               | 68,267                                               | –                                                    | –                                                         |

**APPENDIX I**
**FINANCIAL INFORMATION OF  
SHANGHAI ZENDAI WUDAOKOU GROUP**

|                                                                   | Year ended<br>31 December<br>2009<br><i>HK\$'000</i> | Year ended<br>31 December<br>2010<br><i>HK\$'000</i> | Year ended<br>31 December<br>2011<br><i>HK\$'000</i> | Six months<br>ended<br>30 June<br>2011<br><i>HK\$'000</i> |
|-------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------|
| Increase in amount due from an associate                          | –                                                    | (1,486,582)                                          | (1,223,911)                                          | (60,219)                                                  |
| Purchase of available-for-sale investments                        | (1,134)                                              | –                                                    | (9,269)                                              | (8,420)                                                   |
| Purchase of property, plant and equipment                         | (7,523)                                              | (8,886)                                              | (874)                                                | (1,574)                                                   |
| Net cash inflow on disposal of a subsidiary                       | –                                                    | 13,170                                               | –                                                    | –                                                         |
| Net cash inflow on disposal of a partial interest in an associate | –                                                    | 171,272                                              | –                                                    | –                                                         |
| Purchase of investment properties                                 | –                                                    | (10,866)                                             | –                                                    | –                                                         |
| Proceeds from disposal of available-for-sale investments          | 3,189                                                | –                                                    | 627                                                  | 619                                                       |
| Proceeds from disposal of investment properties                   | –                                                    | –                                                    | 227,807                                              | –                                                         |
| Dividend received from available-for-sale investments             | –                                                    | 38                                                   | –                                                    | –                                                         |
| Dividend received from an associate                               | –                                                    | –                                                    | 38,892                                               | 38,300                                                    |
| Acquisition of a subsidiary, net of cash acquired                 | –                                                    | –                                                    | (99,156)                                             | –                                                         |
| Acquisition of additional interests in subsidiaries               | (6,106)                                              | –                                                    | –                                                    | –                                                         |
| <b>Net cash used in investing activities</b>                      | <b>(424,609)</b>                                     | <b>(2,510,091)</b>                                   | <b>(1,484,987)</b>                                   | <b>(76,925)</b>                                           |
| <b>Financing activities</b>                                       |                                                      |                                                      |                                                      |                                                           |
| Increase in bank loans                                            | 396,969                                              | 346,104                                              | 177,026                                              | 110,683                                                   |
| Repayment of bank loans                                           | (287,440)                                            | (540,925)                                            | (248,349)                                            | (6,022)                                                   |
| (Increase)/decrease in pledged bank deposits                      | –                                                    | (11,770)                                             | 12,231                                               | –                                                         |
| Increase in other borrowing                                       | –                                                    | 1,127,589                                            | –                                                    | –                                                         |
| Decrease in amount due to ultimate holding company                | –                                                    | (289,865)                                            | (695,135)                                            | (4,493)                                                   |
| Increase in amount due to immediate holding company               | 100,981                                              | 27,323                                               | 1,918,015                                            | 3,321                                                     |

**APPENDIX I**
**FINANCIAL INFORMATION OF  
SHANGHAI ZENDAI WUDAOKOU GROUP**

|                                                                                                | Year ended<br>31 December<br>2009<br><i>HK\$'000</i> | Year ended<br>31 December<br>2010<br><i>HK\$'000</i> | Year ended<br>31 December<br>2011<br><i>HK\$'000</i> | Six months<br>ended<br>30 June<br>2011<br><i>HK\$'000</i> |
|------------------------------------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------|
| (Decrease)/increase in amounts<br>due to fellow subsidiaries                                   | (4,347)                                              | 683,231                                              | 26,714                                               | (99,290)                                                  |
| Increase/(decrease) in amount<br>due to related companies                                      | 6                                                    | (19)                                                 | 2,484                                                | –                                                         |
| Increase/(decrease) in amount<br>due to a minority owner of<br>the Shanghai Zendai<br>Wudaokou | 94,334                                               | (256,987)                                            | –                                                    | –                                                         |
| Contribution by non-controlling<br>interests                                                   | –                                                    | 30,014                                               | –                                                    | –                                                         |
| <b>Net cash from financing<br/>activities</b>                                                  | <u>300,503</u>                                       | <u>1,114,695</u>                                     | <u>1,192,986</u>                                     | <u>4,199</u>                                              |
| <b>Net increase/(decrease) in cash<br/>and cash equivalents</b>                                | 194,557                                              | 27,166                                               | (113,890)                                            | (153,563)                                                 |
| <b>Cash and cash equivalents at<br/>beginning of the year/period</b>                           | 92,573                                               | 287,572                                              | 332,536                                              | 332,536                                                   |
| <b>Effect of foreign exchange rate<br/>changes</b>                                             | 442                                                  | 17,798                                               | (15,474)                                             | 9,713                                                     |
| <b>Cash and cash equivalents<br/>classified as assets held for<br/>sales</b>                   | –                                                    | –                                                    | (203,172)                                            | –                                                         |
| <b>Cash and cash equivalents at<br/>end of year/period</b>                                     | <u>287,572</u>                                       | <u>332,536</u>                                       | <u>–</u>                                             | <u>188,686</u>                                            |

**NOTE TO THE FINANCIAL INFORMATION**

*FOR THE YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011 AND THE SIX MONTHS  
ENDED 30 JUNE 2011*

**1. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL  
INFORMATION**

The financial information of the Shanghai Zendai Wudaokou Group for the Relevant Periods has been prepared using the same accounting policies adopted by the Group, which conform with the recognition and measurement requirements in the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The financial information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular to be issued by the Company in connection with the disposal of the entire interests in Shanghai Zendai Wudaokou.

In preparing the financial information, the assets and liabilities that will be disposed under the Zendai Spin-off (the “Disposal Group”) are classified as assets held for sale and liabilities associated with assets held for sale and are presented separately as at 31 December 2011. The operation of the Disposal Group is classified as discontinued operation during the Relevant Periods. Notwithstanding that the First Supplemental Agreement has been entered into between Shanghai Zendai Land, Greentown Jiahe and the Purchaser that allows the Shanghai Zendai Wudaokou to dispose of its entire interests in Shanghai Haizhimen to Greentown Hesheng or other Purchaser’s designated entity by 31 December 2012 in case the Zendai Spin-off is not completed prior to the transfer of the Zendai Sale Interest from Shanghai Zendai Land to the Purchaser or its designated entity, it is the directors’ intention to complete the Zendai Spin-off prior to the completion of the Zendai Disposal. Accordingly, the Directors consider that it is more appropriate to present the financial information on the assumption that the Zendai Spin-off is completed prior to the Zendai Disposal.

**2. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES  
AND DISCONTINUED OPERATION**

The assets and liabilities attributable to the Disposal Group, which are presented below, are classified as assets held for sale and liabilities associated with assets held for sale and are presented separately in the financial information as at 31 December 2011.

|                                                                       | <i>HK\$'000</i> |
|-----------------------------------------------------------------------|-----------------|
| Property, plant and equipment                                         | 365,885         |
| Investment properties                                                 | 326,282         |
| Payment for leasehold land held<br>for own use under operating leases | 642,794         |
| Interest in an associate                                              | 106,134         |
| Available-for-sale investments                                        | 9,357           |
| Properties under development and for sales                            | 1,399,032       |
| Inventories                                                           | 1,884           |
| Trade and other receivables                                           | 101,478         |
| Amount due from immediate holding company                             | 2,388,152       |
| Amounts due from fellow subsidiaries                                  | 41,258          |
| Amounts due from related companies                                    | 2,035           |
| Cash and cash equivalents                                             | 203,172         |
|                                                                       | <hr/>           |
| Total assets classified as held for sale                              | 5,587,463       |
|                                                                       | <hr/> <hr/>     |
| Trade and other payables                                              | 340,152         |
| Receipt in advance from customers                                     | 109,958         |
| Amount due to ultimate holding company                                | 4,563           |
| Amount due to immediate holding company                               | 317,220         |
| Amounts due to fellow subsidiaries                                    | 748,918         |
| Amount due to a related company                                       | 2,484           |
| Bank loans                                                            | 531,722         |
| Tax payable                                                           | 654,124         |
| Deferred tax liabilities                                              | 328,781         |
|                                                                       | <hr/>           |
| Total liabilities associated with assets held for sale                | 3,037,922       |
|                                                                       | <hr/> <hr/>     |

The Disposal Group is engaged in sales of properties, hotel operations and properties rental, management and agency services. The disposal of the Disposal Group upon the Zendai Spin-off constituted discontinued operations.

