CIRCULAR DATED 4 SEPTEMBER 2008

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your Shares in the capital of Showy International Limited (the "**Company**"), you should forward this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or transferee or to the stockbroker or agent through whom you effected the sale for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") assumes no responsibility for the correctness of any statements made or reports contained or opinions expressed in this Circular. The approval in-principle granted by the SGX-ST to the Company for the listing and quotation of the Consideration Shares and the new Shares to be issued pursuant to the Compliance Offering on the SGX-ST is not to be taken as an indication of the merits of the Acquisition, the Compliance Offering, the Company, the Enlarged Group, the Shares, the Consideration Shares and the new Shares to be issued pursuant to the Compliance Offering.

Capitalised terms appearing on the cover of this Circular have the same meanings as defined herein.

YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" OF THIS CIRCULAR WHICH YOU SHOULD REVIEW CAREFULLY.

SHOWY®

SHOWY INTERNATIONAL LIMITED

(Registration No. 199106356W)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to the proposed:

(1) Acquisition of the entire issued and paid-up share capital of Fortune Court for a consideration of S$545,395,762 as a Very Substantial Acquisition and an Interested Person Transaction;

(2) Allotment and issuance of 1,652,714,429 Consideration Shares at an issue price of S$0.33 each to the Vendors (and/or their nominees), credited as fully paid up, in satisfaction of the consideration of S$545,395,762 payable by the Company for the acquisition of the entire issued and paid-up share capital of Fortune Court;

(3) Disposal of the existing business of the Company in its entirety to Showy Pte. Ltd. as a Major Transaction and an Interested Person Transaction;

(4) Whitewash Resolution for the waiver by Independent Shareholders of their right to receive a mandatory offer from Newest Luck and its concert parties for all the Shares in issue not already owned, controlled or agreed to be acquired by Newest Luck and its concert parties;

(5) Allotment and issuance of up to 272,728,000 new Shares pursuant to the Compliance Offering on such terms and conditions as the Directors may determine;

(6) Change of Name of the Company from "Showy International Limited" to "Ying Li International Real Estate Limited";

(7) Appointment of the Proposed Directors to the Company upon completion of the Acquisition; and

(8) New Share Issue Mandate to allot and issue new Shares and convertible securities.

Financial Adviser to the Company in respect of the Acquisition

JPMorgan

Independent Financial Adviser in respect of the Interested Person Transactions and the Whitewash Resolution

ERNST & YOUNG

Ernst & Young Corporate Finance Pte Ltd
(Registration No. 199702967E)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	24 September 2008 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	26 September 2008 at 10.00 a.m.
Place of Extraordinary General Meeting	:	18 Cross Street 8th Floor Marsh & McLennan Centre Singapore 048423

THE DIRECTORS OF SHOWY INTERNATIONAL LIMITED AND J.P. MORGAN (S.E.A.) LIMITED WOULD LIKE TO DRAW THE ATTENTION OF INVESTORS AND SHAREHOLDERS TO PAGE 68 OF THIS CIRCULAR WHICH HIGHLIGHTS CERTAIN MATERIAL RISKS INHERENT IN THE BUSINESS OF FORTUNE COURT HOLDINGS LIMITED. SHAREHOLDERS ARE ADVISED TO TAKE THESE FACTORS INTO CONSIDERATION WHEN DECIDING ON THE PROPOSED TRANSACTIONS.

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CORPORATE INFORMATION

Board of Directors	:	Lim Hong Ching Yeo Sock Kon Bek Yeok Siew Chew Thiam Keng Ong Chong Beng Christopher Chong Meng Tak Lui Seng Fatt
Company Secretary	:	Yap Peck Khim, ACIS
Registered Office	:	No. 35 Sungei Kadut Street 4 Singapore 729057
Share Registrar and Share Transfer Office	:	**Boardroom Corporate & Advisory Services Pte. Ltd.** 3 Church Street #08-01 Samsung Hub Singapore 049483
Financial Adviser to the Company in respect of the Acquisition	:	**J.P. Morgan (S.E.A.) Limited** 168 Robinson Road, 17th Floor Capital Tower Singapore 068912
Auditors to the Company	:	**RSM Chio Lim (in respect of the period up to 31 December 2007)** 18 Cross Street #09-01 Marsh & McLennan Centre Singapore 048423 **Foo Kon Tan Grant Thornton (with effect from 23 April 2008)** Certified Public Accountants 47 Hill Street, #05-01, Singapore Chinese Chamber of Commerce & Industry Building, Singapore 179365 (Partner-in-charge: Chin Sin Beng, CPA)
Auditors and Reporting Accountants to Chongqing Yingli and its subsidiary	:	**Foo Kon Tan Grant Thornton** Certified Public Accountants 47 Hill Street, #05-01, Singapore Chinese Chamber of Commerce & Industry Building, Singapore 179365 (Partner-in-charge: Chin Sin Beng, CPA)
Legal Adviser to the Company in respect of the Acquisition	:	**Stamford Law Corporation** 9 Raffles Place #32-00 Republic Plaza Singapore 048619
Legal Adviser to the Company in respect of PRC laws	:	**Yuan Tai Law Offices** 14/F Hua Xia Bank Plaza 256 South Pudong Road Shanghai, PRC, 200120

Legal Adviser to the Company in respect of Hong Kong laws	:	**Wilkinson & Grist Solicitors & Notaries** Prince's Building, 6th Floor, Chater Road, Hong Kong
Legal Adviser to J.P. Morgan (S.E.A.) Limited	:	**Venture Law LLC** 50 Raffles Place #30-01 Singapore Land Tower Singapore 048623
Legal Adviser to J.P. Morgan (S.E.A.) Limited in respect of PRC laws	:	**Jingtian & Gongcheng** 15th Floor, The Union Plaza 20 Chaoyangmenwai Dajie Beijing 100020
Independent Financial Adviser in respect of the Interested Person Transactions and the Whitewash Resolution	:	**Ernst & Young Corporate Finance Pte Ltd** One Raffles Quay, North Tower, Level 18, Singapore 048583
Valuer	:	**Jones Lang LaSalle Sallmanns Limited** 22nd Floor Siu On Centre 188 Lockhart Road Wanchai Hong Kong
Principal Bankers to the Company	:	**Oversea-Chinese Banking Corporation Ltd** 65 Chulia Street #01-01 OCBC Centre Singapore 049513
Principal Bankers to the Fortune Court Group	:	**China Construction Bank Corporation, Chongqing Branch** No. 123, Minzu Road, Yuzhong District, Chongqing, The PRC 400010 **Bank of Chongqing Co., Ltd.** No.153, Zourong Road, Yuzhong District, Chongqing, The PRC 400010 **Industrial and Commercial Bank of China, Yuzhong District Subbranch** No. 177, Minzu Road, Yuzhong District, Chongqing, The PRC 400010

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

Group Companies and Enlarged Group Companies

"Chongqing San Ya Wan"	:	Chongqing San Ya Wan Aquatic Products Integrative Trading Market Development Co., Ltd. (重庆三亚湾水产品综合交易市场开发有限公司)
"Chongqing Yingli"	:	Chongqing Yingli Real Estate Development Co., Ltd. (重庆英利房地产开发有限公司)
"Company" or "SIL"	:	Showy International Limited
"Enlarged Group"	:	The Company and the Fortune Court Group after completion of the Acquisition
"Fortune Court"	:	Fortune Court Holdings Limited (富广集团有限公司)
"Fortune Court Group"	:	Fortune Court, its subsidiary, Chongqing Yingli and Chongqing Yingli's subsidiary, Chongqing San Ya Wan

Companies, Organisations and Agencies

"ACRA"	:	Accounting and Corporate Regulatory Authority of Singapore
"CDP"	:	The Central Depository (Pte) Ltd
"Chongqing Jingli"	:	Chongqing Jingli Property Development Co., Ltd
"Chongqing Tiancheng"	:	Chongqing Tiancheng Industrial (Group) Co., Ltd, previously known as Chongqing Tiancheng Industrial Company
"CMIA"	:	CMIA Capital Partners Pte. Ltd.
"CPF"	:	Central Provident Fund
"EYCF" or "Independent Financial Adviser"	:	Ernst & Young Corporate Finance Pte. Ltd.
"Jones Lang LaSalle Sallmanns"	:	Jones Lang LaSalle Sallmanns Limited
"J.P. Morgan"	:	J.P. Morgan (S.E.A.) Limited
"LFH"	:	Leap Forward Holdings Limited
"Newest Luck"	:	Newest Luck Holdings Limited
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Showy Overseas"	:	Showy Overseas Pte. Ltd., a company incorporated in Singapore
"Showy Pte. Ltd."	:	Showy Pte. Ltd., a company wholly owned by Mr Lim Hong Ching and Mdm Yeo Sock Kon, both of whom are currently Directors and Controlling Shareholders of the Company
"SIC"	:	Securities Industry Council

General

"Acquisition"	:	The proposed acquisition of the entire issued share capital of Fortune Court from the Vendors for a consideration of S$545,395,762 to be satisfied by the allotment and issuance of the Consideration Shares, on and subject to the terms and conditions of the S&P Agreement
"Announcement"	:	Announcement made by the Company on 7 July 2008 in respect of the Acquisition
"Announcement Date"	:	7 July 2008, being the date of the Announcement
"AGM"	:	The annual general meeting of the Company
"Articles"	:	The articles of association of the Company, as amended from time to time
"associate"	:	(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:- (i) his immediate family; (ii) the trustee of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"Audit Committee"	:	The audit committee of the Company for the time being
"Board of Directors" or "Board"	:	The board of Directors of the Company for the time being
"Business"	:	Has the meaning ascribed to it in Section 5.7 entitled "The Disposal – Other Salient Terms of the Business Transfer Agreement" of this Circular
"Business Day"	:	A day on which commercial banks are open for business in Singapore, other than Saturdays, Sundays and days which have been gazetted as public holidays in Singapore

"Business Transfer Agreement"	:	The business transfer agreement dated 7 July 2008 entered into between the Company and Showy Pte. Ltd. in relation to the Disposal, as the same may be amended from time to time
"CAGR"	:	Compound annual growth rate
"Capital Injection"	:	Has the meaning ascribed to it in Section 3 entitled "The Capital Injection Subsequent to the Acquisition and the Compliance Offering" of this Circular
"Catalist"	:	SGX-ST sponsor-supervised listing platform, which took effect from 17 December 2007 and replaces the former SGX-ST Dealing and Automated Quotation System
"Circular"	:	This circular to Shareholders dated 4 September 2008
"Code"	:	The Singapore Code on Take-overs and Mergers
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore
"Completion Date"	:	The date on which completion of the Acquisition is to take place
"Compliance Offering"	:	Has the meaning ascribed to it in Section 1.1 entitled "Introduction - Background" of this Circular
"Consideration Shares"	:	The new Shares to be allotted and issued to the Vendors (and/or their nominees) at an issue price of S$0.33 each, credited as fully paid up, in satisfaction of the consideration for the Acquisition, amounting to an aggregate of 1,652,714,429 new Shares
"Controlling Shareholder"	:	Means a person who (as defined in the Listing Manual): (a) holds, directly or indirectly, 15% or more of the nominal amount of all voting shares in the Company, Fortune Court or the Fortune Court Group, as the case may be (unless otherwise excepted by SGX-ST); or (b) in fact exercises control over the Company, Fortune Court or the Fortune Court Group, as the case may be
"Directors"	:	The directors of the Company for the time being
"Disposal"	:	The proposed disposal by the Company of its existing business (in its entirety) to Showy Pte. Ltd.
"Disposal Consideration"	:	The cash consideration of S$4.664 million (or such other amount as adjusted pursuant to the Business Transfer Agreement) to be paid by Showy Pte. Ltd. to the Company as consideration for the Disposal, on and subject to the terms and conditions of the Business Transfer Agreement

"EGM"	:	The extraordinary general meeting of the Company, notice of which is set out in the section entitled "Notice of Extraordinary Meeting" of this Circular
"Enlarged Share Capital"	:	The enlarged share capital of the Company on a fully diluted basis immediately after completion of the Acquisition and the Compliance Offering assuming a Compliance Offering of up to 272,728,000 new Shares
"Existing Independent Directors"	:	The independent directors of the Company for the time being, namely Mr Christopher Chong Meng Tak and Mr Lui Seng Fatt
"FIE"	:	A limited liability company established within the territory of the PRC in accordance with relevant PRC laws and regulations regulating enterprises invested by foreign investor(s)
"FY"	:	Financial year of the respective entities as follows: (a) in the case of the Company, the financial year ended or ending 31 December, as the case may be; (b) in the case of Chongqing Yingli, the financial year ended or ending 31 December, as the case may be; and (c) in the case of the Enlarged Group, the financial year ended or ending 31 December, as the case may be
"GFA"	:	Gross floor area
"Hong Kong"	:	The Hong Kong Special Administrative Region of the PRC
"Independent Directors"	:	The independent Directors of the Company for the purpose of the Whitewash Resolution, the Interested Person Transaction in connection with the Acquisition and the Interested Person Transaction in connection with the Disposal, as set out in Section 16 entitled "Advice of the Independent Financial Adviser in Relation to the Whitewash Resolution and Interested Person Transactions" of this Circular, as the case may be
"Independent Shareholders"	:	Shareholders of the Company who are independent of Newest Luck and its concert parties for the purpose of the Whitewash Resolution, Mr Tan Kim Seng and his concert parties for the purpose of the Acquisition and/or Mr Lim Hong Ching and Mdm Yeo Sock Kon and their concert parties for the purpose of the Disposal, as the case may be

"Interested Person Transaction"	:	A transaction between the Company or Fortune Court or Chongqing Yingli (as the case may be) and: (a) a Director, chief executive officer, or Controlling Shareholder; or (b) an associate of any such Director, chief executive officer or Controlling Shareholder
"Interested Person Transaction in connection with the Acquisition"	:	The acquisition of shares in Fortune Court by the Company from Mr Tan Fuh Gih and Mr Tan Hoo Lang, who are brothers of Mr Tan Kim Seng, a Controlling Shareholder
"Interested Person Transaction in connection with the Disposal"	:	The Disposal by the Company to Showy Pte. Ltd.
"Interested Person Transactions"	:	The Interested Person Transaction in connection with the Acquisition and the Interested Person Transaction in connection with the Disposal
"Latest Practicable Date"	:	Being 22 August 2008, the latest practicable date prior to printing of this Circular
"Listing Manual"	:	The Listing Manual of the SGX-ST
"Major Transaction"	:	A transaction where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%
"Market Day"	:	A day on which the SGX-ST is open for securities trading
"Memorandum"	:	The memorandum of association of the Company, as amended from time to time
"New Share Issue Mandate"	:	The proposed new share issue mandate pursuant to Section 161 of the Companies Act and Rule 806(2) of the Listing Manual
"Nominating Committee"	:	The nominating committee of the Company for the time being
"NTA"	:	Net tangible assets
"NTL"	:	Net tangible liabilities
"PBT"	:	Profit before tax
"Placement Agent"	:	J.P. Morgan (S.E.A.) Limited
"Placement Agreement"	:	Has the meaning ascribed to it in Section 7.1 entitled "The Compliance Offering – Proposed Compliance Offering and Rationale" of this Circular

"PRC" or "China"	:	The People's Republic of China. Except where the context requires and for the purpose of this Circular only, references in this Circular to the PRC or China do not include Hong Kong, Macau and Taiwan
"Property"	:	Has the meaning ascribed to it in Section 5.4 entitled "The Disposal – Conditions Precedent" of this Circular
"Proposed Change of Name"	:	The proposed change of name of the Company from "Showy International Limited" to "Ying Li International Real Estate Limited"
"Proposed Directors"	:	The directors proposed to be appointed to the Board of Directors following completion of the Acquisition
"Proposed Executive Directors"	:	The executive directors proposed to be appointed to the Board of Directors following completion of the Acquisition, namely, Mr Fang Ming, Mr Xie Xin and Ms Xu Li
"Proposed Executive Officers"	:	The key executive officers proposed to be engaged by the Company upon completion of the Acquisition, namely, Mr Lim Boon Ping, Mr Chen Rong Hua, Mr Zheng Sheng Qing and Mr Guo Hong Qing
"Proposed Independent Director"	:	The independent director proposed to be appointed to the Board of Directors following completion of the Acquisition, being Mr Xiao Zu Xiu
"Proxy Form"	:	The proxy form in respect of the EGM as set out in this Circular
"public"	:	Persons other than: (a) directors, the chief executive officer, substantial shareholders, or controlling shareholders of the Company and its subsidiary companies; and (b) associates of the persons in paragraph (a)
"Record Date"	:	In relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company), on which Shareholders must be registered with the Company or with CDP in order to participate in such dividends, rights, allotments or other distributions
"Redeemable Loan Stock"	:	Redeemable loan stock subscribed by LFH, Mr Tan Fuh Gih and Mr Tan Hoo Lang pursuant to their respective Redeemable Loan Stock Subscription Agreements
"Redeemable Loan Stock Subscription Agreements"	:	The redeemable loan stock subscription agreement dated 3 January 2008 entered into between Fortune Court and LFH, and the redeemable loan stock subscription agreement dated 6 January 2008 entered into between Fortune Court, Mr Tan Fuh Gih and Mr

		Tan Hoo Lang, as amended by the Redeemable Loan Stock Supplemental Agreements, pursuant to which Fortune Court issued an aggregate of S$95.0 million in principal value of redeemable loan stock to LFH, Tan Fuh Gih and Tan Hoo Lang
"Redeemable Loan Stock Supplemental Agreements"	:	The supplemental agreement dated 26 May 2008 entered into between Fortune Court and LFH pursuant to which certain terms in the redeemable loan stock agreement dated 3 January 2008 were amended and the supplemental agreement dated 7 July 2008, between Fortune Court and the Tan Brothers, pursuant to which certain terms in the redeemable loan stock subscription agreement dated 6 January 2008 were amended
"Remuneration Committee"	:	The remuneration committee of the Company for the time being
"S&P Agreement"	:	The sale and purchase agreement dated 7 July 2008 entered into between the Company and the Vendors in relation to the Acquisition, as the same may be amended from time to time
"Securities Account"	:	Securities account maintained by a Depositor with CDP but does not include a securities sub-account
"Securities and Futures Act" or "SFA"	:	Securities and Futures Act (Chapter 289) of Singapore
"Shares"	:	Ordinary shares in the capital of the Company
"Shareholders"	:	Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors whose securities accounts maintained with CDP are credited with Shares
"Tan Brothers"	:	Mr Tan Fuh Gih and Mr Tan Hoo Lang
"Vendors"	:	Newest Luck, LFH and the Tan Brothers, collectively (being the legal and beneficial owners of the entire share capital of Fortune Court as at the Latest Practicable Date), and "Vendor" means any one of them
"Very Substantial Acquisition"	:	An acquisition of assets (whether or not the acquisition is deemed in the Company's ordinary course of business), where any of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual is 100% or more
"Whitewash Resolution"	:	The proposed resolution for the Independent Shareholders to waive their rights to receive a mandatory offer from Newest Luck and its concert parties for all the Shares in issue not already owned, controlled or agreed to be acquired by Newest Luck and its concert parties following the allotment and issuance of the Consideration Shares

Currencies, Units of Measurements and Others

"HK$" or "HKD"	:	Hong Kong dollars
"RMB" or "RMB cents"	:	Renminbi and Renminbi cents, respectively
"$" or "S$" or "SGD" and "cents"	:	Singapore dollars and cents, respectively
"US$" or "USD"	:	United States dollars
"sq ft"	:	Square feet
"sq m" or "sq. m."	:	Square metres
"%" or "per cent."	:	Per centum or percentage

The expressions "associate", "associated company", "group", "related entity", "related corporation", "subsidiary" and "substantial shareholder" shall have the meanings ascribed to them respectively in the Fourth Schedule of the Securities and Futures (Offers of Investments)(Shares and Debentures) Regulations 2005 and the Companies Act.

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act.

The terms "acting in concert", "concert parties", "associates" and "Whitewash Resolution" shall have the meanings ascribed to them respectively in the Code.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Securities and Futures Act, the Companies Act or the Code or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Securities and Futures Act, the Companies Act or the Code or any statutory modification thereof as the case may be, unless the context requires otherwise.

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of Singapore-based Shareholders. They may not have been registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters.

Any reference in this Circular to Shares and/or new Shares being allotted to a person includes allotment to CDP for the account of that person.

Any reference to a time of day in this Circular shall be a reference to Singapore time, unless otherwise stated.

Any discrepancies in tables included herein between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

All statements contained in this Circular, statements made in the press releases and oral statements that may be made by the Company, the Directors or employees acting on behalf of the Company, the Fortune Court Group, the directors of Fortune Court and the executive officers or employees acting on behalf of the Fortune Court Group and/or any of the Fortune Court Group's subsidiaries that are not statements of historical fact, constitute "forward-looking statements". Some of these statements can be identified by words that have a bias towards, or are, forward-looking such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "if", "intend", "may", "plan", "possible", "probable", "project", "should", "will" and "would" or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding the expected financial position, business strategies, plans and prospects of the Company, Fortune Court and/or the Fortune Court Group are forward-looking statements. These forward looking statements, including but not limited to, statements as to:

- revenue and profitability;
- any expected growth;
- expected industry trends;
- expansion plans;
- anticipated completion and start-up dates for projects; and
- other matters discussed in this Circular regarding matters that are not historical fact,

are only predictions. These forward-looking statements, including but not limited to statements as to the revenue and profitability, prospects, future plans and other matters of the Company, Fortune Court and/or the Fortune Court Group discussed in this Circular regarding matters that are not historical fact, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual future results, performance or achievements of the Company, Fortune Court and/or the Fortune Court Group to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These risk factors and uncertainties are discussed in more detail in this Circular, in particular, but not limited to, discussions in Section 14 entitled "Risk Factors" of this Circular.

Given the risks and uncertainties that may cause the actual future results, performance or achievements of the Company, Fortune Court and/or the Fortune Court Group to be materially different from that expected, expressed or implied by the forward-looking statements in this Circular, undue reliance must not be placed on these statements.

The Company, Fortune Court, the Fortune Court Group, their respective directors and executive officers are not representing or warranting to you that the actual future results, performance or achievements of the Company, Fortune Court, the Fortune Court Group and/or the Enlarged Group will be as those discussed in those statements. The actual future results of the Company, Fortune Court and/or the Fortune Court Group may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by the Company, Fortune Court and/or the Fortune Court Group. Further, the Company, Fortune Court and the Fortune Court Group disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect their future developments, events or circumstances.

Upon completion of the Acquisition and the Compliance Offering, the Company anticipates that it will be transferred to the Main Board of the SGX-ST and will be subject to the listing rules of the Main Board of the SGX-ST regarding corporate disclosure and continuing listing requirements.

SHOWY INTERNATIONAL LIMITED

(Company Registration Number 199106356W)
(Incorporated in the Republic of Singapore)

Directors:

Lim Hong Ching
Yeo Sock Kon
Bek Yeok Siew
Chew Thiam Keng
Ong Chong Beng
Christopher Chong Meng Tak
Lui Seng Fatt

Registered Office:

No. 35 Sungei Kadut Street 4
Singapore 729057

4 September 2008

To: The Shareholders

Dear Sir/Madam:

(1) Acquisition of the entire issued and paid-up share capital of Fortune Court for a consideration of S$545,395,762 as a Very Substantial Acquisition and an Interested Person Transaction;

(2) Allotment and issuance of 1,652,714,429 Consideration Shares at an issue price of S$0.33 each to the Vendors (and/or their nominees), credited as fully paid up, in satisfaction of the consideration of S$545,395,762 payable by the Company for the acquisition of the entire issued and paid-up share capital of Fortune Court;

(3) Disposal of the existing business of the Company in its entirety to Showy Pte. Ltd. as a Major Transaction and an Interested Person Transaction;

(4) Whitewash Resolution for the waiver by Independent Shareholders of their right to receive a mandatory offer from Newest Luck and its concert parties for all the Shares in issue not already owned, controlled or agreed to be acquired by Newest Luck and its concert parties;

(5) Allotment and issuance of up to 272,728,000 new Shares pursuant to the Compliance Offering on such terms and conditions as the Directors may determine;

(6) Change of Name of the Company from "Showy International Limited" to "Ying Li International Real Estate Limited";

(7) Appointment of the Proposed Directors to the Company upon completion of the Acquisition; and

(8) New Share Issue Mandate to allot and issue new Shares and convertible securities.

1. INTRODUCTION

1.1 Background

On 7 July 2008, the Board of Directors announced that the Company had entered into an S&P Agreement with the Vendors to acquire the entire issued share capital of Fortune Court, comprising 381,428,846 ordinary shares of par value HK$0.00004 each for a consideration of S$545,395,762 to be satisfied by the allotment and issuance of the Consideration Shares to the Vendors (or their nominees).

Following the completion of the Acquisition and the allotment and issuance of the Consideration Shares, it is expected that the percentage of the Company's issued Shares that are held in public hands will fall below 10%, and as a result trading in the Company's Shares on the SGX-ST will likely be suspended until the float requirements under the SGX-ST Listing Manual are met. To comply with Rule 1015(3)(c) read with Rule 210(1)(a) of the Listing Manual which requires a 15% public float for Mainboard listings, as well as to raise funds for general working capital purposes and capital expenditure by the Enlarged Group if necessary, it is anticipated that there will be an offering of up to 272,728,000 new Shares (which may include an offering to members of the public), and if agreed to by the Company and J.P. Morgan (the "**Placement Agent**"), a sale of all or part of the Consideration Shares held by the Vendors (together, the "**Compliance Offering**"), in each case, on such terms as may be determined by the Board as it deems fit, including without limitation, the timing of the Compliance Offering, if and when it occurs, taking into account various factors, including without limitation, market conditions and pricing. Subject to the approval of the Shareholders at the EGM being obtained, the price of each Share to be offered under the Compliance Offering, shall be determined by the Board, but in any event, shall not be less than S$0.20 per Share. Shareholders should note that the details of the Compliance Offering will be released in due course.

In conjunction with the Acquisition, the Company also proposed to effect the Disposal of its existing business in its entirety to Showy Pte. Ltd. pursuant to the Business Transfer Agreement.

1.2 <u>In-Principle Approval From The SGX-ST</u>

On 13 August 2008, the SGX-ST granted in-principle approval for the listing and quotation of the Consideration Shares and the new Shares to be allotted and issued pursuant to the Compliance Offering on the SGX-ST, subject to the following conditions:

(a) compliance with the SGX-ST's listing requirements;

(b) Shareholders' approval being obtained for the Acquisition;

(c) Shareholders' approval being obtained for the Disposal;

(d) compliance with the shareholding spread requirements and distribution guidelines;

(e) compliance with Rule 113(2) of the Listing Manual;

(f) compliance with Rule 210(4)(b) of the Listing Manual;

(g) compliance with Rule 210(5)(a) of the Listing Manual with regard to the pre-quotation disclosure requirement of releasing a statement via SGXNET to state if a director has prior experience as a director of a listed company and whether the person has undertaken training in the roles and responsibilities of a director of a listed company;

(h) submission of a written confirmation from J.P. Morgan that the signed moratorium agreements by the relevant parties pursuant to Rule 227 of the Listing Manual are in accordance with the requirements of Rules 228 and 229 of the Listing Manual;

(i) a signed undertaking by the Company that its Audit Committee will, for at least the first two years after the Company's listing: (A) commission an independent party to review the adequacy of the Group,s system of internal controls, (B) ensure that all internal control weaknesses are satisfactorily and properly rectified and (C) disclose the independent party's report and any follow-up action taken by the Audit Committee in the Company's Annual Report. The Company is required to undertake that subsequently, the Audit Committee will regularly consider if there is a need to undertake further review of the internal controls of the Group;

(j) a signed undertaking by Mr Fang Ming that the shareholders' loan owing to Chongqing Yingli shall be settled in cash prior to the completion of the Acquisition;

(k) a written confirmation that Rules 735 and 736 of the Listing Manual have been complied with; and

(l) documents mentioned in Rule 248, Rule 249 and Rule 250 of the Listing Manual, before the listing of the Consideration Shares and the new Shares to be issued pursuant to the Compliance Offering.

The in-principle approval granted by the SGX-ST to the Company for the listing and quotation of the Consideration Shares and the new Shares to be allotted and issued pursuant to the Compliance Offering on the SGX-ST is not to be taken as an indication of the merits of the Acquisition, the Compliance Offering, the Company, Fortune Court, the Fortune Court Group, the Enlarged Group, the Shares, the Consideration Shares and/or the new Shares to be allotted and issued pursuant to the Compliance Offering.

1.3 Purpose of this Circular

The purpose of this Circular is to provide you with information relating to, to explain the rationale of, and to seek Shareholders' approval for the transactions as mentioned on the cover of this Circular and other related corporate actions at the forthcoming EGM. Specifically, approval by way of ordinary resolution will be sought for the Acquisition as a Very Substantial Acquisition and an Interested Person Transaction, the allotment and issuance of the Consideration Shares, the Disposal as a Major Transaction and an Interested Person Transaction, the Whitewash Resolution, the allotment and issuance of the new Shares pursuant to the Compliance Offering on such terms and conditions as the Directors may determine, the appointment of the Proposed Directors and the New Share Issue Mandate to allot and issue new Shares and convertible securities. Approval by way of a special resolution will be sought for the Proposed Change of Name.

2. THE ACQUISITION

2.1 The S&P Agreement

Pursuant to the S&P Agreement, the Company will acquire the entire issued and paid-up share capital of Fortune Court comprising 381,428,846 ordinary shares of par value HK$0.00004 each (the "**Sale Shares**") from the Vendors, namely (i) Newest Luck, a company incorporated in the British Virgin Islands with 80% of its issued share capital legally and beneficially owned by Mr Fang Ming and 20% of its issued share capital legally and beneficially owned by Ms Xu Li; (ii) LFH; and (iii) the Tan Brothers. LFH and the Tan Brothers previously held in aggregate S$95.0 million in principal amount of redeemable loan stock issued by Fortune Court. Pursuant to the terms of the Redeemable Loan Stock Agreements, Fortune Court has redeemed such Redeemable Loan Stock. Pursuant to such redemption, LFH and the Tan Brothers were allotted and issued shares in Fortune Court, resulting in them holding an aggregate of 34.46% of the issued share capital of Fortune Court immediately following such allotment and issuance. Fortune Court is a limited liability company incorporated under the laws of Hong Kong and is the holding company of Chongqing Yingli, an equity joint venture company established in the PRC on 3 November 1993 and principally engaged in real estate development in Chongqing, the PRC.

The Sale Shares are to be acquired (a) free from all encumbrances and (b) together with all rights, dividends, entitlements and benefits attaching to the Sale Shares as at and from the Completion Date.

2.2 The Acquisition as a Reverse Takeover

Chapter 10 of the Listing Manual governs the continuing listing obligations of a listed company in respect of acquisitions and realisations.

The relative figures for the Acquisition computed on the bases set out in Rule 1006[1] of the Listing Manual are as follows:

(a) **Rule 1006(a) – the net asset value of the assets to be disposed of, compared with the group's net asset value.**

The basis of comparison set out in Rule 1006(a) is not applicable as Rule 1006(a) only applies to a disposal of assets.

(b) **Rule 1006(b) – the net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.**

The unaudited pro forma net profit of the Enlarged Group for FY2007 is S$157.9 million[2], which is approximately 15,298.5% of the audited consolidated net profit of the Company for FY2007 of approximately S$1.03 million. The exchange rate of S$1.00 = RMB5.0358 (as of 27 June 2008) as set out in the S&P Agreement has been used for the conversion of these amounts.

(c) **Rule 1006(c) – the aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.**

The consideration of S$545,395,762 constitutes approximately 1,073.6% of the Company's market capitalisation of approximately S$50.8 million, based on the weighted average market price of S$0.40 per Share as at 4 July 2008, being the last Market Day immediately preceding the date of the S&P Agreement.

(d) **Rule 1006(d) – the number of equity securities issued by the Company as consideration for the Acquisition, compared with the number of equity securities previously in issue.**

The number of Consideration Shares to be allotted and issued to the Vendors (and/or their nominees) at the issue price of S$0.33 each represent approximately 1,301.3% of the issued and paid-up capital of the Company of 127,000,000 Shares as at the Announcement Date.

Immediately following the allotment and issuance of the Consideration Shares and prior to the allotment and issuance of the new Shares and if relevant, sale of the Consideration Shares by the Vendors pursuant to the Compliance Offering, the Vendors (and/or their nominees) will collectively hold at least 92.86% of the issued and paid-up capital of the Company, based on the Company's issued share capital of 1,779,714,429 Shares immediately following the allotment and issuance of the Consideration Shares, thereby resulting in a change of control of the Company.

Pursuant to Chapter 10 of the Listing Manual, as one or more of the relative figures as computed on the bases set out in Rule 1006 exceeds 100.0% and there is a change in control of the Company, the Acquisition is classified as a "Very Substantial Acquisition" or "reverse takeover" and as such, the Acquisition shall be conditional upon the approval of Shareholders at the EGM and the approval of the SGX-ST.

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1 Pursuant to Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.

2 This is computed by taking profit before taxation of Chongqing Yingli less goodwill of S$20.3 million before the Compliance Offering arising from the reverse acquisition.

2.3 The Purchase Consideration

The consideration of S$545,395,762 for the sale and purchase of the entire issued and paid-up share capital of Fortune Court is to be satisfied by the allotment and issuance of a total of 1,652,714,429 Consideration Shares, being 1,083,239,014 Consideration Shares, 509,530,634 Consideration Shares and 59,944,781 Consideration Shares to Newest Luck, LFH and the Tan Brothers, respectively, credited as fully-paid at the issue price of S$0.33 each, representing not less than 60.87%, 28.63%, and 3.36%, respectively, of the issued and paid up share capital of the Company immediately following the Acquisition and 52.78%, 24.83%, and 2.92%, respectively, of the issued share capital of the Company following the Acquisition and the Compliance Offering[3]. On completion of the Acquisition but prior to the Compliance Offering, the Vendors (and/or their nominees) will own approximately 92.86% of the issued and paid-up share capital of the Company. The aggregate number of Consideration Shares to be allotted and issued to the Vendors collectively will represent approximately 80.53% of the Enlarged Share Capital.

The consideration for the Acquisition was arrived at on a willing-buyer willing-seller basis, and was derived from the property valuations of property interests owned by Chongqing Yingli and its subsidiary Chongqing San Ya Wan as of 30 June 2008 provided by Jones Lang LaSalle Sallmanns in its property valuation report annexed hereto in Appendix D(II) and the cash and debt levels of the Fortune Court Group as at 31 March 2008.

2.4 Conditions Precedent

Completion of the Acquisition is conditional upon the fulfilment of certain conditions precedent on or before Completion Date including, amongst others, the following:

(i) the Company having received satisfactory documentation evidencing the redemption of all the outstanding Redeemable Loan Stock and the allotment and issuance of an aggregate of 131,428,846 ordinary shares in Fortune Court, such that the resulting issued share capital of Fortune Court immediately following such redemption of the Redeemable Loan Stock and allotment and issuance of shares is held as follows:

Name	Percentage held(1)
Newest Luck	65.54%
LFH	30.83%
Tan Fuh Gih	1.81%
Tan Hoo Lang	1.81%

Note:

(1) The total percentages do not add up to 100% due to rounding differences.