During the year ended 31 December 2009, the Disposal Group contributed HK\$318,663,000 to the Shanghai Zendai Wudaokou Group's net operating cash flows, paid HK\$424,609,000 in respect of investing activities and contributed HK\$300,503,000 in respect of financing activities.

During the year ended 31 December 2010, the Disposal Group contributed HK\$1,431,152,000 to the Shanghai Zendai Wudaokou Group's net operating cash flows, paid HK\$455,198,000 in respect of investing activities and contributed HK\$1,114,695,000 in respect of financing activities.

During the year ended 31 December 2011, the Disposal Group contributed HK\$183,141,000 in the Shanghai Zendai Wudaokou Group's net operating cash flows, paid HK\$161,920,000 in respect of investing activities and paid HK\$12,894,000 in respect of financing activities.

During the period ended 30 June 2011, the Disposal Group used HK\$75,129,000 in the Shanghai Zendai Wudaokou Group's net operating cash flows, paid HK\$16,706,000 in respect of investing activities and contributed HK\$4,199,000 in respect of financing activities.

**1. FINANCIAL INFORMATION OF THE GROUP**

Details of the financial information of the Group for the financial years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2011 are disclosed in the Company's annual reports for the financial years ended 31 December 2008, 2009 and 2010 and interim report for the six months ended 30 June 2011 respectively. All of these financial statements have been published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.zendai.com](http://www.zendai.com).

**2. INDEBTEDNESS STATEMENT****Borrowings**

As at the close of business on 31 December 2011, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had outstanding borrowings of approximately HK\$12,766,081,000, details of which are set out below:

|                                                                                  | <i>HK\$'000</i> |
|----------------------------------------------------------------------------------|-----------------|
| Bank and other loans, secured and guaranteed by a related company                |                 |
| – current                                                                        | 754,648         |
| – non-current                                                                    | 1,806,183       |
| Other borrowing, secured and guaranteed by a related company                     | 1,171,722       |
| Senior loan notes, secured and guaranteed by certain subsidiaries of the Company | 1,085,154       |
| Amounts due to non-controlling shareholders, unsecured                           | 173,310         |
| Amounts due to related companies, unsecured                                      | 55,089          |
| Amount due to an associate, unsecured                                            | 7,719,975       |

**Securities**

As at 31 December 2011, property, plant and equipment of approximately HK\$371,632,000, payment for leasehold land held for own use under operating leases of approximately HK\$598,828,000, investment properties of approximately HK\$1,928,893,000, properties for development and sales of approximately HK\$1,432,966,000 and bank deposits of approximately HK\$224,749,000 were pledged to secure the bank loans granted to the Group.

The Group pledged 10% equity interest in Shanghai Haizhimen, an associate of the Group, with attributable carrying amount of approximately HK\$122,369,000 and entire interest in a subsidiary, 上海証大西鎮房地產開發有限公司 (Shanghai Zendai Xizhen Development Company Limited)\* which has properties under development with carrying amount of approximately HK\$482,039,000 to secure the other borrowing.

The Group also pledged 45% equity interest in 上海証大喜瑪拉雅置業有限公司 (Shanghai Zendai Himalayas Real Estate Company Limited)\*, an associate of the Group, with attributable carrying amount of approximately HK\$419,583,000 to secure the shareholder's loan provided to Shanghai Haizhimen.

Moreover, the Group pledged its equity interests in certain subsidiaries to secure the senior loan notes.

### **Contingent liabilities**

As at 31 December 2011, the Group provided guarantees to the extent of approximately HK\$383,999,000 for customers in favour of banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificates of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payables, the Group did not have any loan capital issued or agreed to be issued, debt securities issued and outstanding, authorised or otherwise created but unissued, term loans, other borrowings or indebtedness including bank overdrafts, liabilities under acceptances, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 December 2011.

### **3. WORKING CAPITAL**

After taking into account the bases that (i) the Zendai Disposal can be completed as currently envisaged; (ii) no material change in general economic performance in the PRC and the real estate sector maintains a steady sentiment in the consumption of properties that drives the sales of the properties launched/to be launched by the Group; (iii) no material change in regulatory policies leading to adverse impact on the banks' general lending policies to property developers; and (iv) the present internal financial resources available as well as the available banking facilities, including the RMB950 million facility obtained from Bank of Communication, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

### **4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

\* for identification purpose only

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

*The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.*



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永安中心25樓

28 February 2012

The Board of Directors  
Shanghai Zendai Property Limited  
Unit 6108  
61/F, The Centre  
99 Queen's Road Central  
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) of Shanghai Zendai Property Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), as set out on pages 55 to 64 in Appendix III to the circular dated 28 February 2012 (“Circular”), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information on how the proposed disposal (the “Zendai Disposal”) of the entire equity interest in and the shareholder’s loan due by 上海証大五道口房地產開發有限公司 (Shanghai Zendai Wudaokou Property Company Limited (“Shanghai Zendai Wudaokou”)), a wholly owned subsidiary of the Company, might have affected the financial information presented in respect of the Group, for inclusion in Appendix III to the Circular. The Group after the completion of the Zendai Disposal is referred to as the Remaining Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 55 in Appendix III 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 (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of 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 purposes only, based on the judgements 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 the future and may not be indicative of:

- the financial position of the Remaining Group as at 30 June 2011 or any future date; and
- the results and cash flows of the Remaining Group for the six months ended 30 June 2011 or any future period.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

**BDO Limited**

*Certified Public Accountants*

Hong Kong

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING  
GROUP**

The unaudited pro forma financial information presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Zendai Disposal had been completed on 30 June 2011; and (b) the results and cash flows of the Remaining Group as if the Zendai Disposal had been completed on 1 January 2011. This unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Group as at 30 June 2011 or at any future date had the Zendai Disposal been completed on 30 June 2011 or the results and cash flows of the Group for the six months ended 30 June 2011 or for any future period had the Zendai Disposal been completed on 1 January 2011.

The unaudited pro forma financial information is prepared based on the unaudited pro forma condensed consolidated statement of financial position as at 30 June 2011, the unaudited pro forma condensed consolidated statement of comprehensive income and unaudited pro forma condensed consolidated statement of cash flows for the six months ended as set out in the Appendix III – Unaudited pro forma financial information on the remaining group of the Company’s circular dated 25 November 2011 (the “2011 Circular”) in relation to the proposed disposal of the entire interest in and shareholder’s loan due by the Project Company and the financial information of Shanghai Zendai Wudaokou Group set out in Appendix I to the Circular and was prepared in accordance with paragraph 29(1) of Chapter 4 and paragraph 68(2)(a)(ii) of Chapter 14 of the Listing Rules.

**APPENDIX III**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION ON THE REMAINING GROUP**
**(a) Unaudited pro forma condensed consolidated statement of comprehensive income  
of the Remaining Group**

|                                                                                                   | Unaudited<br>pro forma<br>remaining<br>group upon<br>disposal of<br>the Project<br>Company | HK\$'000<br>(Note 1) | HK\$'000<br>(Note 2) | Pro forma adjustments | HK\$'000<br>(Note 3) | HK\$'000<br>(Note 4) | HK\$'000<br>(Note 5) | HK\$'000<br>(Note 6) | Unaudited<br>pro forma<br>Remaining<br>Group |
|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------------------------------|
|                                                                                                   |                                                                                            |                      |                      |                       |                      |                      |                      |                      | HK\$'000                                     |
| Turnover                                                                                          |                                                                                            | 1,322,680            |                      |                       | (956,850)            | 956,850              |                      |                      | 1,322,680                                    |
| Cost of sales                                                                                     |                                                                                            | (601,454)            |                      |                       | 405,844              | (405,844)            |                      |                      | (601,454)                                    |
| Gross profit                                                                                      |                                                                                            | 721,226              |                      |                       |                      |                      |                      |                      | 721,226                                      |
| Other income and gains                                                                            |                                                                                            | 117,791              |                      |                       | (1,767)              | 1,767                |                      |                      | 117,791                                      |
| Gain on disposal of the Project Company                                                           |                                                                                            | 58,339               |                      | 32,681                |                      |                      |                      |                      | 91,020                                       |
| Gain on the Zendai Disposal                                                                       |                                                                                            | –                    |                      |                       |                      |                      | 1,504,036            |                      | 1,504,036                                    |
| Distribution expenses                                                                             |                                                                                            | (58,489)             |                      |                       | 17,745               | (17,745)             |                      |                      | (58,489)                                     |
| Administrative expenses                                                                           |                                                                                            | (136,754)            |                      |                       | 74,204               | (74,204)             |                      |                      | (136,754)                                    |
| Change in fair value of investment<br>properties                                                  |                                                                                            | 9,295                |                      |                       |                      |                      |                      |                      | 9,295                                        |
| Impairment loss on goodwill                                                                       |                                                                                            | (1,040)              |                      |                       |                      |                      |                      |                      | (1,040)                                      |
| Share of results of associates                                                                    |                                                                                            | (54,672)             | 89                   |                       | 2,553                | (2,347)              |                      |                      | (54,377)                                     |
| Share of result of a jointly controlled entity                                                    |                                                                                            | (1,710)              |                      |                       |                      |                      |                      |                      | (1,710)                                      |
| Finance costs                                                                                     |                                                                                            | (238,180)            |                      |                       | 128,187              | (25,560)             |                      |                      | (135,553)                                    |
| Profit before income tax expenses                                                                 |                                                                                            | 415,806              |                      |                       |                      |                      |                      |                      | 2,055,445                                    |
| Income tax expenses                                                                               |                                                                                            | (255,367)            |                      |                       | 105,310              | (105,310)            | (361,815)            |                      | (617,182)                                    |
| <b>Profit for the period</b>                                                                      |                                                                                            | <b>160,439</b>       |                      |                       |                      |                      |                      |                      | <b>1,438,263</b>                             |
| <b>Other comprehensive income</b>                                                                 |                                                                                            |                      |                      |                       |                      |                      |                      |                      |                                              |
| Exchange differences arising on translation<br>of foreign operations                              |                                                                                            | 115,156              |                      |                       | (57,891)             | 29,790               |                      |                      | 87,055                                       |
| Release of other revaluation reserve on<br>disposal of properties for sales held by<br>associates |                                                                                            | (9,902)              |                      |                       |                      |                      |                      |                      | (9,902)                                      |
| Release of foreign exchange reserve upon<br>disposal of subsidiaries                              |                                                                                            | (119,018)            |                      |                       |                      |                      | (59,155)             |                      | (178,173)                                    |
| Tax expenses related to release of other<br>revaluation reserve                                   |                                                                                            | 1,485                |                      |                       |                      |                      |                      |                      | 1,485                                        |
| <b>Other comprehensive income for the<br/>period, net of tax</b>                                  |                                                                                            | <b>(12,279)</b>      |                      |                       |                      |                      |                      |                      | <b>(99,535)</b>                              |
| <b>Total comprehensive income for the period</b>                                                  |                                                                                            | <b>148,160</b>       |                      |                       |                      |                      |                      |                      | <b>1,338,728</b>                             |

# APPENDIX III

# UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

|                                                                       | Unaudited<br>pro forma<br>remaining<br>group upon<br>disposal of<br>the Project<br>Company<br>HK\$'000<br>(Note 1) | HK\$'000<br>(Note 2) | Pro forma adjustments |                      |                      |                      | Unaudited<br>pro forma<br>Remaining<br>Group<br>HK\$'000 |
|-----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------------------------------------------|
|                                                                       |                                                                                                                    |                      | HK\$'000<br>(Note 3)  | HK\$'000<br>(Note 4) | HK\$'000<br>(Note 5) | HK\$'000<br>(Note 6) |                                                          |
| <b>Profit/(loss) for the period attributable to:</b>                  |                                                                                                                    |                      |                       |                      |                      |                      |                                                          |
| Owners of the Company                                                 | 166,755                                                                                                            | 89                   | 32,681                | (224,774)            | 327,607              | 1,142,221            | 1,444,579                                                |
| Non-controlling interests                                             | (6,316)                                                                                                            |                      |                       |                      |                      |                      | (6,316)                                                  |
|                                                                       | <u>160,439</u>                                                                                                     |                      |                       |                      |                      |                      | <u>1,438,263</u>                                         |
| <b>Total comprehensive income for the period<br/>attributable to:</b> |                                                                                                                    |                      |                       |                      |                      |                      |                                                          |
| Owners of the Company                                                 | 148,026                                                                                                            | 89                   | 32,681                | (282,665)            | 357,397              | 1,083,066            | 1,338,594                                                |
| Non-controlling interests                                             | 134                                                                                                                |                      |                       |                      |                      |                      | 134                                                      |
|                                                                       | <u>148,160</u>                                                                                                     |                      |                       |                      |                      |                      | <u>1,338,728</u>                                         |

## Notes:

- (1) These figures are extracted from the unaudited pro forma condensed consolidated statement of comprehensive income as set out in the Appendix III of the 2011 Circular.

Assuming the Zendai Disposal had been completed on 1 January 2011:

- (2) Adjustment to reverse recognition of share of loss of the Project Company for the six months ended 30 June 2011 under equity method which was recognised in the preparation of the unaudited pro forma condensed consolidated statement of comprehensive income of the remaining group as set out in the Appendix III of the 2011 Circular.
- (3) Adjustment to reverse elimination of the unrealised gain upon disposal of the Project Company to Shanghai Haizhimen which was recognised in the preparation of the unaudited pro forma condensed consolidated statement of comprehensive income of the remaining group as set out in the Appendix III of the 2011 Circular.
- (4) Adjustment to reflect the exclusion of the results of the Shanghai Zendai Wudaokou Group for the six months ended 30 June 2011.
- (5) Adjustment to reflect the Zendai Spin-off, assuming it had been completed on 1 January 2011. For the purpose of this unaudited pro forma financial information on the Remaining Group, it is assumed that no tax expenses will be incurred in relation to the Zendai Spin-off.

# APPENDIX III

# UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

- (6) Adjustment to reflect the estimated gain arising from the Zendai Disposal based on the Zendai Consideration of RMB2,960,000,000 (equivalent to HK\$3,483,992,000) less estimated expenses (mainly legal and professional fee of approximately RMB2,000,000 (equivalent to HK\$2,354,000) and tax for the Zendai Disposal as presented below.

HK\$'000

## Zendai Consideration

|                             |           |
|-----------------------------|-----------|
| – Zendai Sale Interest      | 1,977,245 |
| – Zendai Shareholder's Loan | 1,506,747 |

3,483,992

## Cost of the Zendai Disposal

|                                                  |             |
|--------------------------------------------------|-------------|
| Net assets of the Shanghai Zendai Wudaokou Group | (466,449)   |
| Zendai Shareholder's Loan                        | (442,719)   |
| Other borrowing                                  | (1,127,589) |

Interests in and amount due from an associate, Shanghai Haizhimen (2,036,757)

|                                                                                                                                                                        |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Gain on the Zendai Disposal before related expenses and tax                                                                                                            | 1,447,235 |
| Legal and professional fee                                                                                                                                             | (2,354)   |
| Reclassification adjustment of the cumulative foreign exchange reserve of the Shanghai Zendai Wudaokou Group to profit or loss for the period upon the Zendai Disposal | 59,155    |

|                                                                                                                                                                 |            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Gain on the Zendai Disposal after related expenses and reclassification adjustment of cumulative foreign exchange reserve of the Shanghai Zendai Wudaokou Group | 1,504,036  |
| Capital gain tax upon disposal of Shanghai Zendai Wudaokou                                                                                                      | (361,815)* |

**Gain on the Zendai Disposal after reclassification adjustment of foreign exchange reserve of the Shanghai Zendai Wudaokou Group recognised in profit or loss** 1,142,221

|                                                                                                                                                                            |          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Reclassification adjustment of cumulative foreign exchange reserve of the Shanghai Zendai Wudaokou Group upon the Zendai Disposal recognised in other comprehensive income | (59,155) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

**Gain on the Zendai Disposal recognised in total comprehensive income** 1,083,066

- \* Being estimated provision of the PRC capital gain tax upon disposal of the Shanghai Zendai Wudaokou under prevailing the PRC tax rules and practices, being 25% on the excess of the consideration for the Zendai Sale Interest over the attributable registered capital of Shanghai Zendai Wudaokou.