(ii) the Sale Shares constituting the entire issued and paid up share capital of Fortune Court, there being no outstanding convertible securities convertible into voting shares of Fortune Court and Fortune Court being the legal and beneficial owner of 93.99% of the paid-up registered capital of Chongqing Yingli and the Company having received satisfactory confirmation regarding the foregoing;

(iii) Mr Fang Ming having provided in favour of the Company personal indemnities in relation to the issues relating to Min Sheng Mansion, New York New York, Zou Rong Plaza and the Lu Zu Temple Project and the interested person transactions as disclosed in this Circular and the Company having received such personal indemnities;

[3] Assumes a Compliance Offering of 272,728,000 new Shares, that such Compliance Offering is fully subscribed, that none of the Vendors sell any of their Consideration Shares pursuant to the Compliance Offering and that none of the Vendors subscribe for further Shares pursuant to the Compliance Offering.

(iv) Mr Fang Ming having provided in favour of the Company a deed of undertaking in relation to the shareholder's loan due to him from Fortune Court as at the end of the financial year ended 31 December 2007 by which he shall not demand repayment of the said loan during the period commencing from the date of the completion of the proposed acquisition and ending the date falling 12 months after the completion of the Acquisition ("**Repayment Waiver Period**"), and a further agreement that any repayment of such loan after the Repayment Waiver Period shall be subject to the approval of the Audit Committee of the Company, taking into consideration the cashflow and operating requirements of the Company and its subsidiaries;

(v) the release of the charge over the entire issued share capital of Fortune Court held by Newest Luck pursuant to the Memorandum of Charge dated 30 June 2008 executed by Newest Luck in favour of LFH and the Company having received satisfactory evidence of such release;

(vi) there being no fact or circumstance discovered by the Company pursuant to the legal and commercial due diligence conducted by the Company in respect of the financial position (including the accounts), assets, personnel and businesses of the Fortune Court Group which would, in the reasonable opinion of the Company, be of material significance in the context of the transaction contemplated under the S&P Agreement;

(vii) the receipt of in-principle approval from the SGX-ST for the listing and quotation of the Consideration Shares to be allotted and issued pursuant to the S&P Agreement and if such approval is obtained subject to any conditions and where such conditions affect any Party, such conditions being acceptable to the Party concerned and, if such conditions are required to be fulfilled before completion of the Acquisition, the fulfilment of such conditions before the completion of the Acquisition;

(viii) the approval of the Shareholders being obtained at the EGM for the following, amongst others:

(a) for the Acquisition;

(b) for the allotment and issuance of the Consideration Shares;

(c) for the allotment and issuance of the new Shares pursuant to the Compliance Offering on such terms as may be determined by the Board as it deems fit, including without limitation, the timing and pricing of the Compliance Offering, if and when it occurs, taking into account various factors, including without limitation, market conditions and pricing;

(d) for the Disposal; and

(e) for the Whitewash Resolution; and

(ix) the receipt of a waiver from the SIC of the requirement for Newest Luck and its concert parties to make a mandatory general offer for all the Shares that it does not already own following the allotment and issuance of the Consideration Shares to the Vendors, and all conditions to such waiver having been satisfied.

Completion of the Acquisition is to take place not later than 14 Business Days after all the conditions precedent set out above have been fulfilled (or if not fulfilled, are waived by the Company or the Vendors in accordance with the S&P Agreement).

As at the date of this Circular, save for condition (viii), all the required conditions have been fulfilled. The Company has, on 18 August 2008, granted a waiver of condition precedent 4.2.4(ii) of the S&P Agreement (being the condition precedent regarding Mr Fang Ming's undertaking to ensure the repayment of shareholders' loans owing to Chongqing Yingli). The SGX-ST has required Mr Fang Ming to execute an undertaking that the shareholders' loan shall be settled in cash prior to the completion of the Acquisition. The SIC has, on 17 July 2008, granted a waiver of the requirement for Newest Luck and its concert parties to make a general offer for all the Shares not already owned, controlled or agreed to be acquired by Newest Luck or its concert parties. Please refer to Section 4.2 entitled "Waiver of Right to Receive a General Offer - Conditional Waiver of the General Offer Requirement by the SIC" of this Circular for more information on the conditions set out by the SIC in relation to such waiver.

The SGX-ST has on 13 August 2008, granted its in-principle approval for the listing and quotation of the Consideration Shares. Please refer to Section 1.2 entitled "Introduction - In-Principal Approval from the SGX-ST" of this Circular for more information on the conditions attached to the in-principle approval by SGX-ST.

Please note that the in-principle approval granted by the SGX-ST to the Company for the listing and quotation of the Consideration Shares and the new Shares to be allotted and issued pursuant to the Compliance Offering on the SGX-ST is not to be taken as an indication of the merits of the Acquisition, the Compliance Offering, the Company, Fortune Court, the Fortune Court Group, the Enlarged Group, the Shares, the Consideration Shares and/or the new Shares to be allotted and issued pursuant to the Compliance Offering.

2.5 Other Salient Terms of the S&P Agreement

The S&P Agreement contains various representations, warranties and covenants of the parties, in particular the following representations and warranties:

Equity Interest in Chongqing Yingli

Newest Luck warranted to the Company that Fortune Court is the legal and beneficial owner of 93.99% of the paid-up capital in Chongqing Yingli, such interests are held free from all and any encumbrances, together with all rights and benefits attaching thereto and that no other person has any rights of pre-emption over such interests in Chongqing Yingli.

Moratorium on the Shares held by Newest Luck

Newest Luck has undertaken that for an initial period of six months commencing from the Completion Date, it and/or its nominees may not sell, realize, transfer or otherwise dispose of any part of the Consideration Shares that were allotted and issued to it upon the completion of the Acquisition, save for any of the Consideration Shares that may form part of the vendor sale pursuant to the Compliance Offering, as the case may be. For the subsequent six months, it has also undertaken not to sell, realize, transfer or otherwise dispose of 50.0% of the Consideration Shares that were allotted and issued to it upon the completion of the Acquisition. For the period from 12 months to 18 months commencing from the Completion Date, it has also undertaken not to sell, realise, transfer or otherwise dispose of 25.0% of the Consideration Shares.

Moratorium on the Shares held by LFH and the Tan Brothers

Each of LFH and the Tan Brothers has undertaken that for an initial period of six months commencing from the Completion Date, it and/or its nominees may not sell, realize, transfer or otherwise dispose of any part of the Consideration Shares that were allotted and issued to it upon the completion of the Acquisition, save for any of the Consideration Shares that may form part of the vendor sale pursuant to the Compliance Offering.

Appointment of New Directors to the Board of Directors on Completion of the Acquisition

Upon completion of the Acquisition, the Board of Directors of the Company shall comprise:

(a) Mr Fang Ming;

(b) Mr Xie Xin;

(c) Ms Xu Li;

(d) Mr Lee Chong Min;

(e) Mr He Zhao Ju @ Danny Ho;

(f) Mr Christopher Chong Meng Tak;

(g) Mr Lui Seng Fatt; and

(h) Mr Xiao Zu Xiu.

2.6 The Interested Person Transaction in Relation to the Acquisition

Prior to the Acquisition, Fortune Court entered into a Redeemable Loan Stock Subscription Agreement dated 6 January 2008 with the Tan Brothers for the subscription of S$10.0 million in principal amount of Redeemable Loan Stock issued by Fortune Court, as amended, supplemented and modified. Pursuant to the terms of the Redeemable Loan Stock Subscription Agreement and upon redemption of the Redeemable Loan Stock held by the Tan Brothers and the allotment and issuance of 13,834,616 shares in Fortune Court to the Tan Brothers, the Tan Brothers hold approximately 3.62% in aggregate of the issued share capital in Fortune Court. Pursuant to the Acquisition, the Company will acquire all the shares in Fortune Court held by the Tan Brothers and, in consideration for such Acquisition, allot and issue 59,944,781 Consideration Shares to the Tan Brothers. As the Tan Brothers, being brothers of the Controlling Shareholder of the Company, Mr Tan Kim Seng, would be regarded as 'associates' in accordance with the definition as set out in the Listing Manual, the Acquisition would constitute an Interested Person Transaction pursuant to Chapter 9 of the Listing Manual.

As the value of the transaction is above S$100,000 and is equal to or exceeds 5% of the Company's latest audited NTA, Shareholders' approval is required in order for the Company to acquire the shares in Fortune Court held by the Tan Brothers.

2.7 Information on the Fortune Court Group

Fortune Court is a limited liability company incorporated under the laws of Hong Kong and is the holding company of Chongqing Yingli. Fortune Court currently holds 93.99% of the paid-up capital of Chongqing Yingli. Chongqing Yingli was incorporated in 1993 as an equity joint venture company in the PRC, principally engaged in real estate development in Chongqing, the PRC. The other shareholders of Chongqing Yingli are Chongqing Tiancheng (holding 4.76% of the paid-up capital as at the Latest Practicable Date), Chongqing Tiancheng Passenger Motor Co., Ltd (holding 0.65% of the paid-up capital as at the Latest Practicable Date) and Chongqing Jingli (holding 0.60% of the paid-up capital as at the Latest Practicable Date).

Since its establishment in 1993, Chongqing Yingli has successfully developed several real estate projects such as New York New York (纽约纽约), Zou Rong Plaza (邹容广场), and Future International (未来国际), which are major commercial buildings in Chongqing. Chongqing Yingli's focus is to develop commercial and office buildings. Situated in the heart of the central business district of Chongqing, tenants of these real estate projects of Chongqing Yingli include local and multinational companies.

Mr Fang Ming, the founder of Chongqing Yingli, has been instrumental in managing the business of the Fortune Court Group since its inception and has successfully developed and managed all the real estate development projects of Chongqing Yingli. Under the leadership of Mr Fang Ming, the Fortune Court Group has received numerous awards and accreditations. Mr Fang Ming has also been awarded the Most Outstanding Entrepreneur in China award by the Ministry of Construction in 2003 and has been named as an Outstanding Socialist Contributor from the Non-Public Economic Sector in Chongqing by both the district and municipal governments in 2006.

The sale and rental of all the properties developed by Chongqing Yingli, together with a team of experienced sales personnel familiar with the local market, forms an integral and important part of Chongqing Yingli's business. Generally, the proceeds from the sale and rental of Chongqing Yingli's properties are utilised by it for future development projects after setting aside reserves for working capital and other company requirements.

In addition, Chongqing Yingli's focus on the area of urban renewal has also enabled it to build up a specialised field of property development, combining premier design and high quality construction in its contribution to modernizing the landscape of the city centre of Chongqing.

Chongqing Yingli's success as a premium property developer is evidenced by it receiving between the years 1999 to 2007 four awards naming it as one of the Top 50 Chongqing Real Estate Companies.

As at 30 June 2008, the total GFA of completed properties held for investment by Chongqing Yingli is approximately 132,253.04 sq m, comprising commercial area of 76,837.42 sq m, office area of 16,969.27 sq m and car park space of 38,446.35 sq m. In addition, the total estimated GFA of the land bank held by Chongqing Yingli and its subsidiary Chongqing San Ya Wan as at 30 June 2008 is 714,388.25 sq m. Chongqing Yingli also engages third parties to assist in the project management of its properties and to provide it with project consultancy services.

As at the Latest Practicable Date, Chongqing Yingli owns a subsidiary, Chongqing San Ya Wan, through the acquisition of a 69% interest in the said company for RMB65,300,000 pursuant to share transfer agreements executed in April and May of 2008 by Chongqing Yingli as purchaser and Chongqing Pu Hui Real Estate Development Co., Ltd（重庆浦辉房地产开发有限公司）and Chongqing Da He Aquatic Products Limited Liability Co.（重庆市大禾水产有限责任公司）as vendors. The acquisition was completed on 14 May 2008. The vendors are not related to the directors or controlling shareholders of Chongqing Yingli. Chongqing San Ya Wan is a project company that holds the land use rights to the Yubei Project, one of the land banks currently undergoing development by the Fortune Court Group. The remaining 31% interest in Chongqing San Ya Wan is held by two natural persons who are not related to the directors or controlling shareholders of Chongqing Yingli. Chongqing Yingli is currently in the process of acquiring another 12% interest in Chongqing San Ya Wan, and this is expected to be completed around October 2008. Chongqing San Ya Wan has recently implemented accounting and internal control systems that are consistent with those at Chongqing Yingli. However, as these systems have been recently implemented, the auditors and reporting accountants to Chongqing San Ya Wan have not had the opportunity to perform tests to check the effectiveness of these accounting and internal control systems.

3. THE CAPITAL INJECTION SUBSEQUENT TO THE ACQUISITION AND THE COMPLIANCE OFFERING

Upon the completion of the Acquisition and the Compliance Offering, the Company expects to further capitalise Chongqing Yingli by contributing approximately S$49,132,692.30 (which is equivalent to US$34,959,934.75 at an exchange rate of S$: US$ = 1.4054 : 1 on 8 August 2008), which includes part of the amount raised from the Compliance Offering, as registered capital to Chongqing Yingli (the "**Capital Injection**"), resulting in a direct 51% equity interest being held by the Company in the enlarged registered capital of Chongqing Yingli.

Newest Luck has agreed with the Company that, following the completion of the Acquisition and the Capital Injection, it will waive all its rights to receive dividends and/or other distributions (whether in the form of cash or as distributions in specie save for bonus shares) declared by the Company out of its retained earnings or profits in any particular financial year to its shareholders in respect of such number of shares held by Newest Luck as shall amount to 2.95% of the issued share capital of the Company.

Please refer to Section 12.1 entitled "The Enlarged Group - The Pre-RTO Investment" of this Circular for a diagrammatic representation of the corporate structure of the Enlarged Group following the Capital Injection.

4. WAIVER OF RIGHT TO RECEIVE A GENERAL OFFER

4.1 General Offer Requirement Under The Code

As at the Latest Practicable Date, Newest Luck and its concert parties do not hold any Shares or instruments convertible into and options in respect of Shares. On 22 May 2008, Newest Luck issued a letter of confirmation to the SIC declaring that it had not acquired and will not acquire any shares or instruments convertible into and options in respect of shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares which will be disclosed in the Circular):

(a) during the period between the targeted date of announcement of the Acquisition and the date Shareholders' approval is obtained for the Whitewash Resolution; and

(b) in the six months prior to the targeted date of announcement of the Acquisition but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the issue of the Consideration Shares.

Upon completion of the Acquisition but before the Compliance Offering, Newest Luck will hold 1,083,239,014 new Shares, representing 60.87% of the then issued share capital of the Company.

Pursuant to Rule 14 of the Code and Section 139 of the SFA, Newest Luck and/or its concert parties will be required to make a mandatory unconditional general offer for all the remaining issued Shares not owned, controlled or agreed to be acquired by Newest Luck and/or its concert parties at the highest price paid or agreed to be paid by Newest Luck and/or its concert parties for the Shares in the past six months from the date the Consideration Shares are issued to Newest Luck, unless such obligation is waived by the SIC.

The interests of each of the other Vendors, namely LFH and the Tan Brothers, does not exceed 30% and as such, each of the other Vendors will not be required to make a mandatory unconditional general offer for all the remaining issued Shares not owned, controlled or agreed to be acquired by them. Further, for the purposes of Rule 14 of the Code, LFH and the Tan Brothers may not be viewed as concert parties of Newest Luck for, amongst others, the following reasons: (i) LFH is an investment holding company managed by CMIA, a China-focused private equity firm incorporated in Singapore in 2003, and does not have any voting arrangement with Newest Luck (or its shareholders) with regards to how it would vote its shares in the Company; and (ii) the Tan Brothers are investing in Fortune Court and subsequently holding shares in the Company as minority investors, and they do not have any voting arrangements with Newest Luck (or its shareholders) or LFH with regards to how they would vote their shares in the Company.

4.2 Conditional Waiver of the General Offer Requirement by the SIC

The SIC has, on 17 July 2008, waived the requirement for Newest Luck and its concert parties to make a general offer for the remaining issued Shares not owned, controlled or agreed to be acquired by Newest Luck and its concert parties, subject to, amongst other things, the following conditions:

(a) a majority of holders of voting rights of the Company present and voting at a general meeting, held before the issue of the Consideration Shares to Newest Luck, approve by way of a poll, a resolution (the "**Whitewash Resolution**") to waive their rights to receive a general offer from Newest Luck and parties acting in concert with it;

(b) the Whitewash Resolution is separate from other resolutions;

(c) Newest Luck, parties acting in concert with it and parties not independent of it, abstain from voting on the Whitewash Resolution;

(d) Newest Luck and its concert parties did not acquire or are not to acquire any shares or instruments convertible into and options in respect of shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares which have been disclosed in the Circular):-

(i) during the period between the announcement of the Acquisition and the date shareholders' approval is obtained for the Whitewash Resolution; and

(ii) in the six months prior to the announcement of the Acquisition, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the issue of the Consideration Shares;

(e) the Company appoints an independent financial adviser to advise its independent shareholders on the Whitewash Resolution;

(f) the Company sets out clearly in its circular to shareholders:-

(i) details of the Acquisition;

(ii) the dilution effect of the issue of the Consideration Shares to Newest Luck under the Acquisition, to existing holders of voting rights;

(iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares in the Company held by Newest Luck and its concert parties as at the Latest Practicable Date;

(iv) the number and percentage of voting rights to be issued to Newest Luck;

(v) specific and prominent reference to the fact that the Acquisition would result in Newest Luck holding shares carrying over 49% of the voting rights of the Company based on its enlarged issued share capital, and the fact that Newest Luck will be free to acquire further shares without incurring any obligation under Rule 14 of the Code to make a general offer;

(vi) that Shareholders, by voting for the Whitewash Resolution, are waiving their rights to a general offer from Newest Luck at the highest price paid by Newest Luck and parties acting in concert with it for the Company's shares in the past six months preceding the commencement of the offer;

(g) the Circular by the Company to its shareholders states that the waiver granted by the SIC to Newest Luck and parties acting in concert with it from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at (a) to (f) above;

(h) Newest Luck obtains the SIC's approval in advance for those parts of the Circular that refer to the Whitewash Resolution; and

(i) to rely on the Whitewash Resolution, the acquisition of the Consideration Shares by Newest Luck under the Acquisition must be completed within three months of the approval of the Whitewash Resolution.