- (7) The adjustment (5) above is expected to have a continuing effect on the Group. The adjustments (2), (3), (4) and (6) above are not expected to have a continuing effect on the Group.

For the purpose of presentation of the pro forma condensed consolidated statement of comprehensive income, Renminbi is translated into HK\$ at the approximate exchange rate of RMB1 to HK\$1.177 on 1 January 2011.

# APPENDIX III

# UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

## (b) Unaudited pro forma condensed consolidated statement of financial position of the Remaining Group

|                                                                    | Unaudited<br>pro forma<br>remaining<br>group upon<br>disposal of<br>the Project<br>Company<br>HK\$'000<br>(Note 1) | HK\$'000<br>(Note 2) | HK\$'000<br>(Note 3) | Pro forma adjustments |                      | HK\$'000<br>(Note 6) | HK\$'000<br>(Note 7) | Unaudited<br>pro forma<br>Remaining<br>Group<br>HK\$'000 |
|--------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------------------------------------------|
|                                                                    |                                                                                                                    |                      |                      | HK\$'000<br>(Note 4)  | HK\$'000<br>(Note 5) |                      |                      |                                                          |
| <b>Non-current assets</b>                                          |                                                                                                                    |                      |                      |                       |                      |                      |                      |                                                          |
| Property, plant and equipment                                      | 447,484                                                                                                            |                      |                      |                       | (383,320)            | 383,320              |                      | 447,484                                                  |
| Investment properties                                              | 1,810,201                                                                                                          |                      |                      |                       | (443,098)            | 443,098              |                      | 1,810,201                                                |
| Payment for leasehold land held for own use under operating leases | 594,638                                                                                                            |                      |                      |                       | (596,562)            | 596,562              |                      | 594,638                                                  |
| Goodwill                                                           | 101,211                                                                                                            |                      |                      |                       |                      |                      |                      | 101,211                                                  |
| Interests in associates                                            | 1,067,399                                                                                                          | 99,800               | 77,174               | (527,542)             |                      | 28,628               |                      | 745,459                                                  |
| Interest in a jointly controlled entity                            | 55,639                                                                                                             |                      |                      |                       |                      |                      |                      | 55,639                                                   |
| Available-for-sale investments                                     | 35,328                                                                                                             |                      |                      |                       | (7,287)              | 7,287                |                      | 35,328                                                   |
|                                                                    | <u>4,111,900</u>                                                                                                   |                      |                      |                       |                      |                      |                      | <u>3,789,960</u>                                         |
| <b>Current assets</b>                                              |                                                                                                                    |                      |                      |                       |                      |                      |                      |                                                          |
| Properties under development and for sales                         | 4,716,776                                                                                                          |                      |                      |                       | (1,312,146)          | 1,312,146            |                      | 4,716,776                                                |
| Inventories                                                        | 2,557                                                                                                              |                      |                      |                       | (1,810)              | 1,810                |                      | 2,557                                                    |
| Trade and other receivables                                        | 572,397                                                                                                            |                      |                      |                       | (183,536)            | 183,536              |                      | 572,397                                                  |
| Deposits for property development                                  | 7,669                                                                                                              |                      |                      |                       |                      |                      |                      | 7,669                                                    |
| Amount due from immediate holding company                          | –                                                                                                                  |                      |                      |                       | (1,969,161)          | 1,969,161            |                      | –                                                        |
| Amounts due from fellow subsidiaries                               | –                                                                                                                  |                      |                      |                       | (36,543)             | 36,543               |                      | –                                                        |
| Amounts due from associates                                        | 426,010                                                                                                            |                      |                      |                       |                      |                      |                      | 426,010                                                  |
| Amount due from a jointly controlled entity                        | 567,093                                                                                                            |                      |                      |                       |                      |                      |                      | 567,093                                                  |
| Available-for-sale investments                                     | 1,204                                                                                                              |                      |                      |                       | (1,204)              | 1,204                |                      | 1,204                                                    |
| Amounts due from related companies                                 | 14,955                                                                                                             |                      |                      |                       | (21,490)             | 21,490               |                      | 14,955                                                   |
| Pledged bank deposits                                              | 261,495                                                                                                            |                      |                      |                       | (12,044)             | 12,044               |                      | 261,495                                                  |
| Tax prepayments                                                    | 30,551                                                                                                             |                      |                      |                       |                      |                      |                      | 30,551                                                   |
| Cash and cash equivalents                                          | 12,793,964                                                                                                         |                      | (97,692)             | (188,686)             | 188,686              | 2,408,767            |                      | 15,105,039                                               |
|                                                                    | <u>19,394,671</u>                                                                                                  |                      |                      |                       |                      |                      |                      | <u>21,705,746</u>                                        |

# APPENDIX III

# UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

|                                                                   | Unaudited<br>pro forma<br>remaining<br>group upon<br>disposal of<br>the Project<br>Company |                      |                      | Pro forma adjustments |                      |                      |                      | Unaudited<br>pro forma<br>Remaining<br>Group |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------------------------------|
|                                                                   | HK\$'000<br>(Note 1)                                                                       | HK\$'000<br>(Note 2) | HK\$'000<br>(Note 3) | HK\$'000<br>(Note 4)  | HK\$'000<br>(Note 5) | HK\$'000<br>(Note 6) | HK\$'000<br>(Note 7) | HK\$'000                                     |
| <b>Current liabilities</b>                                        |                                                                                            |                      |                      |                       |                      |                      |                      |                                              |
| Trade and other payables                                          | 650,495                                                                                    |                      |                      |                       | (367,827)            | 367,827              |                      | 650,495                                      |
| Receipts in advance from customers                                | 2,406,666                                                                                  |                      |                      |                       | (13,984)             | 13,984               |                      | 2,406,666                                    |
| Amount due to an associate                                        | 7,558,616                                                                                  |                      | (20,518)             |                       | 1,581,356            | 20,518               |                      | 9,139,972                                    |
| Amounts due to related companies                                  | 54,247                                                                                     |                      |                      |                       |                      |                      |                      | 54,247                                       |
| Amount due to non-controlling shareholders                        | 157,317                                                                                    |                      |                      |                       |                      |                      |                      | 157,317                                      |
| Amount due to fellow subsidiaries                                 | –                                                                                          |                      |                      |                       | (611,866)            | 611,866              |                      | –                                            |
| Amount due to immediate holding company                           | –                                                                                          |                      |                      |                       | (349,020)            | 349,020              |                      | –                                            |
| Amount due to ultimate holding company                            | –                                                                                          |                      |                      |                       | (684,503)            | 684,503              |                      | –                                            |
| Bank and other loans                                              | 817,716                                                                                    |                      |                      |                       | (307,058)            | 307,058              |                      | 817,716                                      |
| Other borrowing                                                   | 1,153,800                                                                                  |                      |                      |                       | (1,153,800)          | 1,153,800            | (1,153,800)          | –                                            |
| Senior loan notes                                                 | 1,077,455                                                                                  |                      |                      |                       |                      |                      |                      | 1,077,455                                    |
| Tax payable                                                       | 1,475,914                                                                                  |                      |                      | 4,231                 | (338,942)            | 338,942              | 366,047              | 1,846,192                                    |
|                                                                   | 15,352,226                                                                                 |                      |                      |                       |                      |                      |                      | 16,150,060                                   |
|                                                                   | -----                                                                                      |                      |                      |                       |                      |                      |                      | -----                                        |
| <b>Net current assets</b>                                         | 4,042,445                                                                                  |                      |                      |                       |                      |                      |                      | 5,555,686                                    |
|                                                                   | -----                                                                                      |                      |                      |                       |                      |                      |                      | -----                                        |
| <b>Total assets less current liabilities</b>                      | 8,154,345                                                                                  |                      |                      |                       |                      |                      |                      | 9,345,646                                    |
|                                                                   | -----                                                                                      |                      |                      |                       |                      |                      |                      | -----                                        |
| <b>Non-current liabilities</b>                                    |                                                                                            |                      |                      |                       |                      |                      |                      |                                              |
| Bank and other loans                                              | 2,106,468                                                                                  |                      |                      |                       | (391,425)            | 391,425              |                      | 2,106,468                                    |
| Deferred tax liabilities                                          | 647,441                                                                                    |                      |                      |                       | (374,176)            | 374,176              |                      | 647,441                                      |
| Other payables                                                    | 134,413                                                                                    |                      |                      |                       |                      |                      |                      | 134,413                                      |
|                                                                   | 2,888,322                                                                                  |                      |                      |                       |                      |                      |                      | 2,888,322                                    |
|                                                                   | -----                                                                                      |                      |                      |                       |                      |                      |                      | -----                                        |
| <b>Total net assets</b>                                           | 5,266,023                                                                                  |                      |                      |                       |                      |                      |                      | 6,457,324                                    |
|                                                                   | =====                                                                                      |                      |                      |                       |                      |                      |                      | =====                                        |
| <b>Capital and reserves attributable to owners of the Company</b> |                                                                                            |                      |                      |                       |                      |                      |                      |                                              |
| Share capital                                                     | 249,838                                                                                    |                      |                      |                       |                      |                      |                      | 249,838                                      |
| Reserves                                                          | 4,761,534                                                                                  | 99,800               |                      | (4,231)               |                      |                      | 1,095,732            | 5,952,835                                    |
|                                                                   | -----                                                                                      |                      |                      |                       |                      |                      |                      | -----                                        |
| <b>Equity attributable to the Company</b>                         | 5,011,372                                                                                  |                      |                      |                       |                      |                      |                      | 6,202,673                                    |
| <b>Non-controlling interests</b>                                  | 254,651                                                                                    |                      |                      |                       |                      |                      |                      | 254,651                                      |
|                                                                   | -----                                                                                      |                      |                      |                       |                      |                      |                      | -----                                        |
| <b>Total equity</b>                                               | 5,266,023                                                                                  |                      |                      |                       |                      |                      |                      | 6,457,324                                    |
|                                                                   | =====                                                                                      |                      |                      |                       |                      |                      |                      | =====                                        |

*Notes:*

- (1) These figures are extracted from the unaudited pro forma condensed consolidated statement of financial position of the remaining group as set out in the Appendix III of the 2011 Circular.

Assuming the Zendai Disposal had been completed on 30 June 2011:

- (2) Adjustment to reverse elimination of the unrealised gain on disposal of the Project Company to Shanghai Haizhimen which was recognised in the preparation of the unaudited pro forma condensed consolidated statement of financial position of the remaining group as set out in the Appendix III of the 2011 Circular.
- (3) Adjustment to reflect the acquisition of the Panshi Vehicle based on consideration of RMB82,114,000 (equivalent to HK\$98,896,000) as presented below.

*HK\$'000*

|                                                            |               |
|------------------------------------------------------------|---------------|
| <b>Consideration for acquisition of the Panshi Vehicle</b> | <b>98,896</b> |
| <hr/>                                                      |               |
| <b>Identifiable assets acquired</b>                        |               |
| Interest in Shanghai Haizhimen                             | 77,174        |
| Amount due from Shanghai Haizhimen                         | 20,518        |
| Cash and cash equivalents                                  | 1,204         |
|                                                            | <hr/>         |
|                                                            | 98,896        |
|                                                            | <hr/>         |

- (4) Adjustment to reflect the estimated provision of the PRC capital gain tax upon disposal of Panshi Vehicle by Panshi Investment under prevailing the PRC tax rules and practices, being 25% on the excess of the consideration of the Panshi Share Transfer Agreement over the attributable registered capital of Panshi Vehicle.

According to the Panshi Share Transfer Agreement, the PRC capital gain tax upon disposal of Panshi Vehicle shall be borne by Shanghai Zendai Wudaokou.

- (5) Adjustment to reflect the exclusion of the assets and liabilities of the Shanghai Zendai Wudaokou Group as at 30 June 2011.
- (6) Adjustment to reflect the Zendai Spin-off, assuming it had been completed on 30 June 2011. For the purpose of this unaudited pro forma financial information on the Remaining Group, it is assumed that no tax expenses will be incurred in relation to the Zendai Spin-off.
- (7) Adjustment to reflect the estimated gain arising from the Zendai Disposal based on the Zendai Consideration of RMB2,960,000,000 (equivalent to HK\$3,564,976,000) less estimated expenses (mainly legal and professional fee of approximately RMB2,000,000 (equivalent to HK\$2,409,000)) and tax for the Zendai Disposal as presented below.

*HK\$'000*

|                                                                   |             |
|-------------------------------------------------------------------|-------------|
| <b>Zendai Consideration</b>                                       |             |
| – Zendai Sale Interest                                            | 2,023,205   |
| – Zendai Shareholder's Loan                                       | 1,541,771   |
|                                                                   | <hr/>       |
|                                                                   | 3,564,976   |
|                                                                   | <hr/>       |
| <b>Cost of the Zendai Disposal</b>                                |             |
| Net assets of the Shanghai Zendai Wudaokou Group                  | (433,783)   |
| Zendai Shareholder's Loan                                         | (513,205)   |
| Other borrowing                                                   | (1,153,800) |
|                                                                   | <hr/>       |
| Interests in and amount due from an associate, Shanghai Haizhimen | (2,100,788) |
|                                                                   | <hr/>       |

# APPENDIX III

# UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

|                                                                                                                                                                            | HK\$'000         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Gain on the Zendai Disposal before related expenses and tax                                                                                                                | 1,464,188        |
| Legal and professional fee                                                                                                                                                 | (2,409)          |
| Capital gain tax upon disposal of Shanghai Zendai Wudaokou                                                                                                                 | (366,047)*       |
| Gain on the Zendai Disposal after related expenses and tax                                                                                                                 | 1,095,732        |
| Reclassification adjustment of the cumulative foreign exchange reserve of the Shanghai Zendai Wudaokou Group to profit or loss for the period on the Zendai Disposal       | 66,417           |
| <b>Gain on the Zendai Disposal after reclassification adjustment of foreign exchange reserve of the Shanghai Zendai Wudaokou Group recognised in profit or loss</b>        | <b>1,162,149</b> |
| Reclassification adjustment of cumulative foreign exchange reserve of the Shanghai Zendai Wudaokou Group upon the Zendai Disposal recognised in other comprehensive income | (66,417)         |
| <b>Gain on the Zendai Disposal recognised in total comprehensive income</b>                                                                                                | <b>1,095,732</b> |

\* Being estimated provision of the PRC capital gain tax upon disposal of the Shanghai Zendai Wudaokou under prevailing the PRC tax rules and practices, being 25% on the excess of the consideration for Zendai Sale Interest over the attributable registered capital of Shanghai Zendai Wudaokou.

For the purpose of presentation of the pro forma condensed consolidated financial position, Renminbi is translated into Hong Kong dollars at the approximate exchange rate of RMB1 to HK\$1.204 on 30 June 2011.