As at the Latest Practicable Date, all the above conditions (save and except for conditions (a) and (i) above) have been satisfied.

4.3 Whitewash Resolution

Shareholders are requested to vote on a poll, the Whitewash Resolution set out as an ordinary resolution in the Notice of EGM as set out in the section entitled "Notice of Extraordinary General Meeting" of this Circular, waiving their rights to receive a general offer from Newest Luck and its concert parties for the remaining issued Shares not owned, controlled or agreed to be acquired by Newest Luck and/or its concert parties.

Shareholders should note that the Whitewash Resolution is a condition precedent in the S&P Agreement and hence the Acquisition will not be completed in the event that the Whitewash Resolution is not approved.

Shareholders should also note that by voting in favour of the Whitewash Resolution, they will be giving up their rights to receive a general offer for all the issued Shares which Newest Luck and its concert parties would otherwise be obliged to make at the highest price paid or agreed to be paid by Newest Luck and its concert parties for any Share in the past six months from the date the Consideration Shares are issued to Newest Luck, in accordance with Rule 14 of the Code and Section 139 of the SFA.

Pursuant to obtaining Shareholders' approval for the Whitewash Resolution and upon completion of the Acquisition, Newest Luck will hold in excess of 50.0% of the issued share capital of the Company immediately after the allotment of the Consideration Shares. Independent Shareholders should note that by voting for the Whitewash Resolution, they will be waiving their rights to a general offer from Newest Luck at the highest price paid by Newest Luck and parties acting in concert with it for Shares in the Company in the past six months preceding the commencement of the offer and under Rule 14 of the Code, Newest Luck and its concert parties could thereafter acquire additional new Shares in the Company without incurring a mandatory unconditional general offer obligation insofar as their aggregate equity interests remain in excess of 50.0% in the share capital of the Company.

Independent Shareholders should also note that the resolutions to approve the Acquisition, the issue of the Consideration Shares, the Disposal and the Compliance Offering are each conditional upon the approval of the Whitewash Resolution by the Independent Shareholders. If the Whitewash Resolution is not approved by the Independent Shareholders, the Acquisition will NOT be completed and neither the Disposal nor the Compliance Offering will take place.

EYCF has been appointed as the Independent Financial Adviser to the Independent Directors in relation to the Whitewash Resolution. A copy of EYCF's letter in relation to the Whitewash Resolution is reproduced in Appendix C of this Circular.

5. THE DISPOSAL

5.1 Background of the Disposal

Together with the S&P Agreement, the Company entered into the Business Transfer Agreement on 7 July 2008 to effect the Disposal of the Company's existing business (in its entirety) to Showy Pte. Ltd., a company wholly-owned by Mr Lim Hong Ching and Mdm Yeo Sock Kon, both Directors and Controlling Shareholders, for a cash consideration of S$4.664 million[4] (the "**Disposal Consideration**"), determined on a willing-seller willing-buyer basis, based on the adjusted book value of the Company's assets and liabilities as shown in the unaudited consolidated balance sheet of the Group as at 30 June 2008 (the "**Signing Balance Sheet**"). Completion of the Disposal is conditional upon, among other things, the approval of Shareholders being obtained for the Disposal and completion of the Acquisition occurring simultaneously.

[4] The Disposal Consideration is subject to verification and adjustments pursuant to Clauses 3.2 and 5 and Schedule 2 of the Business Transfer Agreement.

5.2 The Disposal as an Interested Person Transaction

Mr Lim Hong Ching and Mdm Yeo Sock Kon collectively own 100% of the issued share capital of Showy Pte. Ltd. Both Mr Lim Hong Ching and Mdm Yeo Sock Kon are currently Directors and Controlling Shareholders. Accordingly, the proposed Disposal constitutes an Interested Person Transaction pursuant to Chapter 9 of the Listing Manual. Furthermore, as the value of the transaction is above S$100,000 and is equal to or exceeds 5% of the Company's latest audited NTA, Shareholders' approval by way of ordinary resolution is required in order for the Company to effect the Disposal.

5.3 The Disposal as a Major Transaction

Under Rule 1014 of the Listing Manual, Shareholders' approval must be sought for "major transactions". Rule 1006 sets out the computation for the relative figures. Shareholders' approval is required if any of the relative figures computed on the bases set out in Rule 1006 exceeds twenty per cent (20%) as such a transaction is classified as a "major transaction".

The relative figures for the Disposal computed on the bases set out in Rule 1006[5] of the Listing Manual are as follows:

(a) **Rule 1006(a) – the net asset value of the assets to be disposed of, compared with the Company's net asset value.**

The net asset value of the assets to be disposed of in the Disposal for FY2007 is approximately S$4.618 million, which is approximately 22.92% of the audited consolidated net asset value of the Company for FY2007 of approximately S$20.14 million.

(b) **Rule 1006(b) – the net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.**

The net profits attributable to assets to be disposed of in the Disposal is S$1.03 million, which is approximately 100% of the audited consolidated net profit of the Company for FY2007 of approximately S$1.03 million.

(c) **Rule 1006(c) – the aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.**

The consideration of S$4.664 million constitutes approximately 9.18% of the Company's market capitalisation of approximately S$50.8 million, based on the weighted average market price of S$0.40 per Share as at 4 July 2008, being the last Market Day immediately preceding the date of the Business Transfer Agreement.

(c) **Rule 1006(d) – the number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.**

The basis of comparison set out in Rule 1006(d) is not applicable as it applies to an acquisition where equity securities are issued as consideration for an acquisition.

As the Disposal constitutes the disposal of the entire existing business of the Company, the Disposal constitutes a transaction to which Rule 1015 (read with Rule 1006) of the Listing Manual applies and therefore must be made conditional upon approval of Shareholders in a general meeting. Such approval is by way of an ordinary resolution.

[5] Pursuant to Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.

5.4 Conditions Precedent

Completion of the Disposal is conditional upon the fulfilment of certain conditions precedent on or before the completion date of the Business Transfer Agreement including, amongst others, the following:

(i) the procurement of the Jurong Town Corporation's approval for the assignment of the land lease and the approval of the Land Registry for the transfer of legal title of the property situated at 35 Sungei Kadut Street 4, Singapore 729057 (the "**Property**") by the Company to Showy Pte. Ltd. and in the event that the abovementioned approvals are not obtained by the Completion Date, the Company shall agree to sub-lease the Property to Showy Pte. Ltd. for the remaining tenure on such terms and conditions as accorded to the Company under the existing lease with Jurong Town Corporation and the Company shall refund the price paid by Showy Pte. Ltd. for the Property in accordance with Clause 3.2 of the Business Transfer Agreement;

(ii) the approval of the Board of Directors and shareholders of the Company in an extraordinary general meeting being obtained for, amongst others, the Acquisition, the Disposal and the change of name of the Company;

(iii) the discharge of any personal guarantees of existing Directors of the Company;

(iv) the assignment and novation of all trade receivables, other receivables, deposits and prepayments free of encumbrances in relation to the Company's existing business (except for any prepayments, deposits or other receivables in relation to professional fees, legal fees, valuation fees, stamp duties and other fees for the Acquisition) and all sums owed by Showy Industrial Co. (Ningbo) Ltd. and Showy Overseas (which are two of the Company's existing subsidiaries) to the Company to Showy Pte. Ltd.;

(v) the transfer of all trade payables, other payables and accruals, any contingent liabilities in relation to the Company's existing business (except for dividends payable and any payables or accruals in relation to the Acquisition and Showy (Shanghai) Impex Limited) and all sums owed by the Company to Showy Industrial Co. (Ningbo) Ltd to Showy Pte. Ltd.;

(vi) the transfer to Showy Pte. Ltd. of the title of all stock and plant and equipment, intellectual property and intellectual property rights of the Company free from encumbrances;

(vii) the change of the Company's name to disassociate itself from the "SHOWY" brand name, subject to the approval of the Company's shareholders;

(viii) the delivery of the transfer letters for the employees of the Company who are transferred pursuant to Clause 9 of the Business Transfer Agreement;

(ix) all third party consents for the Disposal having been obtained;

(x) the completion of other documentation to the satisfaction of both parties to the Business Transfer Agreement in relation to the transfer of the existing business of the Company; and

(xi) all licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals necessary or desirable for or in respect of the proposed transfer of the Company's existing business to Showy Pte. Ltd. or for the implementation of the Business Transfer Agreement or for the proper carrying on of the business having been obtained from appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms reasonably satisfactory to Showy Pte. Ltd. and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect.

5.5 Basis of Calculation of Disposal Consideration

The Company considered the adjusted book values of the following assets and liabilities (the "**Assets and Liabilities**") as shown in the unaudited consolidated balance sheet of the Company as at 30 June 2008 in its deliberation of the Disposal Consideration:

(a) the stocks of the Company's existing business such as goods purchased for resale, consumable stores, inventories, raw materials and components, packing materials, work in progress, consignment stock, stock in transit, stock provision, partly finished and finished goods;

(b) the Property, plant and equipment of the Company (which includes fixed and loose plant, machinery and equipment, fittings and other chattels (including motor vehicles, office equipment, computer hardware and software) owned by the Company and used in connection with the Company's existing business);

(c) the Company's trade and other receivables;

(d) the Company's cash and cash equivalents (which is all sums held in the PRC and such other sums (save for all sums held in Showy (Shanghai) Impex Limited), which in aggregate shall be equal to S$2,000,000);

(e) the income tax payable by the Company; and

(f) trade and other payables of the Company.

5.6 Verification Procedure Relating to the Disposal Consideration

Within three days of the completion of the Disposal, Showy Pte. Ltd. will verify the details in the Signing Balance Sheet and inform the Company if there are difference(s) between the figures in the Signing Balance Sheet and the figures verified by Showy Pte. Ltd. The Company and Showy Pte. Ltd. will then discuss with each other with a view to reaching agreement on an appropriate adjustment to the Disposal Consideration as a result of such difference(s). In the event that they are unable to reach agreement on such adjustment within 10 days from the date on which Showy Pte. Ltd. first informed the Company of such difference(s), then the matter shall immediately be referred to the auditors of the Company, who will certify to both parties the adjusted consolidated book value of the Company's Assets and Liabilities as at 30 June 2008 (the "**Final Book Value**"), such certification to be issued by the auditors of the Company within 20 days from the date on which the matter was referred to them. If the Final Book Value is different from the adjusted book value of the Company as shown in the Signing Balance Sheet, then a post-closing adjustment shall be made to the Disposal Consideration equivalent to the amount of such difference. The auditors of the Company will also together with certifying the Final Book Value, certify the final Disposal Consideration to be paid by Showy Pte. Ltd.

5.7 Other Salient Terms Of The Business Transfer Agreement

The salient terms of the Business Transfer Agreement comprise, amongst others, the following:

(a) The Company shall transfer to Showy Pte. Ltd. (i) Showy's Existing Business, (ii) the Assets, (iii) the Transferred Employees, (iv) the Transfer Shares, and (v) all Liabilities (all as defined hereinafter), of the Company in its entirety (collectively known as the "**Business**") as a going concern as at the completion of the Disposal, which shall include:

(i) the Company's existing business of manufacturing, trading and distributing sanitary fittings, bathroom products and accessories and kitchen products and accessories ("**Showy's Existing Business**");

(ii) plant and equipment, property, stock, trade and other receivables, cash and cash equivalents, intellectual property, intellectual property rights and goodwill, customer and supplier information and contracts held by the Company in Singapore, the PRC or elsewhere (save for any prepayments, deposits or other receivables in relation to the Acquisition) (the "**Assets**");

(iii) employees that are protected under the Employment Act of Singapore (the "**Transferred Employees**");

(iv) the shares of Showy Overseas, a subsidiary of the Company, to be transferred by the Company to Showy Pte. Ltd. (the "**Transfer Shares**"); and

(v) all the liabilities incurred by the Company with respect to the Company's existing business, including trade and other payables, and contingent liabilities as at the Completion Date (save for dividends payable and any payables or accruals in relation to the Acquisition and Showy (Shanghai) Impex Limited, a wholly-owned subsidiary of the Company which is currently undergoing deregistration in the PRC) ("**Liabilities**"); and

(b) As a transitional arrangement, following the transfer of the Business, and for a period of one year commencing from the completion date of the Disposal, the parties to the Business Transfer Agreement agreed, amongst others, that:

(i) the Company shall permit Showy Pte. Ltd. to occupy the Property before the completion of the assignment of the land lease and the approval of Jurong Town Corporation for such assignment to Showy Pte. Ltd., subject to the condition that Showy Pte. Ltd. bears all associated and relevant costs in connection with such occupation from thereon;

(ii) the Company shall provide assistance and allow reasonable access to Showy Pte. Ltd. to retrieve any information or documentation required for the deregistration of Showy (Shanghai) Impex Limited;

(iii) the Company shall provide assistance and allow reasonable access to Showy Pte. Ltd. to retrieve any information or documentation required and authorise Showy Pte. Ltd., Mr Lim Hong Ching, Mdm Yeo Sock Kon or any other person nominated by Showy Pte. Ltd., Mr Lim Hong Ching or Mdm Yeo Sock Kon to oversee or take such steps as they deem fit to deal with, manage and settle the on-going trademark dispute in the Philippines in relation to a trademark registered by the Company.

6. RATIONALE FOR THE ACQUISITION AND THE DISPOSAL

The Company is a Singapore incorporated company listed on Catalist and its existing principal business involves the design and manufacture of three main categories of products: sanitary fittings, bathroom products and accessories and kitchen products and accessories. This business was founded by the existing Directors, Mr Lim Hong Ching and Mdm Yeo Sock Kon, and is separate and unrelated to the real estate development business to be engaged in by the Enlarged Group upon completion of the Acquisition. In connection with the Acquisition, the Company intends to dispose of all its existing business and assets, such that upon completion of the Acquisition and the Disposal, the business of the Enlarged Group will be that of the Fortune Court Group, whose primary business focus is on property development and investment in Chongqing.

Opportunity to enter the rapidly growing property development industry in PRC, with focus in Chongqing

The Acquisition represents an opportunity to revive the Company and enable the Enlarged Group to penetrate the rapidly growing property development industry in Chongqing. Upon completion of the Acquisition, the Enlarged Group will be the first listed property company in Singapore that focuses primarily on property development and investment in Chongqing.

The Board of Directors note that the real estate industry in the PRC, in particular Chongqing, is a growth industry. Real estate investment in Chongqing has increased rapidly, experiencing a CAGR of 29.4% from 2000 to 2007[6]. Being designated a Special Economic Zone[7], certain enterprises in Chongqing enjoy favourable governmental support, including preferential corporate tax rates of 15% and various other policies that encourage investment. The Board of Directors is optimistic that the local government's favourable policies that encourage investment in Chongqing will spur economic growth further and fuel the growth of property values in Chongqing.

Capitalize on Chongqing Yingli's established business and proven track record

The acquisition by the Company of Fortune Court would mean that an established business with a proven track record is injected into the Company. Fortune Court's subsidiary, Chongqing Yingli, is a premier property developer in Chongqing with a unique track record in undertaking development projects involving urban renewal, which involves working with local authorities to revamp the landscape of the city of Chongqing, and has since developed several major commercial buildings, such as Future International and New York New York. In addition, Chongqing Yingli has earned numerous accolades and awards such as the Leading Brand in Chongqing Construction in 2007 and Chongqing's Top 50 Real Estate Development Enterprises in 2001, 2003, 2005 and 2007.

With its track record and focus on the commercial property development sector, the Directors believe that Chongqing Yingli will be in a good position to capitalize on the growing commercial property sector in the PRC, with a particular focus in Chongqing. The Acquisition will offer the Company an opportunity to become a major player in the Chongqing real estate market.

Chongqing Yingli has an experienced management with an in-depth knowledge of the property market

The proposed management of the Enlarged Group as described in Section 13 entitled "Proposed Directors and Executive Officers" of this Circular is experienced in real estate development in Chongqing and has an in-depth knowledge of the Chongqing real estate sector. Mr Fang Ming, a Proposed Director, who is also the Chairman and General Manager of Chongqing Yingli, has more than 15 years of experience in the PRC property sector. In addition, the key members of the management team have an average of more than 10 years of experience in the PRC property sector which has enabled Chongqing Yingli to identify and source quality projects. In view of the Fortune Court Group's expertise and good relationships with local government authorities and business communities in Chongqing, the Board of Directors believes that the Acquisition would be a good opportunity to invest in a growing business, with a strong management team and a proven track record.

Please see the Letter to Shareholders from the Board of Directors of Fortune Court of this Circular for more information on the history, business and prospects of the Fortune Court Group.

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7 Market Research Report Page D(I)-7 (under Economic Indicators of Chongqing)

7. THE COMPLIANCE OFFERING

7.1 Proposed Compliance Offering and Rationale

On completion of the Acquisition but prior to the Compliance Offering, the issued and paid-up share capital of the Company held by public Shareholders will be approximately 7.14%.