## (c) Unaudited pro forma condensed consolidated statement of cash flows of the Remaining Group

|                                                  | Unaudited<br>pro forma<br>remaining<br>group<br>upon<br>disposal of<br>the Project<br>Company<br>HK\$'000<br>(Note 1) | HK\$'000<br>(Note 2) | Pro forma adjustments |                      | HK\$'000<br>(Note 5) | Unaudited<br>pro forma<br>Remaining<br>Group<br>HK\$'000 |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------|----------------------|----------------------|----------------------------------------------------------|
|                                                  |                                                                                                                       |                      | HK\$'000<br>(Note 3)  | HK\$'000<br>(Note 4) |                      |                                                          |
| Net cash used in operating activities            | (271,248)                                                                                                             |                      | 80,837                | (75,129)             |                      | (265,540)                                                |
| Net cash from investing activities               | 11,522,808                                                                                                            | (95,473)             | 76,925                | (16,706)             | 3,481,638            | 14,969,192                                               |
| Net cash from financing activities               | 57,915                                                                                                                |                      | (4,199)               | 4,199                | (1,127,589)          | (1,069,674)                                              |
| Net increase in cash and cash equivalents        | 11,309,475                                                                                                            |                      |                       |                      |                      | 13,633,978                                               |
| Cash and cash equivalents at beginning of period | 1,287,852                                                                                                             |                      |                       |                      |                      | 1,287,852                                                |
| Effect of foreign exchange rate changes          | 20,556                                                                                                                |                      |                       |                      |                      | 20,556                                                   |
| Cash and cash equivalents at end of period       | 12,617,883                                                                                                            |                      |                       |                      |                      | 14,942,386                                               |

*Notes:*

- (1) These figures are extracted from the unaudited pro forma consolidated statement of cash flows of the remaining group as set out in the Appendix III of the 2011 Circular.

Assuming the Zendai Disposal had been completed on 1 January 2011:

- (2) Adjustment to reflect the cash outflow for acquisition of Panshi Vehicle based on consideration of RMB82,114,000 (equivalent to HK\$96,650,000) as presented below.

HK\$'000

**Cash used in investing activities**

|                                                                             |               |
|-----------------------------------------------------------------------------|---------------|
| Acquisition of the Panshi Vehicle                                           | 96,650        |
| Cash and cash equivalent acquired through acquisition of the Panshi Vehicle | (1,177)       |
|                                                                             | <u>95,473</u> |

- (3) Adjustment to reflect the exclusion of cash flows of the Shanghai Zendai Wudaokou Group for the six months ended 30 June 2011.

- (4) Adjustment to reflect the Zendai Spin-off had been completed on 1 January 2011. For the purpose of this unaudited pro forma financial information on the Remaining Group, it is assumed that no tax expenses will be incurred in relation to the Zendai Spin-off.

HK\$'000

**Cash used in operating activities**

|                                   |                 |
|-----------------------------------|-----------------|
| Shanghai Zendai Wudaokou Group    | (80,837)        |
| Interest paid for other borrowing | 5,708           |
|                                   | <u>(75,129)</u> |

HK\$'000

**Cash used in investing activities**

|                                          |                 |
|------------------------------------------|-----------------|
| Shanghai Zendai Wudaokou Group           | (76,925)        |
| Increase in amount due from an associate | 60,219          |
|                                          | <u>(16,706)</u> |

- (5) Adjustment to reflect the cash inflow less expenses arising from the Zendai Disposal as presented below.

HK\$'000

**Cash from investing activities**

Zendai Consideration:

|                             |           |
|-----------------------------|-----------|
| – Zendai Sale Interest      | 1,977,245 |
| – Zendai Shareholder's Loan | 1,506,747 |

|                            |           |
|----------------------------|-----------|
|                            | 3,483,992 |
| Legal and professional fee | (2,354)   |

3,481,638

**Cash used in financing activities**

|                              |             |
|------------------------------|-------------|
| Repayment of other borrowing | (1,127,589) |
|------------------------------|-------------|

|                                   |           |
|-----------------------------------|-----------|
| Net cash from the Zendai Disposal | 2,354,049 |
|-----------------------------------|-----------|

- (6) The adjustment (4) above is expected to have a continuing effect on the Group. The adjustments (2), (3) and (5) above are not expected to have a continuing effect on the Group.

For the purpose of presentation of the pro forma condensed consolidated statement of cash flows, Renminbi is translated into Hong Kong dollars at the approximate exchange rate of RMB1 to HK\$1.177 on 1 January 2011.

*The following is the text of a letter and valuation certificate received from DTZ Debenham Tie Leung Limited in connection with its opinion of market value of the property as at 31 December 2011 prepared for the purpose of incorporation in this circular.*



16th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

28 February 2012

The Directors  
Shanghai Zendai Property Limited  
Unit 6108  
61/F, The Centre  
99 Queen's Road Central  
Hong Kong

Dear Sirs,

**Re: A parcel of integrated office, financial, commercial and cultural use land, with a total site area of approximately 45,471.90 sq.m., located in Qiu 1/1, Jiefang 574 and Qiu 1/1, Jiefang 578, Xiaodongmen Jiedao, east to Zhongshandong Road, south to Dongmen Road, west to Renmin Road, north to Longtan Road, Huangpu District, Shanghai, the People's Republic of China**

#### **INSTRUCTIONS, PURPOSE & DATE OF VALUATION**

In accordance with your instruction for us to carry out the valuation of the market value of the Land Parcel (the "Property") which is held by the Company and its subsidiaries (together the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value in existing state of the Property as at 31 December 2011 (the "date of valuation").

#### **DEFINITION OF MARKET VALUE**

Our valuation of the Property represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "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".

#### **VALUATION BASIS AND ASSUMPTION**

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the Property situated in the PRC, we have prepared our valuation on the basis that transferable land use rights in respect of the Property for its specific term at nominal annual land use fee have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the legal opinion of HHP Attorneys-at-Law (上海滙衡律師事務所), the PRC legal adviser of the Company, regarding the title to the Property and the interest in the Property. In valuing the Property, we have prepared our valuation on the basis that the owner has enforceable title to the Property and have free and uninterrupted rights to use, occupy or assign the Property for the whole of the unexpired term as granted.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

## **METHOD OF VALUATION**

In valuing the Property, we have adopted Direct Comparison Method by making reference to comparable sale evidence as available in the relevant market.

In valuing the Property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (First Edition 2005) on Valuation of Properties published by The Hong Kong Institute of Surveyors.

## **SOURCE OF INFORMATION**

We have relied to a very considerable extent on the information given by the Company and the opinion of the PRC legal adviser of the Company as to the PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the Property, development scheme, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation certificate attached are based on the information provided to us and are therefore only approximation. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

**TITLE INVESTIGATION**

We have been provided by the Company with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

**SITE INSPECTION**

We have inspected the exterior of the Property. However, we have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have not been able to carry out detailed on-site measurements to verify the site area of the property and we have assumed that the areas shown on the copies of documents handed to us are correct.

**CURRENCY**

Unless otherwise stated, all sums stated in our valuation are in Renminbi, the official currency of the PRC.

We attach herewith a valuation certificate.

Yours faithfully,  
For and on behalf of  
**DTZ Debenham Tie Leung Limited**  
**Philip C Y Tsang**  
*Registered Professional Surveyor*  
*Registered China Real Estate Appraiser*  
*Msc, MRICS, MHKIS*  
*Director*

*Note:* Mr. Philip C Y Tsang is a Registered Professional Surveyor who has over 19 years' experience in the valuation of properties in the PRC.

Contributing PRC valuers of DTZ Shanghai Office with professional qualifications include, but not limited to, China Real Estate Appraiser, China Real Estate Valuer and Member of RICS.

## VALUATION CERTIFICATE

## Property held for future development in the PRC

| Property                                                                                                                                                                                                                                                                                                                                                                      | Description and tenure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Particulars of occupancy                           | Market Value in existing state as at 31 December 2011 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------|
| A Parcel of integrated office, financial, commercial and cultural use land, with a total site area of approximately 45,471.90 sq.m., located in Qiu 1/1, Jiefang 574, and Qiu 1/1, Jiefang 578, Xiaodongmen Jiedao, east to Zhongshandong Road, south to Dongmen Road, west to Renmin Road, north to Longtan Road, Huangpu District, Shanghai, the People's Republic of China | <p>The Property comprises two contiguous land parcels with a total site area of approximately 45,471.90 sq.m.</p> <p>The Property has the permitted gross floor area of 421,296 sq.m., including 270,000 sq.m. above ground and 151,296 sq.m. underground.</p> <p>It has been designated for integrated office, commercial, financial and cultural use.</p> <p>The land use rights of the Property have been granted for a term of 40 years from 25 November 2010 to 24 November 2050 for commercial and finance uses and 50 years from 25 November 2010 to 24 November 2060 for culture and office uses respectively.</p> | The Property was a land preparing for development. | RMB9,950,000,000                                      |

## Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership HFDHZ No. (2010) 004498 dated 1 December 2010, the land use rights of part of the Property, situated at Qiu 1/1, Jiefang 574, Xiaodongmen Jiedao, Huangpu District, with a site area of approximately 20,183.90 sq.m., has been vested in Shanghai Zendai Bund International Finance Services Centre Real Estate Company Limited (上海証大外灘國際金融服務中心置業有限公司), for a term of 40 years from 25 November 2010 to 24 November 2050 for commercial and finance uses and 50 years from 25 November 2010 to 24 November 2060 for culture and office uses respectively.
- (2) According to Shanghai Certificate of Real Estate Ownership HFDHZ No. (2010) 004499 dated 1 December 2010, the land use rights of part of the Property, situated at Qiu 1/1, Jiefang 578, Xiaodongmen Jiedao, Huangpu District, with a site area of approximately 25,288 sq.m., has been vested in Shanghai Zendai Bund International Finance Services Centre Real Estate Co., Limited (上海証大外灘國際金融服務中心置業有限公司), for a term of 40 years from 25 November 2010 to 24 November 2050 for commercial and finance uses and 50 years from 25 November 2010 to 24 November 2060 for culture and office uses respectively.

- (3) According to Contract for Grant of State-owned Land Use Rights HHGT(2010) No. 5 (Edition 2.0), Supplementary Contract HHGT(2010)BZ No. 8 dated 19 November 2010:

|       |                          |   |                                                                                                               |
|-------|--------------------------|---|---------------------------------------------------------------------------------------------------------------|
| (i)   | Grantee                  | : | Shanghai Zendai Bund International Finance Services Centre Real Estate Co., Limited<br>(上海証大外灘國際金融服務中心置業有限公司) |
| (ii)  | Site Area                | : | 45,471.90 sq.m.                                                                                               |
| (iii) | Land Use                 | : | Commercial, finance, culture and office                                                                       |
| (iv)  | Planned Gross Floor Area | : | Not exceeding 370,000 sq.m. (including 270,000 sq.m. above ground and 100,000 sq.m. underground)              |
| (v)   | Land Premium             | : | RMB9,220,000,000                                                                                              |

- (4) According to Contract for Grant of State-owned Land Use Rights HHGT(2010) No. 5 (Edition 4.0), Supplementary Contract HHGT(2011)BZ No. 13 dated 22 December 2011, the permitted gross floor area changed to 270,000 sq.m. above ground and 151,296 sq.m. underground, and the extra land premium of RMB59,500,000 needed to be paid for before the date of 21 January 2012.

As advised by the Company, the said extra land premium of RMB59,500,000 has been settled on 21 January 2012.

- (5) According to Planning Permit for Construction Land HGD(2011)EA31000020110083 issued by Shanghai Planning, Land & Resource Administration Bureau on 17 January 2011, The Property with a land area of approximately 45,471.90 sq.m. is in compliance with the requirements of urban planning and is permitted.
- (6) According to Business Licence No. 310101000435994 dated 19 October 2010, Shanghai Zendai Bund International Finance Services Centre Real Estate Co., Limited (上海証大外灘國際金融服務中心置業有限公司), was established with a registered capital of RMB7,000,000,000 for a valid operation period from 11 October 2010 to 10 October 2030.

- (7) According to the opinion of the PRC legal adviser:

- (i) Shanghai Zendai Bund International Finance Services Centre Real Estate Co., Limited (上海証大外灘國際金融服務中心置業有限公司) is legally established and existence;
- (ii) Shanghai Zendai Bund International Finance Services Centre Real Estate Co., Limited (上海証大外灘國際金融服務中心置業有限公司) legally obtain the State-owned Land Use Rights of the land of Qiu 1/1, Jiefang 574 and Qiu 1/1, Jiefang 578, Xiaodongmen Jiedao, Huangpu District;
- (iii) Shanghai Zendai Bund International Finance Services Centre Real Estate Co., Limited (上海証大外灘國際金融服務中心置業有限公司) has the right to develop, possess, use or handle the land in other legal ways; and
- (iv) The building covenant has adjusted to commence construction before 31 December 2011 and to complete construction before 31 December 2015.

- (8) The status of the title and grant of major approvals and licence in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

|                                                                                  |     |
|----------------------------------------------------------------------------------|-----|
| Shanghai Certificate of Real Estate Ownership                                    | Yes |
| Contract for Grant of State-owned Land Use Rights and its Supplementary Contract | Yes |
| Planning Permit for Construction Land                                            | Yes |
| Business Licence                                                                 | Yes |

## 1. RESPONSIBILITY STATEMENT

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

## 2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its 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 which were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

| Name of Director                                 | Number of Shares/<br>underlying Shares | Capacity and<br>nature of<br>interests     | Approximate<br>percentage of<br>issued share<br>capital |
|--------------------------------------------------|----------------------------------------|--------------------------------------------|---------------------------------------------------------|
| Mr. Wang Fujie ( <i>Note 2</i> )                 | 10,000,000 (L)                         | Beneficial owner                           | 0.08%                                                   |
| Mr. Dai Zhikang<br>(“Mr. Dai”) ( <i>Note 1</i> ) | 6,753,635,000 (L)                      | Interests of<br>controlled<br>corporations | 54.30%                                                  |
| Mr. Dai ( <i>Note 2</i> )                        | 10,000,000 (L)                         | Beneficial owner                           | 0.08%                                                   |
| Mr. Zhu Nansong                                  | 50,000,000 (L)                         | Beneficial owner                           | 0.40%                                                   |
| Mr. Wu Yang ( <i>Note 2</i> )                    | 30,000,000 (L)                         | Beneficial owner                           | 0.24%                                                   |
| Ms. Zhou Yan ( <i>Note 2</i> )                   | 10,000,000 (L)                         | Beneficial owner                           | 0.08%                                                   |
| Mr. Tang Jian                                    | 10,000,000 (L)                         | Beneficial owner                           | 0.08%                                                   |
| Mr. Tang Jian ( <i>Note 2</i> )                  | 5,000,000 (L)                          | Beneficial owner                           | 0.04%                                                   |
| Mr. Liu Zhiwei<br>(“Mr. Liu”) ( <i>Note 3</i> )  | 400,000,000 (L)                        | Interests of<br>controlled<br>corporations | 3.22%                                                   |
| Mr. Liu ( <i>Note 2</i> )                        | 120,000,000 (L)                        | Beneficial owner                           | 0.96%                                                   |

| Name of Director                               | Number of Shares/<br>underlying Shares | Capacity and<br>nature of<br>interests | Approximate<br>percentage of<br>issued share<br>capital |
|------------------------------------------------|----------------------------------------|----------------------------------------|---------------------------------------------------------|
| Mr. Lo Mun Lam,<br>Raymond ( <i>Note 2</i> )   | 5,000,000 (L)                          | Beneficial owner                       | 0.04%                                                   |
| Mr. Lai Chik Fan<br>( <i>Note 2</i> )          | 5,000,000 (L)                          | Beneficial owner                       | 0.04%                                                   |
| Dr. Tse Hiu Tung,<br>Sheldon ( <i>Note 2</i> ) | 5,000,000 (L)                          | Beneficial owner                       | 0.04%                                                   |