The Compliance Offering is proposed to be carried out in order to maintain the minimum float requirements under Rule 723 of the Listing Manual which requires the Company to ensure that at least 10% of its securities are held by the public, in order for the Company's Shares to continue to trade on Catalist and/or the Mainboard of the SGX-ST. The Company also proposes to carry out the Compliance Offering to comply with Rule 1015(3)(c) read with Rule 210(1)(a) of the Listing Manual to reach a 15% public float for Mainboard listings and related shareholding spread and distribution requirements, as well as to raise funds for general working capital and capital expenditure of the Enlarged Group. The Compliance Offering is subject to amongst other things, in-principle approval having been received from the SGX-ST for the listing and quotation of the Consideration Shares and the new Shares to be allotted and issued pursuant to the Compliance Offering, the lifting of the suspension in the trading of the Company's shares upon completion of the Compliance Offering, suitable market conditions and pricing and the entry into of a placement agreement between the Company and the Placement Agent (the "**Placement Agreement**"), on terms acceptable to these parties.

Completion of the Compliance Offering is expected to take place after completion of the Acquisition and the listing of and quotation for the new Shares to be allotted and issued pursuant to the Compliance Offering on the SGX-ST is expected to take place simultaneously with or after the listing of and quotation for the Consideration Shares. However, Shareholders should note that the terms of the Compliance Offering, as well as the timing of the Compliance Offering, if and when it occurs, would depend on various factors such as market conditions as well as the entry into of a Placement Agreement on terms and conditions acceptable to the Company and the Placement Agent.

The Company seeks the approval of the Shareholders for the allotment and issuance of up to 272,728,000 new Shares under the Compliance Offering on such terms as may be determined by the Board including without limitation the timing of the Compliance Offering, if and when it occurs, taking into account various factors, including, without limitation, market conditions and prices. Subject to the approval of Shareholders at the EGM being obtained, the price of each Share to be offered under the Compliance Offering shall be determined by the Board but in any event, shall not be less than S$0.20 per Share.

The SGX-ST, has on 13 August 2008, granted its in-principle approval for the listing and quotation of up to 272,728,000 new Shares to be issued pursuant to the Compliance Offering.

The Vendors may, if so agreed by the Company and the Placement Agent, sell all or part of their Consideration Shares as part of the Compliance Offering.

Please note that the in-principle approval granted by the SGX-ST to the Company for the listing and quotation of the Consideration Shares and the new Shares to be allotted and issued pursuant to the Compliance Offering on the SGX-ST is not to be taken as an indication of the merits of the Acquisition, the Compliance Offering, the Company, Fortune Court, the Fortune Court Group, the Enlarged Group, the Shares, the Consideration Shares and/or the new Shares to be allotted and issued pursuant to the Compliance Offering.

Subject to the entry of a Placement Agreement on terms and conditions acceptable to the Company and the Placement Agent, and suitable market conditions, the Company expects that an Offer Information Statement in connection with the Compliance Offering will be lodged with the Monetary Authority of Singapore after approval from Shareholders has been obtained at the EGM.

7.2 Mainboard Listing of the Company

Upon completion of the Acquisition and the Compliance Offering, the Company anticipates that it will be moved to the Mainboard of the SGX-ST and will be subject to the listing rules of the Mainboard of the SGX-ST.

8. UNAUDITED PRO FORMA ENLARGED GROUP FINANCIAL INFORMATION

The unaudited pro forma Enlarged Group balance sheet set out herein has been prepared for illustrative purposes only to show what the financial position of the pro forma Enlarged Group as at 31 December 2007 would have been based on certain assumptions and after making certain adjustments as stated in the Explanatory Notes. Save as disclosed in the Explanatory Notes, the Directors, for the purpose of preparing this set of pro forma Enlarged Group financial information, have not considered the effects of other events.

In the preparation of the unaudited pro forma Enlarged Group financial information, there is no pro forma cash flow and income statement presented. This is because there would be no significant change to the income statement and the cash flow statement of Chongqing Yingli as at 31 December 2007, except for the adjustment (b) as set out in the Explanatory Notes affecting the income statement and adjustments (e), (f) and (g) affecting the cash flow statement as described below.

The unaudited pro forma Enlarged Group balance sheet for the financial year ended 31 December 2007 has been prepared for inclusion in the Circular in connection with the Acquisition and should be read in conjunction with the audited financial statements of Chongqing Yingli for the year ended 31 December 2007 and because of their nature, may not give a true picture of the pro forma Enlarged Group's actual financial position.

Balance Sheet	The Company 31 Dec 07 $'000	*The Company 31 Dec 07 RMB '000	Chongqing Yingli 31 Dec 07 RMB '000	Total 31 Dec 07 RMB '000		Adjustments RMB '000	Unaudited Pro forma Enlarged Group 31 Dec 07 RMB '000
Assets							
Non-Current							
Investment in subsidiary	–	–	–	–	(a)	73,113	–
					(b)	(73,113)	
Property, plant and equipment	–	–	3,291	3,291			3,291
Investment properties	–	–	1,330,407	1,330,407			1,330,407
Land for development	–	–	203,706	203,706	(c)	1,298,293	1,501,999
Net assets of Chongqing San Ya Wan					(j)	32,000	448,517
					(l)	416,517	
			1,537,404	1,537,404			3,284,214
Current							
Development properties	–	–	31,600	31,600	(d)	18,400	50,000
Trade and other receivables	–	–	24,011	24,011			24,011
Amounts owing by a shareholder	–	–	75,655	75,655			75,655
Amount owing by related parties	–	–	7,491	7,491			7,491
Cash at bank restricted	–	–	12,092	12,092			12,092
Cash and cash equivalents	20,003	97,613	21,301	118,914	(e)	(275,300)	697,599
					(f)	390,394	
					(g)	463,591	
	20,003	97,613	172,150	269,763			866,848
Total assets	**20,003**	**97,613**	**1,709,554**	**1,807,167**			**4,151,062**
Equity and liabilities							
Capital and Reserves							
Share capital	16,619	81,099	25,026	106,125	(f)	390,394	3,132,970
					(h)	2,661,477	
					(i)	(25,026)	
Capital reserve	–	–	–	–	(a)	73,113	(626,469)
					(c)	1,298,293	
					(e)	(275,300)	
					(d)	18,400	
					(g)	463,591	
					(h)	(2,661,477)	
					(i)	25,026	
					(j)	22,080	
					(k)	(6,712)	
					(l)	416,517	

Balance Sheet	The Company 31 Dec 07 $'000	*The Company 31 Dec 07 RMB '000	Chongqing Yingli 31 Dec 07 RMB '000	Total 31 Dec 07 RMB '000		Adjustments RMB '000	Unaudited Pro forma Enlarged Group 31 Dec 07 RMB '000
Statutory common reserve	–	–	464	464			464
Retained profits	3,384	16,514	777,726	794,240	(b)	(73,113)	721,127
	20,003	97,613	803,216	900,829			3,228,092
Minority Interests					(j)	9,920	9,920
							3,238,012
Liabilities							
Non-Current							
Deferred taxation	–	–	203,291	203,291			203,291
Bank borrowings	–	–	213,140	213,140			213,140
			416,431	416,431			416,431
Current							
Trade and other payables	–	–	178,918	178,918	(k)	6,712	185,630
Provision for taxation	–	–	54,649	54,649			54,649
Bank borrowings	–	–	256,340	256,340			256,340
	–	–	489,907	489,907			496,619
Total equity and liabilities	**20,003**	**97,613**	**1,709,554**	**1,807,167**			**4,151,062**

*** Converted at S$1 to RMB4.8799 as of 8 August 2008**

Chongqing Yingli has made a deferred tax provision of RMB203,290,746 at a PRC enterprise tax rate of 25% on revaluation gains of investment property amounting to RMB813,162,988 as at 31 December 2007. Had there been no deferred tax provision, the financial effects of the pro forma Enlarged Group balance sheet are as follows:

Unaudited Pro forma Enlarged Group 31 December 2007	**As stated after provision for deferred tax**	**(Decrease)/Increase**	**Without considering the deferred tax provision in 2007**
RMB '000			
Deferred taxation	203,291	(203,291)	–
Retained profits	721,127	203,291	924,418
Net Tangible Assets	3,228,092	203,291	3,431,383

	Net Tangible Assets with deferred tax		**Net Tangible Assets without deferred tax**	
	Net Tangible Assets RMB('000)	Per Share S$(cents)	Net Tangible Assets RMB('000)	Per Share S$(cents)
31 December 2007	3,228,092	32.23	3,431,383	34.26

Explanatory Notes:

(1) Basis of preparation of the unaudited pro forma Enlarged Group financial information

The unaudited pro forma Enlarged Group financial information has been prepared based on the following:

- Audited financial statements of Chongqing Yingli for the financial year ended 31 December 2007, prepared in accordance with International Financial Reporting Standards by the management and audited by Foo Kon Tan Grant Thornton, in accordance with International Standards on Auditing. The auditors' report on these financial statements was not qualified.

- Audited consolidated financial statements of the Company for the financial year ended 31 December 2007, prepared in accordance with Singapore Financial Reporting Standards by the directors and audited by RSM Chio Lim, in accordance with Singapore Standards on Auditing. The auditors' report on these financial statements was not qualified. For the purpose of preparing these pro forma financial statements it has been assumed that all the assets other than cash of the Company have been disposed of and all the liabilities have been settled at their book values as at 31 December 2007. It is also assumed that the Company is left with a cash balance of S$20,003,000 (RMB97,612,640 at an exchange rate of S$1:RMB4.8799 as of 8 August 2008) inclusive of the cash consideration of S$4.664 million (RMB22.8 million) from the disposal of assets and liabilities. For the purpose of preparing the pro forma Enlarged Group balance sheet, the dividend paid of S$811,530 on 15 May 2008 and the interim dividend of S$100,330 declared by the Company on 28 July 2008 have not been considered since the amounts do not have a material impact on the pro forma Enlarged Group financial information.

- Audited financial statements of Fortune Court for the period from 3 September 1996 (date of incorporation) to 31 December 2007, were prepared in accordance with Hong Kong Financial Reporting Standards by the directors and audited by HLB Hodgson Impey Cheng, in accordance with Hong Kong Standards on Auditing. The auditors' report on these financial statements was qualified since the financial statements have been prepared for a period exceeding 18 months from the date of incorporation of the Company which does not comply with section 122 of the Hong Kong Companies Ordinance relating to the time limits for directors to lay financial statements. The accumulated retained earnings of Fortune Court is not material to be incorporated into these pro forma financial statements. For the purpose of preparing these pro forma financial statements it is assumed that all assets and liabilities of Fortune Court have been disposed of at their book values, leaving out only the investment in Chongqing Yingli amounting to HKD7,646,940 (RMB6,711,719) and an amount payable to director of HKD7,646,940 (RMB6,711,719).

- The unaudited financial statements of Chongqing San Ya Wan for the period from 1 January 2008 to 30 June 2008 prepared in accordance with International Financial Reporting Standards by the management and reviewed by Foo Kon Tan Grant Thornton in accordance with International Standards on Auditing. This has been used in preparing the unaudited pro forma financial statements in order to reflect the assets and liabilities attributable to the Enlarged Group by Chongqing San Ya Wan. Chongqing Yingli acquired 69% of the equity interest of Chongqing San Ya Wan on 14 May 2008.

(2) Adjustments

(a) To record the goodwill of S$15.0 million (RMB73.1 million) arising from the transaction. The goodwill arising from the proposed Acquisition is estimated based on the Company's existing Shareholders' effective interest of 6.19% in the enlarged entity's value of S$545.4 million (on the assumption that the fair market value of the Company is the purchase consideration) less the cash balance retained in the Company after the Acquisition and the Disposal of S$20.0 million (RMB97.6 million). (Note 1)

(b) To write off goodwill of S$15.0 million (RMB73.1 million) as described in (a) above to the retained earnings of the Enlarged Group. (Note 1)

(c) To record an increase in the value of the land for development by RMB1.3 billion based on the valuation performed by Jones Lang LaSalle Sallmanns as of 30 June 2008.

(d) To incorporate the increase in value of the development properties amounting to RMB18.4 million based on the valuation performed by Jones Lang LaSalle Sallmanns as of 30 June 2008.

(e) To record the cash outlay to be used on various expenditures relating to land amounting to RMB210.0 million and acquisition of a 69% equity interest of Chongqing San Ya Wan amounting to RMB65.3 million, which amounts to a total cash outlay of RMB275.3 million.

(f) To record the net share capital of S$80 million (RMB390.4 million) received by the Company assuming that 272,728,000 new Shares are issued pursuant to the Compliance Offering at an illustrative price per share of S$0.33 and deducting the estimated expenses of the transaction of approximately S$10.0 million (RMB48.8 million).

(g) To record the 131,428,846 ordinary shares issued by Fortune Court for S$95.0 million (RMB463.6 million) in connection with the redemption of the Redeemable Loan Stock.

(h) To record the new share capital issued by the Company in consideration for the Acquisition amounting to S$545.4 million (RMB2.7 billion).

(i) To transfer share capital of RMB25.0 million of Chongqing Yingli to the capital reserve account on elimination of cost of the consideration of the Acquisition of S$545.4 million (RMB2.7 billion) upon consolidation.

(j) To incorporate assets and liabilities of Chongqing San Ya Wan as at 30 June 2008 as reflected in the unaudited balance sheet of Chongqing San Ya Wan as of such day.

	RMB'000
The following assets were acquired:	
Non-current assets	
- Property, plant and equipment	237
- Land for development	99,352
	99,589
Current assets	
- Other receivables	13,541
- Cash and cash equivalent	3,455
	16,996
Total assets	**116,585**
The following liabilities have been assumed:	
Non-current liabilities	
- Bank borrowing	22,780
- Deferred capital grants	200
	22,980
Current liabilities	
- Trade and other liabilities	54,605
- Bank borrowing	7,000
	61,605
Total liabilities	**84,585**
Net Assets Value (NAV)	**32,000**
69% of NAV attributable to the Chongqing Yingli	22,080
31% of NAV attributable to minority interests	9,920
	32,000

(k) To record the elimination of the cost of investment in Chongqing Yingli amounting to HKD7.6 million (RMB6.7 million) held by Fortune Court and to record the amount payable to a director of HKD7.6 million (RMB6.7 million) at Fortune Court level. The exchange rate of HK$1.00 : RMB0.8777 as at 8 August 2008 has been used for conversion of these amounts.

(l) To record 69% attributable to the Enlarged Group as a result of the increase in the value of San Ya Wan's land for development based on the latest valuation performed by Jones Lang LaSalle Sallmanns as of 30 June 2008 attributable to the Enlarged Group based on Chongqing Yingli holding 69% equity interest of Chongqing San Ya Wan. The total increase in the value of land attributable to the Enlarged Group amounts to RMB416.5 million.

Note 1

According to FRS 103, in a reverse acquisition, the cost of the business combination is deemed to have been incurred by the legal subsidiary (i.e. the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (i.e. the acquiree for accounting purposes). If the published price of the equity instruments of the legal subsidiary is used to determine the cost of the combination, a calculation shall be made to determine the number of equity instruments the legal subsidiary would have had to issue to provide the same percentage ownership interest of the combined entity to the owners of the legal parent as they have in the combined entity as a result of the reverse acquisition. The fair value of the number of equity instruments so calculated shall be used as the cost of the combination. Since the legal parent does not have substantial assets, the goodwill arising from the acquisition is written off in the income statement.

9. FINANCIAL EFFECTS OF THE ACQUISITION, THE DISPOSAL, THE COMPLIANCE OFFERING AND THE CAPITAL INJECTION

The pro forma financial effects of the Acquisition, the Disposal, the Compliance Offering and the Capital Injection on the Company are set out below. The objective is to illustrate what the historical information might have been had the Acquisition, the Disposal, the Compliance Offering and the Capital Injection been completed at an earlier date. However, such information is not necessarily indicative that the results of operations or the financial position as illustrated would have been attained had the Acquisition, the Disposal, the Compliance Offering and the Capital Injection been completed at an earlier date.

The pro forma financial effects in this section are based on the audited financial statements of the Company for the year ended 31 December 2007 and the unaudited pro forma consolidated financial information of the Enlarged Group for the financial year ended 31 December 2007. The financial effects of the Acquisition, the Disposal, the Compliance Offering and the Capital Injection have been prepared based on the following assumptions and anticipated events:

(a) for the purpose of computing the financial effects of the Acquisition, the Disposal, the Compliance Offering and the Capital Injection on the earnings of the Enlarged Group, the Acquisition, the Capital Injection, the Compliance Offering and the Disposal are assumed to have been completed on 1 January 2007;

(b) for the purpose of computing the financial effects of the Acquisition, the Disposal, the Compliance Offering and the Capital Injection on the NTA and gearing of the Enlarged Group, the Acquisition, the Disposal, the Compliance Offering and the Capital Injection are assumed to have been completed on 1 January 2007;

(c) the pro forma consolidated financial statements of the Enlarged Group, where relevant, have been translated using the exchange rate of S$1.00 to RMB4.8799 as of 8 August 2008;

(d) the consideration is satisfied by the allotment and issuance of the Consideration Shares;

(e) 272,728,000 new Shares are offered by the Company under the Compliance Offering, these are fully subscribed for and gross proceeds of approximately S$90 million based on an illustrative issue price of S$0.33 for each new Share allotted and issued pursuant to the Compliance Offering is received by the Company;

(f) the net cash position of the Company upon completion of the Disposal (but before the Compliance Offering) is S$20.0 million. This has not taken into account the final dividend of S$811,530 which was recently approved by the Shareholders of the Company at the annual general meeting held on 23 April 2008 and the interim dividends of S$100,330 declared by the Company on 28 July 2008. This does not have a significant impact on the financial effects calculations of the Enlarged Group;

(g) the increase in the share capital of Fortune Court by S$95.0 million (equivalent to RMB463.6 million) pursuant to the allotment and issuance of 131,428,846 new ordinary shares in Fortune Court in connection with the redemption of the Redeemable Loan Stock;

(h) for the purpose of calculating the adjusted NTA of the Enlarged Group, the Fortune Court Group has included the revaluation of development properties, revaluation of land for development and land use rights amounting to RMB18.4 million (equivalent to S$3.8 million), RMB1,298.3 million (equivalent to S$266.1 million) and RMB416.5 million (equivalent to S$85.4 million) respectively based on the property valuations as of 30 June 2008 provided by Jones Lang LaSalle Sallmanns in its property valuation report annexed hereto in Appendix D(II) and after deducting Chongqing Yingli's existing book value of these properties as at 31 December 2007;

(i) the management of the Fortune Court Group estimates that there would be an additional cash outlay to be committed by Chongqing Yingli to acquire land amounting to RMB210.0 million (equivalent to S$43.0 million) and acquisition of a 69% equity interest of Chongqing San Ya Wan amounting to RMB65.3 million (equivalent to S$13.4 million) which amounts to a total cash outlay of RMB275.3 million (equivalent to S$56.4 million);

(j) in accordance with FRS 103, the goodwill arising from the reverse acquisition is estimated to be S$15.0 million based on the Company's existing Shareholders' effective interest of 6.19% in the Enlarged Group's value of S$545.4 million (on the assumption that the fair market value of the Company is the Consideration Shares) less the cash balance retained in the Company after the Acquisition and the Disposal of S$20.0 million; and

(k) the consideration is based on the premise that the Company is acquiring 100% of the economic interest in Chongqing Yingli.

Share Capital

The pro forma effects on the issued and paid-up share capital of the Company after the allotment and issuance of the Consideration Shares and the new Shares to be allotted and issued pursuant to the Compliance Offering are as follows:

	No. of New Shares	S$
Issued and paid-up share capital before the Acquisition, the Disposal, the Compliance Offering and the Capital Injection as at the Latest Practicable Date	127,000,000	16,618,892
Consideration Shares	1,652,714,429	545,395,762
Issued and paid-up share capital after the Acquisition but before the Disposal, Compliance Offering and the Capital Injection	1,779,714,429	562,014,654
The new Shares to be allotted and issued pursuant to the Compliance Offering	272,728,000	80,000,240[1]
Issued and paid-up share capital after the Acquisition, the Disposal and the Compliance Offering but before the Capital Injection	2,052,442,429	642,014,894
Cancellation of shares pursuant to the Disposal	–	–
Enlarged issued and paid-up share capital after the Acquisition, the Disposal, the Compliance Offering and the Capital Injection	**2,052,442,429**	**642,014,894**

Notes:

(1) This is net of estimated issuance costs of S$10.0 million.

The pro forma effects on Shareholders after the allotment and issuance of the Consideration Shares and the new Shares pursuant to the Compliance Offering are as follows:

	Before the Acquisition, the Disposal, the Compliance Offering and the Capital Injection		After the Acquisition but before the Disposal, the Compliance Offering and the Capital Injection		After the Acquisition, the Disposal, the Compliance Offering(2) and the Capital Injection	
	No. of New Shares	%	No. of New Shares	%	No. of New Shares	%
Current Shareholders:						
Tan Kim Seng	66,000,000	51.97	66,000,000	3.71	66,000,000	3.22
Lim Hong Ching	25,208,000	19.85	25,208,000	1.42	25,208,000	1.23
Yeo Sock Kon	20,792,000	16.37	20,792,000	1.17	20,792,000	1.01
Other Shareholders	15,000,000	11.81	15,000,000	0.84	15,000,000	0.73
	127,000,000	**100.00**	**127,000,000**	**7.14**	**127,000,000**	**6.19**
New Shareholders:						
Vendors(1)	–	–	1,652,714,429	92.86	1,652,714,429	80.53
Investors to the Compliance Offering	–	–	–	–	272,728,000	13.28
	127,000,000	**100.00**	**1,779,714,429**	**100.00**	**2,052,442,429**	**100.00**

Note:

(1) Vendors refer to Newest Luck, LFH and the Tan Brothers.

(2) Assumes a Compliance Offering of 272,728,000 new Shares, that such Compliance Offering is fully subscribed, that none of the current Shareholders and the Vendors subscribe for further Shares pursuant to the Compliance Offering and that none of the Vendors sell any of their Consideration Shares pursuant to the Compliance Offering.

Earnings per New Share

The pro forma financial effects of the Acquisition, the Capital Injection, the Compliance Offering and the Disposal on the earnings per New Share of the Company are as follows:

S$'000	Before the Acquisition, the Disposal, the Compliance Offering and the Capital Injection	After the Acquisition but before the Disposal, the Compliance Offering and Capital Injection	After the Acquisition and the Disposal but before the Compliance Offering and the Capital Injection	After the Acquisition, the Disposal, the Compliance Offering(4) and the Capital Injection
Net profit of the Company	812	812	–	–
Add: Profit of the Fortune Court Group	–	119,023(2)	119,023(2)	124,384(1)
Adjusted net profit	**812**	**119,835**	**119,023**	**124,384**
Number of New Shares(3)	127,000,000	1,779,714,429	1,779,714,429	2,052,442,429
Earnings per New Share (cents)	0.64	6.73	6.69	6.06

Notes:

(1) This is computed by taking the net profit after taxation of Chongqing Yingli less goodwill of S$15.0 million after the Compliance Offering arising from the reverse acquisition.

(2) This is computed by taking the net profit after taxation of Chongqing Yingli less goodwill of S$20.3 million before the Compliance Offering arising from the reverse acquisition.

(3) The subscription by Mr Tan Kim Seng for 66,000,000 new ordinary shares in the Company is assumed to have been completed on 1 January 2007.

(4) Assumes a Compliance Offering of 272,728,000 new Shares at an illustrative issue price of S$0.33 per new Share and that such Compliance Offering is fully subscribed.

NTA per New Share

The pro forma financial effects of the Acquisition, the Disposal, the Compliance Offering and the Capital Injection on the NTA of the Company are as follows:

S$'000	**Before the Acquisition, the Disposal, the Revaluation of development properties and land for development, the Compliance Offering and the Capital Injection**	**After the Acquisition but before the Disposal, the Revaluation of development properties and land for development, the Compliance Offering and the Capital Injection**	**After the Acquisition, the Disposal, the Revaluation of development properties and land for development, but before the Compliance Offering and the Capital Injection**	**After the Acquisition, the Disposal, the Revaluation of development properties and land for development, the Compliance Offering and the Capital Injection**
NTA of the Company	20,144	20,144	15,339	15,339
NTA of Fortune Court				
- Chongqing Yingli per 31 Dec 2007	–	164,597	164,597	164,597
- 69% NTA of Chongqing San Ya Wan on acquisition as at 14 May 2008	–	4,525	4,525	4,525
- Revaluation of development properties	–	–	3,771	3,771
- Revaluation of Chongqing San Ya Wan's land	–	85,354	85,354	85,354
- Revaluation of land for development	–	–	266,049	266,049
- Conversion of Redeemable Loan Stock	–	–	95,000	95,000
- Elimination of investment in Chongqing Yingli at Fortune Court level	–	(1,375)	(1,375)	(1,375)
- Less cash outlay to be used on various expenditure to land	–	–	(56,415)	(56,415)
Net proceeds from the Compliance Offering	–	–	–	80,000
Net proceeds from Disposal	–	–	4,664	4,664
Adjusted NTA of the Company	20,144	273,245	581,509	661,509
Number of New Shares	127,000,000	1,779,714,429	1,779,714,429	2,052,442,429
FY2007 NTA (cents)	15.9	15.4	32.7	32.2
FY2007 NTA (cents) adjusted for deferred tax			35.0[(3)]	34.3[(3)]

Notes:

(1) For assumptions for the adjustments referred to above, see the pro forma Enlarged Group balance sheet.

(2) Total estimated expenses of the transaction of approximately S$10 million will be deducted from the proceeds from the Compliance Offering.

(3) Excludes deferred tax of RMB203,290,746, provided in Chongqing Yingli's 2007 audited accounts.

Gearing

The pro forma financial effects of the Acquisition, the Disposal, the Compliance Offering and the Capital Injection on the gearing of the Company are as follows:

S$'000	**Before the Acquisition, the Disposal, the Compliance Offering and the Capital Injection**	**After the Acquisition but before the Disposal, the Compliance Offering and the Capital Injection**	**After the Acquisition, the Disposal, the Compliance Offering[(2)] and the Capital Injection**
Borrowings of the Company	8	8	–
Total borrowings of the Fortune Court Group representing total borrowings of the Enlarged Group [(1)]	–	113,499	113,499
Total Borrowings	**8**	**113,507**	**113,499**
S$'000			
Cash and cash equivalents			
- Company	(17,399)	(17,399)	(15,339)
- Fortune Court Group	–	(7,551)	(7,551)
- Net proceeds from the Compliance Offering[(1)]	–	–	(80,000)
- Net proceeds from the Disposal	–	–	(4,664)
(Net Cash)/Net Borrowings	**(17,391)**	**88,557**	**5,945**
S$'000			
Shareholders' funds			
- Company	20,144	20,144	15,339
- Fortune Court Group	–	294,855	294,855
- Net proceeds from the Compliance Offering[(1)]	–	–	80,000
- Net proceeds from the Disposal	–	–	4,664
Total Shareholders' funds	**20,144**	**314,999**	**394,858**
Gearing (times)	Not meaningful	0.36	0.29
Net gearing (times)	Net cash	0.28	0.02

Note:

(1) Total estimated expenses of the transaction of approximately S$10 million will be deducted from the proceeds from the Compliance Offering.

(2) Assumes a Compliance Offering of 272,728,000 new Shares at an illustrative issue price of S$0.33 per new Share and that such Compliance Offering is fully subscribed.

10. USE OF PROCEEDS

The Company expects to receive net proceeds of approximately S$90 million (RMB440 million) (after deducting estimated transaction expenses) from the Compliance Offering. The Board of Directors intends to apply the net proceeds as follows:

Purpose	Estimated amount (S$'million)	Estimated amount (RMB'million)[(1)]	Estimated amount allocated for each dollar of the proceeds raised from the issue of the new Shares pursuant to the Compliance Offering (%)
Construction costs for development of the International Financial Centre[(1)]	19	93	21.1
Acquisition of land and relocation costs for the Jingong Restaurant Project（观音桥金弓酒店项目）[(2)]	42	205	46.7
Development of the Yubei Project（渝北项目建设）[(3)]	9	44	10.0
General working capital [(4)]	10	49	11.1
Issue expenses [(5)]	10	49	11.1
Total	**90**	**440**	**100.0**

Notes:

(1) This is calculated based on the illustrative issue price of S$0.33 for each New Share allotted and issued pursuant to the Compliance Offering and on the exchange rate of S$1:RMB4.8799 as of 8 August 2008.

(2) Located in the heart of the Jiefangbei area, the International Financial Centre is expected to be a new major financial hub in the city centre of Chongqing to house major international financial institutions, offices of consulates and other multinational companies. Please refer to Section B.4.16 entitled "Business Overview - Project Details" of this Circular for further details on the International Finance Centre.

(3) This parcel of land is situated at the entrance of the Guanyinqiao area and next to one of Chongqing Yingli's completed property developments, Future International Building. It is envisaged that this parcel of land will be developed into a commercial and entertainment skyscraper that will house exhibition facilities for international conventions and exhibitions. Please refer to Section B.4.16 entitled "Business Overview - Project Details" of this Circular for further details on the Jingong Restaurant Project.

(4) This parcel of land is located at Yubei District, Chongqing and is owned by Chongqing San Ya Wan. It is currently being developed into a commercial building for retail purposes. Please refer to Section B.4.16 entitled "Business Overview - Project Details" of this Circular for further details on the Yubei project.

(5) This includes the cost of development of new projects and for mergers and acquisitions and joint ventures of the Enlarged Group.

(6) The expenses expected to be borne by the Company includes:

	S$'000	Estimated amount allocated for each dollar of the proceeds raised from the issue of the new Shares pursuant to the Compliance Offering (%)
Professional fees	3,000	3.3
Placement commission and brokerage	5,000	5.6
Miscellaneous expenses	2,000	2.2
TOTAL	10,000	11.1

Pending the specific deployment of funds, the proceeds may be placed as deposits with financial institutions or added to the working capital or used to reduce bank borrowings or used for investment in short-term money market instruments as may be determined by the Board of Directors in their absolute discretion.

11. PROPOSED CHANGE OF NAME

In view of the Acquisition and the Disposal, the Company is seeking the approval of the Shareholders to change the name of the Company from "Showy International Limited" to "Ying Li International Real Estate Limited" to better reflect the new business to be acquired by the Company. The change of name of the Company will only take effect on completion of the proposed Acquisition.

The name "Ying Li International Real Estate Limited" has been reserved until 17 October 2008. Approval by way of a special resolution is sought for the proposed change of name.

In line with the proposed change of name, the Company also intends to adopt a new corporate logo as shown below:

12. THE ENLARGED GROUP

The following sets out the various steps that have been or will be implemented by the Company and the Fortune Court Group to arrive at the final corporate and shareholding structure of the Enlarged Group (including the Capital Injection).

12.1 The Pre-RTO Investment

(a) Entry into the Redeemable Loan Stock Subscription Agreements and Supplemental Agreements pursuant to the Pre-RTO Investment

On 3 January 2008 and 6 January 2008, Fortune Court entered into two Redeemable Loan Stock Subscription Agreements with LFH and the Tan Brothers respectively (collectively, the "**Pre-RTO Investors**") for Redeemable Loan Stock issued by Fortune Court (the "**Pre-RTO Investment**"). LFH is an investment holding company managed on a discretionary basis by CMIA. CMIA is a China-focused private equity firm incorporated in Singapore in 2003, with offices in Singapore, Hong Kong, Shanghai and Chongqing. CMIA is also an exempt fund manager under the SFA and an exempt financial adviser under the Financial Advisers Act (Chapter 110) of Singapore. CMIA and its affiliates manage assets valued in excess of US$500 million. CMIA has nominated Mr Lee Chong Min, Mr Yong Ho Hsiang, Mr Ng Koon Siong and Mr He Zhao Ju @ Danny Ho as directors of LFH. Mr Lee Chong Min and Mr He Zhao Ju @ Danny Ho are also directors of Fortune Court. Please refer to Section 13 entitled "Proposed Directors and Executive Officers" of this Circular for more information on Mr Lee Chong Min and Mr He Zhao Ju @ Danny Ho.

On 26 May 2008 and 7 July 2008, Fortune Court entered into supplemental agreements to the Redeemable Loan Stock Subscription Agreements with LFH and the Tan Brothers, respectively (the "**Redeemable Loan Stock Supplemental Agreements**"), pursuant to which the parties amended certain terms and conditions of their respective original Redeemable Loan Stock Subscription Agreement with Fortune Court.

Pursuant to the Redeemable Loan Stock Subscription Agreements, LFH had subscribed for S$85 million, and Mr Tan Fuh Gih had subscribed for S$5 million, and Mr Tan Hoo Lang had subscribed for $5 million of the Redeemable Loan Stock. Under the Redeemable Loan Stock Subscription Agreements, the parties agreed, amongst others, that:

(i) the Redeemable Loan Stock would be redeemed and shares in Fortune Court would be allotted and issued to the holders of the Redeemable Loan Stock in the event that shares in Fortune Court are to be acquired by the Company and as consideration for such acquisition, shares in the Company are issued to shareholders of Fortune Court (the "**RTO**"), on the terms and conditions of the Redeemable Loan Stock Subscription Agreements; and

(ii) the proceeds from the subscription of the Redeemable Loan Stocks would be utilised for various property development projects undertaken by Chongqing Yingli.

In consideration of LFH entering into the Redeemable Loan Stock Subscription Agreement and subscribing for the Redeemable Loan Stock, a charge over the entire issued share capital of Fortune Court was granted to LFH, subject to the terms and conditions of the memorandums of charge dated 3 January 2008, 26 May 2008 and 30 June 2008.

The Pre-RTO Investment was contributed in five tranches of approximately US$38 million, US$0.1 million, S$5 million, S$5 million and S$30 million (equivalent to approximately RMB260 million, RMB0.7 million, RMB24 million, RMB24 million and RMB146 million respectively at an exchange rate of US$1: RMB6.8582 and S$1: RMB4.8799 as of 8 August 2008) on 7 January 2008, 21 January 2008, 16 January 2008, 16 January 2008 and 2 June 2008 respectively. Approximately RMB214 million of the amounts received by Fortune Court under the Pre-RTO Investment was contributed to Chongqing Yingli's registered capital to increase Fortune Court's interest in the paid-up capital of Chongqing Yingli.