(L) denotes long position

*Notes:*

- Mr. Dai was deemed to be interested in an aggregate of 6,753,635,000 Shares held by Giant Glory Assets Limited, Jointex Investment Holdings Limited, Dorsing Star Limited, Shanghai Zendai Investment Development (Hong Kong) Company Limited and Gold Lucky Investment Holdings Limited, respectively, where Mr. Dai being the director of each of the aforesaid companies, and each of the number of the Shares held is as follows:
  - 2,326,560,000 Shares were held by Giant Glory Assets Limited which is wholly-owned by Mr. Dai;
  - 2,932,000,000 Shares were held by Jointex Investment Holdings Limited which is owned as to 85% by Giant Glory Assets Limited;
  - 1,000,000,000 Shares were held by Dorsing Star Limited which is wholly owned by Master Faith Group Limited. All shares of Master Faith Group Limited are held by DBS Trustee H.K. (Jersey) Limited in its capacity as trustee of the DLD Trust, the beneficiaries of which include Liu Qiong Yu and Dai Mo Cao, both are family members of Mr. Dai. Mr. Dai is the settlor of the DLD Trust and therefore is deemed to be interested in the 1,000,000,000 Shares held by Dorsing Star Limited;
  - 455,175,000 Shares are held by Shanghai Zendai Investment Development (Hong Kong) Company Limited which is owned as to 60% by Mr. Dai; and
  - 39,900,000 Shares are held by Gold Lucky Investment Holdings Limited which is wholly-owned by Mr. Dai.
- These Shares represent the Shares to be allotted and issued upon the exercise of share option granted.
- Mr. Liu was deemed to be interested in 400,000,000 Shares held by Grand Link Finance Limited which is his wholly owned Company. Mr. Liu is a director of Grand Link Finance Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its 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 any such Director was taken or deemed to have under such provisions of the SFO); or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which was required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

At the Latest Practicable Date, save as disclosed above, none of the Directors was a director or employee of a company which had an interest of short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

### **3. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors and his associates had any interests which competes or was likely to compete, either directly or indirectly, with the Company's business.

### **4. SERVICE CONTRACTS**

As at the Latest Practicable Date, no Director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

### **5. DIRECTORS' INTEREST IN ASSETS**

None of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2010 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, 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.

### **6. DIRECTORS' INTEREST IN CONTRACTS**

There was no contract of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisting as at the Latest Practicable Date.

**7. EXPERTS AND CONSENTS**

The following are the qualification of the experts who have given opinions or advices contained in this circular:

| <b>Name</b>                    | <b>Qualification</b>         |
|--------------------------------|------------------------------|
| BDO Limited                    | Certified Public Accountants |
| DTZ Debenham Tie Leung Limited | An independent valuer        |
| HHP Attorneys-at-Law           | A PRC legal adviser          |
| King & Wood                    | A PRC legal adviser          |

The above experts have given and have not withdrawn each of its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which had been, since 31 December 2010, being the date to which the latest published audited accounts of the Company were made up, acquired, disposed of or leased to any member of the Group, or were proposed to be acquired, disposed of or leased to any member of the Group.

**8. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Group.

The Directors were aware of the announcement issued by Fosun dated 29 December 2011 on the pre-emptive rights issue and would like to confirm that the Zendai Disposal does not constitute a breach of any applicable pre-emptive rights to the Group and the Company has complied with all applicable laws and regulations in entering into the Zendai Disposal.

**9. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) joint venture contracts dated 25 April 2010 relating to the formation of a joint venture company with registered capital of RMB1,000,000,000 (of which RMB500,000,000 is contributed by the Company) between the Company, 復地(集團)股份有限公司 (Shanghai Forte Land Co., Ltd.), 杭州綠城置業投資有限公司 (Hangzhou Greentown Land Investment Co., Ltd.) and 上海磐石投資管理有限公司 (Shanghai Panshi Investment Management Co., Ltd.), details of which are disclosed in the Company's announcement dated 27 April 2010;
- (b) sale and purchase agreement dated 28 June 2011 entered into between the Company as vendor and Hui Quick Investment Limited as purchaser for the entire issued share capital and shareholder's loan of Howei International Investment Limited for a total consideration of RMB218,341,287, details of which are disclosed in the Company's announcement dated 28 June 2011;
- (c) the Project Company Transfer Agreement;
- (d) the Agreement;
- (e) the Panshi Share Transfer Agreement;
- (f) the First Supplemental Agreement; and
- (g) the Second Supplemental Agreement.

**10. MISCELLANEOUS**

- (a) The secretary of the Company and the qualified accountant of the Company is Mr. Wong Ngan Hung, who is a member of Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The head office and principal place of business of the Company in Hong Kong is situated at Unit 6108, 61/F., The Centre, 99 Queen's Road Central, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 26, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts in case of inconsistency.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at Unit 6108, 61/F., The Centre, 99 Queen's Road Central, Hong Kong during normal business hours (except Saturdays and public holidays) from the date of this circular up to and including 14 March 2012:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2010;
- (c) the review report of the financial information of the Shanghai Zendai Wudaokou Group, the text of which is set out in Appendix I to this circular;
- (d) the accountants' report from BDO Limited in respect of the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;
- (e) the letter and valuation certificate relating to the Land Parcel prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix IV to this circular;
- (f) the written consents referred to in the paragraph under the heading "Experts and consents" in this appendix;
- (g) the material contracts referred to in the paragraph under the heading "Material contracts" in this appendix; and
- (h) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A which has been issued since 31 December 2010.



**SHANGHAI ZENDAI PROPERTY LIMITED**

**上海証大房地產有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 755)**

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Shanghai Zendai Property Limited (the “**Company**”) will be held at Unit A, 29/F., Admiralty Centre I, 18 Harcourt Road, Hong Kong at 9:30 a.m. on Wednesday, 14 March, 2012, to consider and, if thought fit, pass, with or without modification, the following resolution as ordinary resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT:**

- (a) the (1) sale and purchase agreement dated 29 December 2011 (the “**Initial Agreement**”, a copy of which has been produced to this meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) entered into between (i) 上海証大置業有限公司 (Shanghai Zendai Land Company Limited\*, “**Shanghai Zendai Land**”), an indirect wholly owned subsidiary of the Company; (ii) 浙江嘉和實業有限公司 (Zhejiang Jiahe Industrial Co., Ltd.\*); and (iii) 上海長燁投資管理諮詢有限公司 (Shanghai Changye Investment Management Co., Ltd.\*); (2) the supplemental agreement dated 9 January 2012 (the “**First Supplemental Agreement**”, a copy of which has been produced to this meeting marked “B” and initialed by the chairman of the meeting for the purpose of identification); and (3) the supplemental agreement dated 15 February 2012 (the “**Second Supplemental Agreement**”, a copy of which has been produced to this meeting marked “C” and initialed by the chairman of the meeting for the purpose of identification, which together with the Initial Agreement shall be referred to as the “**Agreement**”) signed by the same parties in relation to the sale and purchase (the “**Disposal**”) of the entire equity interest of 上海証大五道口房地產開發有限公司 (Shanghai Zendai Wudaokou Property Company Limited\*) (“**Shanghai Zendai Wudaokou**”) and the outstanding shareholder’s loan owing by the Shanghai Zendai Wudaokou to Shanghai Zendai Land and the performance and implementation of the transactions contemplated thereunder be and are hereby confirmed, approved and ratified;

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## NOTICE OF SGM

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- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts and things and execute all such documents as they in their absolute discretion consider necessary or expedient to give effect to the Agreement and the implementation of all transactions contemplated thereunder.”

By order of the Board  
**SHANGHAI ZENDAI PROPERTY LIMITED**  
**Dai Zhikang**  
*Chairman*

Hong Kong, 28 February 2012

*Registered office:*

Canon’s Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

*Principal place of business in Hong Kong:*

Unit 6108, 61/F., The Center  
99 Queen’s Road Central  
Hong Kong

*Notes:*

1. Any member entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a certified copy of such power of attorney must be lodged with the Company’s branch registrar in Hong Kong, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, (as the case may be).
3. In the case of joint holders, the vote of the senior who tenders a vote, whether present in person or by proxy, will be accepted to the exclusion of the vote(s) of other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

*As at the date of this notice, the executive Directors are Mr. Dai Zhikang, Mr. Wang Fujie, Mr. Zhu Nansong, Mr. Zuo Xingping, Ms. Zhou Yan, Mr. Tang Jian. The non-executive Directors are Mr. Wu Yang, Mr. Zhou Chun, Mr. Dong Wenliang and Mr. Liu Zhiwei. The independent non-executive Directors are Mr. Lo Mun Lam, Raymond, Mr. Lai Chik Fan and Dr. Tse Hiu Tung, Sheldon.*

\* for identification purpose only