(b) Redemption of the Redeemable Loan Stock into shares of Fortune Court pursuant to the Redeemable Loan Stock Subscription Agreements as amended by the Redeemable Loan Stock Supplemental Agreements

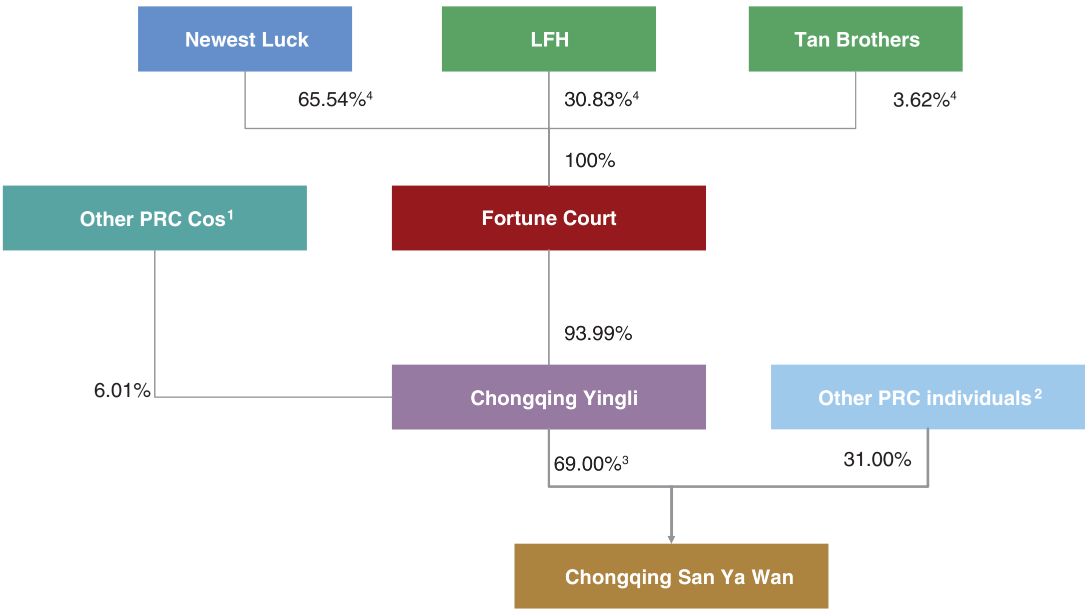
The debt owing to LFH and the Tan Brothers pursuant to the redemption of the Redeemable Loan Stock was capitalised by the allotment and issuance of an aggregate of 131,428,846 shares in Fortune Court to LFH and the Tan Brothers on 18 August 2008. The charge over the entire issue share capital of Fortune Court was consequently released upon the redemption by LFH of the Redeemable Loan Stock. Upon such redemption and allotment and issuance of shares in Fortune Court, the resultant shareholding of Fortune Court is as follows:

Name of Shareholder	**% of the issued and paid-up share capital of Fortune Court**[(1)]
Newest Luck	65.54
LFH	30.83
Tan Fuh Gih	1.81
Tan Hoo Lang	1.81

Note:

(1) The total percentages do not add up to 100% due to rounding differences.

The shareholding structure of the Fortune Court Group upon redemption of the Redeemable Loan Stock and the allotment and issuance of shares in Fortune Court to LFH and the Tan Brothers as described above, but prior to the Acquisition, is as follows:



Notes:

1 The other shareholders of Chongqing Yingli (the "**Other PRC Cos**") are Chongqing Tiancheng, Chongqing Tiancheng Passenger Motor Co., Ltd. and Chongqing Jingli holding 4.76%, 0.65% and 0.60% of the paid-up capital of Chongqing Yingli, respectively.

2 The other shareholders of Chongqing San Ya Wan are two natural persons who are not related to the directors or controlling shareholders of Chongqing Yingli.

3 Chongqing Yingli is currently in the process of acquiring another 12% interest in Chongqing San Ya Wan, and this process is expected to be completed around October 2008.

4 The total percentages do not add up to 100% due to rounding differences.

12.2 Acquisition, Compliance Offering and Capital Injection

(a) Entry into the S&P Agreement by the Company for the Acquisition

As announced by the Board of Directors on 7 July 2008, the Company had on 7 July 2008 entered into the S&P Agreement with the Vendors to acquire the entire issued and paid-up share capital of Fortune Court, comprising 381,428,846 shares of a nominal value of HK$0.00004 each, from the Vendors.

The consideration payable by the Company is S$545,395,762 to be satisfied in full by the allotment and issuance of an aggregate of 1,652,714,429 Consideration Shares to the Vendors at the issue price of S$0.33 per share, credited as fully paid-up.

(b) Allotment and issuance of up to 272,728,000 new Shares pursuant to the Compliance Offering by the Company

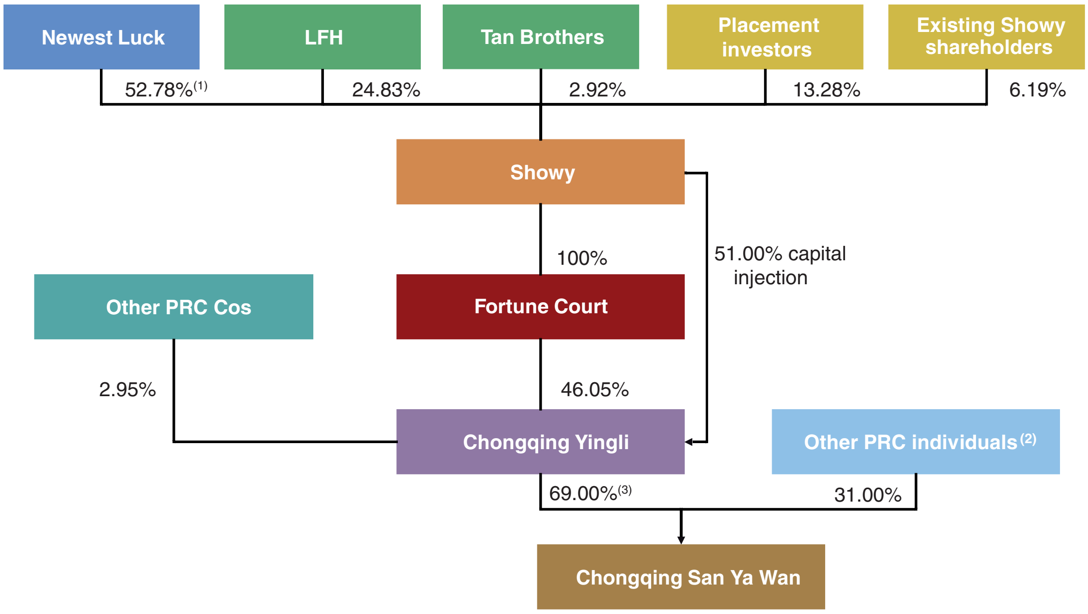
Upon completion of the Acquisition (excluding the Compliance Offering as described below), the issued and paid-up share capital of the Company held in the hands of public shareholders will be 7.14%.

For the purposes of complying with the shareholding spread and distribution requirements set out in the Listing Manual or otherwise to raise funds, the Company currently intends to offer up to 272,728,000 new Shares (which may include an offering to members of the public) and, if agreed by the Company and the Placement Agent, a sale of all or part of the Consideration Shares held by the Vendors, on such terms as may be determined by the Board as it deems fit, including without limitation, the timing of the Compliance Offering, if and when it occurs, taking into account various factors, including without limitation, market conditions and prices.

(c) Injection of capital by the Company into Chongqing Yingli

In the event the Acquisition and the Compliance Offering are completed, the Company expects to further capitalise Chongqing Yingli through the Capital Injection by contributing approximately S$49,132,692.30 (which is equivalent to US$34,959,934.75 at an exchange rate of US$1 : S$1.4054 on 8 August 2008), which includes part of the amount raised from the Compliance Offering, as registered capital to Chongqing Yingli, giving rise to the Company directly holding a 51% equity interest in the enlarged registered capital of Chongqing Yingli.

Assuming 272,728,000 new Shares are offered by the Company in the Compliance Offering and assuming the Compliance Offering is fully subscribed and no Consideration Shares are sold by the Vendors in the Compliance Offering, the pro forma corporate structure of the Enlarged Group upon completion of the Acquisition, the Compliance Offering and the Capital Injection will be as follows:



Notes:

(1) Newest Luck has agreed that following the Acquisition and the Capital Injection, it will waive all its rights to receive dividends and/or other distributions (whether in the form of cash or as distributions in specie save for bonus shares) declared by the Company out of its retained earnings or profits in any particular financial year to its shareholders in respect of such number of shares held by Newest Luck as shall amount to 2.95% of the issued share capital of the Company. Please refer to Section 3 entitled "The Capital Injection Subsequent to the Acquisition and the Compliance Offering" of this Circular for further details.

(2) The other shareholders of Chongqing San Ya Wan are two natural persons who are not related to the directors or controlling shareholders of Chongqing Yingli.

(3) Chongqing Yingli is currently in the process of acquiring another 12% interest in Chongqing San Ya Wan, and this process is expected to be completed around October 2008.

The details of the subsidiaries of the Enlarged Group, assuming the Acquisition, the Compliance Offering and the Capital Injection have been completed as at the Latest Practicable Date, are as follows:

Name of subsidiary	Country of business and incorporation	Principal activities	Effective interest in the registered and/or paid-up capital of each entity in the Enlarged Group on completion of the Acquisition
Chongqing Yingli	The PRC	Property development	97.05%
Fortune Court	Hong Kong	Investment Holding	100.00%
Chongqing San Ya Wan	The PRC	Property development	66.96%

Mr Fang Ming has an indirect interest in a subsidiary company of Fortune Court, Chongqing Baijiang Industrial Development Co., Ltd. (重庆百江置业发展有限公司) ("**Baijiang**"), in which Fortune Court holds 25% of the paid-up capital. Liquidation proceedings have however been initiated in respect of Baijiang and, upon completion of its liquidation, Baijiang will no longer be an associated company of Fortune Court. Please refer to Section B.9 entitled "Conflicts of Interest" of this Circular for further details.

Save as disclosed above and in this Circular, none of the Directors, substantial shareholders and/or the Proposed Directors has any interest, whether direct or indirect, in the Enlarged Group or any of the subsidiaries of the Enlarged Group. The Enlarged Group has no associated companies.

None of the above subsidiaries of the Enlarged Group is listed on any stock exchange.

12.3 <u>The Disposal and other related transactions</u>

On 7 July 2008, the Company entered into the Business Transfer Agreement with Showy Pte. Ltd., a company incorporated by Mr Lim Hong Ching and Mdm Yeo Sock Kon, who are directors and controlling shareholders of the Company prior to the Acquisition, to transfer the existing business of manufacturing, trading and distributing sanitary fittings, bathroom products and accessories and kitchen products and accessories and assets of the Company, the shares of its subsidiary, Showy Overseas, and all liabilities of the Company in its entirety to Showy Pte. Ltd.

The Company had also on 27 March 2008 begun the process of deregistering its wholly-owned subsidiary Showy (Shanghai) Impex Limited, a company incorporated in the PRC with a paid-up capital of US$200,000.

12.4 <u>Principal Business of the Enlarged Group</u>

Following completion of the Acquisition, the principal business of the Enlarged Group will be that of the Fortune Court Group. Please refer to Section B.4 entitled "Business Overview" of this Circular for more information on the Fortune Court Group, its business and prospects.

12.5 Principal Shareholders

Details of the interests of the Directors, Proposed Directors, substantial shareholders and Shareholders of the Company (a) as at the Latest Practicable Date, (b) after the Acquisition and Disposal but before the Compliance Offering, and (c) after the Acquisition, the Disposal and the Compliance Offering (assuming that the Vendors do not subscribe for further Shares or sell any of their Consideration Shares during the Compliance Offering) are set out in the following table:

	Before the Acquisition, the Disposal and the Compliance Offering				After the Acquisition and Disposal but before the Compliance Offering				After the Acquisition, the Disposal and the Compliance Offering			
	Direct interest		Deemed interest		Direct interest		Deemed interest		Direct interest		Deemed interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors												
Lim Hong Ching[1]	25,208,000	19.85	20,792,000	16.37	25,208,000	1.42	20,792,000	1.17	25,208,000	1.23	20,792,000	1.01
Yeo Sock Kon[1]	20,792,000	16.37	25,208,000	19.85	20,792,000	1.17	25,208,000	1.42	20,792,000	1.01	25,208,000	1.23
Bek Yeok Siew	–	–	–	–	–							
Chew Thiam Keng	–	–	–	–	–	–	–	–	–	–	–	–
Ong Chong Beng	–	–	–	–	–	–	–	–	–	–	–	–
Christopher Chong Meng Tak	–	–	–	–	–	–	–	–	–	–	–	–
Lui Seng Fatt	–	–	–	–	–	–	–	–	–	–	–	–
Proposed Directors												
Fang Ming	–	–	–	–	–	–	1,083,239,014 [3]	60.87	–	–	1,083,239,014 [3]	52.78
Xie Xin [2]	–	–	–	–	–	–	1,083,239,014 [2]	60.87	–	–	1,083,239,014 [2]	52.78
Xu Li [2]	–	–	–	–	–	–	1,083,239,014 [3]	60.87	–	–	1,083,239,014 [3]	52.78
Lee Chong Min	–	–	–	–	–	–	–	–	–	–	–	–
He Zhao Ju @ Danny Ho	–	–	–	–	–	–	–	–	–	–	–	–
Xiao Zu Xiu	–	–	–	–	–	–	–	–	–	–	–	–
Substantial Shareholders (other than Directors and/or Proposed Directors)												
Tan Kim Seng	66,000,000	51.97	–	–	66,000,000	3.71	–	–	66,000,000	3.22	–	–
Newest Luck	–	–	–	–	1,083,239,014	60.87	–	–	1,083,239,014	52.78	–	–
LFH	–	–	–	–	509,530,634	28.63	–	–	509,530,634	24.83	–	–
Existing Shareholders	15,000,000	11.81	–	–	15,000,000	0.84	–	–	15,000,000	0.73	–	–

	Before the Acquisition, the Disposal and the Compliance Offering				After the Acquisition and Disposal but before the Compliance Offering				After the Acquisition, the Disposal and the Compliance Offering			
	Direct interest		Deemed interest		Direct interest		Deemed interest		Direct interest		Deemed interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Other Shareholders												
Tan Fuh Gih	–	–	–	–	29,972,390	1.68	–	–	29,972,390	1.46	–	–
Tan Hoo Lang	–	–	–	–	29,972,391	1.68	–	–	29,972,391	1.46	–	–
Shareholders pursuant to the Compliance Offering	–	–	–	–	–	–	–	–	272,728,000	13.28	–	–
Total	**127,000,000**	**100.00**	**46,000,000**	**36.22**	**1,779,714,429**	**100.00**			**2,052,442,409**	**100.00**		

Notes:

(1) Mr Lim Hong Ching is the husband of Mdm Yeo Sock Kon. They are deemed interested in each other's respective shareholdings in the Company.

(2) Mr Xie Xin is the husband of Ms Xu Li. Mr Xie Xin is deemed interested in the shares of the Company that Ms Xu Li has an interest in.

(3) Mr Fang Ming and Ms Xu Li are deemed interested in the shares of the Company through their shareholding in Newest Luck. Mr Fang Ming and Ms Xu Li hold 80% and 20% respectively of the issued share capital of Newest Luck.

No options, new Shares or debentures of the Company, Fortune Court, the Enlarged Group and/or any of the subsidiaries of the Enlarged Group have been granted to any of the Proposed Directors directly.

The substantial and Controlling Shareholders do not have any different voting rights from the other Shareholders.

The significant changes in the percentage of ownership in the Company held by the Directors and substantial shareholders in the last three years prior to the Latest Practicable Date relate to Mr Tan Kim Seng's interest in 66,000,000 new Shares subscribed at S$0.165 for each new Share in FY2007 which constituted approximately 108.2% of the issued and paid-up share capital of the Company prior to the said subscription and approximately 51.97% of the enlarged issued and paid-up share capital of the Company after completion of the said subscription.

12.6 Moratorium

(i) Moratorium on the shareholdings of Newest Luck

To demonstrate its commitment to the Enlarged Group, Newest Luck has undertaken that for an initial period of six months commencing from the Completion Date, it and/or its nominees may not sell, realise, transfer or otherwise dispose of any part of the Consideration Shares allotted and issued to it upon the completion of the Acquisition, save for any of the Consideration Shares that may form part of the vendor sale pursuant to the Compliance Offering, as the case may be, without first obtaining the written consent of J.P. Morgan. For the subsequent six months, it has also undertaken not to sell, realize, transfer or otherwise dispose of 50.0% if the Consideration Shares that were allotted and issued to it upon the completion of the Acquisition without first obtaining the written consent of J.P. Morgan. For the period from 12 months to 18 months commencing from the Completion Date, it has also undertaken not to sell, realise, transfer or otherwise dispose of 25.0% of the Consideration Shares without first obtaining the written consent of J.P. Morgan.[8]

(ii) Moratorium on the shareholdings of LFH and the Tan Brothers

Each of LFH and the Tan Brothers has undertaken that for an initial period of six months commencing from the Completion Date, they and/or their nominees may not sell, realize, transfer or otherwise dispose of any part of the Consideration Shares that were allotted and issued to it upon the completion of the Acquisition, save for any of the Consideration Shares that may form part of the vendor sale pursuant to the Compliance Offering, without first obtaining the written consent of J.P. Morgan.

(iii) Moratorium on the shareholdings of Fang Ming and Xu Li in Newest Luck

Mr Fang Ming and Ms Xu Li, who hold 80% and 20% of equity interest respectively in Newest Luck, have jointly and severally undertaken that for an initial period of 18 months commencing from the Completion Date, they and/or their nominees shall not sell, realise, transfer or otherwise dispose of any part of their shareholdings in Newest Luck, without first obtaining the written consent of J.P. Morgan.

(iv) Moratorium on the shareholdings of LFH

CMIA Capital Partners Pte. Ltd., a company that manages LFH, has undertaken on behalf of the shareholders of LFH that, for an initial period of six months commencing from the Completion Date, the shareholders of LFH and/or their nominees may not sell, realize, transfer or otherwise dispose of any part of their shareholdings in LFH without first obtaining the written consent of J.P. Morgan.

12.7 Prospects

Following completion of the Acquisition, the prospects of the Enlarged Group will materially be those of the Fortune Court Group. Please refer to Section B.6 entitled "Prospects, Trends and Future Plans" of this Circular for more information.

12.8 Dividend Policy

Distribution of Dividends in Hong Kong

Under the applicable laws of Hong Kong, the payment and declaration of dividends by a company is governed by the company's Articles of Association. The only restriction on the distribution of dividends is set out in Section 79B of the Companies Ordinance (Cap. 32) of the Laws of Hong Kong (the "**Hong Kong Companies Ordinance**"), which provides that dividends shall only be paid out of profits available for distribution. Thus, under the Hong Kong Companies Ordinance, Fortune Court may only pay dividends out of its distributable profits, which comprise the accumulated

[8] This assumes that Newest Luck will not sell more than 50% of its Consideration Shares during the Compliance Offering.

realized profits of the company that have not been previously utilized by the company in any distribution or capitalization, after taking into account its accumulated and realized losses that have not been previously written off in a reduction or reorganization of capital duly made.

Distribution of Dividends in the PRC

Under the applicable laws of the PRC, a company may distribute its profits to its shareholders on a pro-rata basis in terms of their contribution to the company's paid-up capital, save where a special distribution of profits on a non pro-rata basis is agreed between the shareholders. Subsequent to the setting aside of ten percent of a company's after tax profits for its statutory common reserve fund and taking into account any losses a company has incurred, foreign-invested enterprises which intend to distribute its profits to shareholders in the form of foreign currency may do so with the prior approval of the board in relation to such distributions. A company may subsequently effect the payment of dividends from its foreign exchange accounts or converting such dividends into local currency before remitting them at designated foreign exchange banks.

Distribution of Dividends by the Company

The Company has declared, approved and paid dividends for FY2005, FY2006 and FY2007 as follows:

	FY2005	**FY2006**	**FY2007**
No. of Shares	61,000,000	61,000,000	127,000,000
Dividend per Share net of tax (cents)	0.653	1.677	0.639[(1)]
Total dividends (S$)	**398,330**	**1,022,970**	**811,530**

Note:

(1) This is a one-tier (tax-exempt) final dividend declared for FY2007.

The Company has also declared a one-tier tax-exempt interim dividend of 0.079 cents per Share totaling S$100,330 for HY2008.

Save as disclosed above, no dividends have been proposed by the Company for the period under review and as at the date of this Circular.

The Company currently does not have a fixed dividend policy. Shareholders and potential investors should note that past dividend distributions should not be taken as an indication of future dividend distributions. The declaration and payment of dividends will be determined at the sole discretion of the Board of Directors, subject to the approval of Shareholders and Section 69 of the Companies Act. Future dividends will be paid by the Company as and when approved by the Board of Directors and Shareholders.

Fortune Court and its subsidiary have not distributed any dividends in the past three financial years ended 31 December 2005, 2006 and 2007 and for the period from 1 January 2008 up to the Latest Practicable Date. The Fortune Court Group currently does not have a fixed dividend policy.

Under the Articles of Association of the Company, the Company may, by ordinary resolution of its Shareholders at a general meeting, declare dividends but the amount of such dividends shall not exceed the amount recommended by the Board of Directors.

The Board of Directors may also declare an interim dividend without seeking Shareholders' approval. The Company must pay all dividends out of its profits.

In making their recommendation on the amount of final dividend or to declare an interim dividend in respect of any particular financial year or period, the Board of Directors will consider, amongst other things, the following factors:

- the level of the cash, gearing, return on equity and retained earnings of the Enlarged Group;
- the actual and projected financial performance of the Enlarged Group;
- the projected levels of capital expenditure and other investment plans of the Enlarged Group;
- the dividend yield of similar-sized companies with similar growth listed on the SGX-ST; and
- restrictions on payment of dividends imposed on the Enlarged Group by its financing arrangements (if any).

Save as disclosed above, all the foregoing statements are statements of the intention of the Board of Directors and shall not constitute legally binding statements in respect of future dividends which may be subject to the Proposed Directors' sole and absolute discretion. No inference should or can be made from any of the foregoing statements as to actual future profitability of the Enlarged Group or the Enlarged Group's ability to pay dividends in the future.

12.9 Taxation

Singapore Taxation

The following is a summary of certain Singapore income tax, stamp duty and goods and services tax consequences of purchasing or disposing of the Shares and/or the new Shares. This summary is based on current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. This summary also takes into account the relevant tax proposals as announced by the Minister of Finance, Tharman Shanmugaratnam, in his Budget Statement of 15 February 2008.

While this summary is considered to be a correct interpretation of existing tax laws in force as at the Latest Practicable Date, no assurance can be given that the courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such law (which may be retrospective) will not occur. The summary is limited to a general description of certain tax consequences in Singapore with respect to ownership of the Shares and/or the new Shares by Singapore investors, and does not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant in a decision to purchase the Shares and/or the new Shares. This summary does not take into account the effect of any applicable double tax treaty.

Prospective investors should consult their own tax advisers regarding Singapore income tax and other tax consequences of owning and disposing of the Shares and/or the new Shares. It is emphasised that neither the Company, the Directors, Fortune Court, the Fortune Court Group, the Proposed Directors nor any other persons involved in this Circular accepts the responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Shares and/or the new Shares.

Income Tax (General)

In general, Singapore resident taxpayers are subject to Singapore income tax on:

- income accruing in or derived from Singapore; and
- certain foreign income received in Singapore.

From a corporate resident taxpayer perspective, all foreign-sourced dividends, branch profits and service income received/remitted are tax exempt in Singapore provided that certain prescribed conditions are met, including the condition that the foreign-sourced dividends, branch profits and service income have been subject to tax in a jurisdiction with a headline (or highest published) rate of tax of at least 15.0% and on which tax, with certain exceptions, has been imposed.

For individual tax residents of Singapore, all foreign-sourced income of individuals (except received through a partnership in Singapore) is exempt from Singapore tax.

A corporate taxpayer is generally regarded as tax resident in Singapore if the company's business is controlled and managed in Singapore. The meaning of control and management is not defined in the Income Tax Act (Chapter 134) of Singapore. In practice, the residence of a company is generally taken to be where the directors manage and control its business and hold their board meetings.

An individual is regarded as resident in Singapore in a Year of Assessment ("**YA**") if, in the preceding calendar year, the individual is physically present in Singapore or exercises an employment in Singapore (other than as a director of a company) for 183 days or more, or if the individual resides (except for temporary absences) in Singapore.

In general, non-Singapore resident corporate taxpayers are subject to Singapore income tax only on:

- income accruing in or derived from Singapore; and
- foreign income received in Singapore.

In general, non-Singapore resident individuals are subject to Singapore income tax only on income accruing in or derived from Singapore.

The corporate tax rate in Singapore is currently 18.0% after allowing for tax exemption on three-quarters of up to the first S$10,000 and up to one-half of the next S$290,000 of a company's chargeable income. The above tax exemption does not apply to Singapore dividends received by companies. The remaining chargeable income (after the tax exemption) is taxed at 18.0%.

For a Singapore tax resident individual, the rate of tax will vary according to the individual's chargeable income but is subject to a maximum rate of 20.0%.

Dividend Distributions

Singapore currently operates on a "one-tier" corporate tax system, under which the tax collected from corporate profits is final and Singapore dividends are tax-exempt in the hands of the shareholder, regardless of whether the shareholder is a corporate or individual shareholder or whether the shareholder is a Singapore tax resident.

However, foreign Shareholders are advised to consult their own tax advisers to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

Gains on Disposal of the Shares

Singapore does not currently impose tax on capital gains. However, gains construed to be revenue in nature or where they are derived from activities which the Inland Revenue Authority of Singapore regards as constituting a trade or business carried on in Singapore would be subject to income tax.

Profits arising from the disposal of the Shares are not generally taxable in Singapore unless the seller is deemed to be dealing or trading in shares in Singapore, in which case, the gains on sale would be taxable as revenue profits.

Stamp Duty

There is no stamp duty payable on the subscription of the Shares.

Stamp duty is payable on every instrument of transfer of the Shares at the rate of S$2.00 for every S$1,000 or part thereof, computed on the consideration or market value of the Shares, whichever is the higher. The purchaser is liable for stamp duty, unless there is an agreement to the contrary.

No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty would be payable if the instrument of transfer which is executed outside Singapore is received in Singapore. Stamp duty is not applicable to electronic transfers of the Shares through the CDP.

Goods and Services Tax ("GST")

The sale of shares by an investor belonging in Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt sale not subject to GST.

Where shares are sold by the investor to a person belonging outside Singapore, the sale of such shares is generally a taxable sale subject to GST at zero-rate. Any GST incurred by a GST registered investor supplying taxable goods and services in the course of furtherance of a business may be recovered from the Comptroller of GST.

Charges on brokerage, handling and clearing services rendered by a GST registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of shares will be subject to GST at the current rate of 7.0%. Similar services rendered to an investor belonging outside Singapore are subject to GST at zero-rate.

Individuals, whether or not domiciled in Singapore, should consult their own tax advisers regarding the Singapore tax and estate duty consequences of their ownership of the Shares.

12.10 Exchange Controls

Exchange Controls in Singapore

There are no laws or regulations in Singapore that may affect (a) the repatriation of capital, including the availability of cash and cash equivalents for use by the Enlarged Group; and (b) the remittance of profits that may affect dividends, interests or other payment to Shareholders.

Exchange Controls in the PRC

Major reforms have been introduced to the foreign exchange control system of the PRC since 1993.

On 28 December 1993, the People's Bank of China ("**PBOC**"), with the authorisation of the State Council issued the Notice on Further Reform of the Foreign Exchange Control System and on 26 March 1994 the Provisional Regulations on the Settlement, Sale and Payment of Foreign Exchange which came into effect on 1 April 1994 respectively. On 29 January 1996, the State Council promulgated the PRC Foreign Exchange Administration Regulations which took effect on 1 April 1996. Other new regulations and implementation measures include the Administration Regulations on the Settlement, Sale and Payment of Foreign Exchange which were promulgated on 20 June 1996 and took effect on 1 July 1996 and which contain detailed provisions regulating the settlement, sale and payment of foreign exchange by enterprises, individuals, foreign organisations and visitors in the PRC and the PRC Foreign Exchange Administration Regulations which were promulgated on 29 January 1996 and took effect on 1 April 1996 and which contain detailed provisions in relation to foreign exchange control.

On 21 July 2005, the PBOC issued the Public Announcement of the PBOC on Reforming the RMB Exchange Rate Regime, which stated that from 21 July 2005 China will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. RMB will no longer be pegged to the US dollar and the RMB exchange rate regime will be improved with greater flexibility.

Under these new regulations, the previous dual exchange rate system for RMB was abolished and a unified floating exchange rate system based largely on supply and demand was introduced. The PBOC publishes the RMB exchange rate against the US dollar daily and other major foreign currencies daily. Such rate is to be set by reference to the RMB/US$ and other major foreign currencies trading price on the previous day on the inter-bank foreign exchange market.

Under the PRC Foreign Exchange Administration Regulations, international payments and transfers were segregated into current account items and capital account items. All organizations and individuals within the PRC, including FIEs, were required to remit their foreign exchange earnings to the PRC. The foreign exchange earnings under the current account items of all PRC enterprises, other than those FIEs, who were allowed to retain a part of their regular foreign exchange earnings or specifically exempted under the relevant regulations, were to be sold to designated banks. Foreign exchange earnings under the capital account items obtained from borrowings from foreign institutions or issues of shares or bonds denominated in foreign currency need not be sold to designated banks, but must be kept in foreign exchange bank accounts of designated banks unless specifically approved otherwise. On 1 August 2008, the State Council further amended the PRC Foreign Exchange Administration Regulations (“**New Foreign Exchange Administration Regulations**”) which became effective from 5 August 2008. According to the New Foreign Exchange Administration Regulations, foreign exchange earnings of domestic institutions and individuals could be repatriated into the PRC as well as deposited overseas. The conditions and time limitation for repatriation into the PRC or deposit overseas shall be specified by the State Council foreign exchange management departments in accordance with the international balance payments situations and the needs of foreign exchange managements. Furthermore, foreign exchange earnings under the current account items could be retained or sold to financial institutions which conduct business of settlement, sale and payment of foreign exchange.

At present, control of the purchase of foreign exchange is relaxed. Enterprises within the PRC which require foreign exchange for their ordinary trading and non-trading activities, import activities and repayment of foreign debts may purchase foreign exchange from designated banks if the application is supported by the relevant documents. Furthermore, FIEs may distribute profit to their foreign investors with funds in their foreign exchange bank accounts kept with designated banks. Should such foreign exchange be insufficient, enterprises may purchase foreign exchange from designated banks upon the presentation of the resolutions of the directors on the profit distribution plan of the particular enterprise.

When conducting foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determine the applicable exchange rate.

The China Foreign Exchange Trading Centre (“**CFETC**”) was formally established and came into operation on 1 April 1994. CFETC has set up a computerised network with sub-centres in several major cities, thereby forming an interbank market in which designated PRC banks can trade and settle their foreign currencies. Prior to 1 December 1998, FIEs may upon their own choice enter into exchange transactions through a swap centre or through designated PRC banks. On 25 October 1998, PBOC and the State Administration for Foreign Exchange (“**SAFE**”) issued a joint announcement on the abolishment of foreign exchange swap business which stated that from 1 December 1998, foreign exchange transactions will have to be conducted through designated banks. In addition, some swap centres would be abolished while others which are already linked up with CFETC by the computerised network will be merged with CFETC and sub-centres to the CFETC.

On 14 January 1997, the PRC Foreign Exchange Administration Regulations were amended such that the payment in and transfer of foreign exchange for current international transactions will no longer be subject to the PRC Government control or restrictions.

In addition, on 21 October 2005, SAFE promulgated the Circular of the State Administration of Foreign Exchange Concerning Relevant Issues on Foreign Exchange Administration of Financing and Repatriation of Investments by Domestic Residents through Foreign Special Purpose Vehicles (the "**Forex Circular**") and on 29 May 2007, SAFE promulgated the Notice on the Issuance of the Manipulation Rules of the Circular of the State Administration of Foreign Exchange Concerning Relevant Issues on Foreign Exchange Administration of Financing and Repatriation of Investments by Domestic Residents through Foreign Special Purpose Vehicles and Return Investment (the "**Manipulation Rules**"). Under the Circular and the Manipulation Rules, PRC citizens or residents must register with SAFE or its branch in connection with their establishment or control of a special purpose vehicle (the "**SPV**") established for the purpose of overseas equity financing involving a repatriation investment whereby the SPV acquires or controls onshore assets or equity interests held by the PRC citizens or residents. In addition, such PRC citizens or residents must update their SAFE registrations when the offshore SPV undergoes material events relating to increases or decreases in investment amount, transfers or exchanges of shares, mergers or divisions, long-term equity or debt investments, external guarantees, or other material events that do not involve repatriation investments.

Other than the abovementioned registration requirement, the Forex Circular and the Manipulation Rules also require PRC residents in the overseas invested companies to register, modify or record with the local foreign exchange authority within 30 days from the date of any increase/decrease of capital, share transfer, mergers/demergers, change in long-term equity or debts investments and outward guarantees in the SPV. Moreover, profits, dividends and foreign exchange relating to capital changes received by PRC residents from the SPV shall be repatriated to the PRC within 180 days of receiving such amounts. For SPVs which were incorporated or restructured prior to the issue of the new rules, the Forex Circular requires the domestic residents to complete the supplemental registration before 31 March 2006.

When a PRC resident violates the provisions in the Forex Circular and the Manipulation Rules and it constitutes an evasion of any foreign exchange regulations, SAFE will penalise in accordance with the relevant foreign exchange rules and regulations. The PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company and the offshore parent company may be restricted in its ability to contribute additional capital to its PRC subsidiaries.

13. PROPOSED DIRECTORS AND EXECUTIVE OFFICERS

13.1 Proposed Directors and Executive Officers

The Company proposes to appoint a new Board of Directors and a new senior management team with effect from the completion of the Acquisition. The current Directors (save for those who are Proposed Directors) will resign from the Board of Directors following completion of the Acquisition. The particulars of the Proposed Directors following completion of the Acquisition are as follows:

Name	Age	Residential address	Proposed position	Current designation in Fortune Court
Proposed Directors				
Fang Ming	50	No. 1, 3rd Floor, Datong Land 9, Yuzhong District, Chongqing, China	Chairman and Chief Executive Officer	Chairman and General Manager
Xie Xin	30	B9E East Gate Plaza Apartment, No. 39 Dongzhong Street, Dongcheng District, Beijing, China	Senior Vice President	Senior Vice President, Corporate Finance and Investments
Xu Li	30	No. 5, Floor 34, Southland Garden, No. 66 Cangbai Road, Yuzhong District, Chongqing, China	Senior Vice President	Senior Vice President, Finance and Accounting
Lee Chong Min	41	2 Greenwood Crescent, Singapore 286968	Non-Executive Director	Non-Executive Director
He Zhao Ju @ Danny Ho	40	Blk 221, #07-181, Bishan Street 23, Singapore 570221	Non-Executive Director	Non-Executive Director
Christopher Chong Meng Tak	50	31 Club Street, Emerald Gardens, #902, Singapore 069468	Lead Independent Director	NA
Lui Seng Fatt	55	2A Boscome Road, Singapore 439734	Independent Director	NA
Xiao Zu Xiu	70	No. 59, Jinhong Residential Area, No.1 Jinshan Road, Yubei District, Chongqing, China	Independent Director	NA
Proposed Executive Officers				**Current designation in Chongqing Yingli**
Lim Boon Ping	43	Block 53 Bedok Street #02-31, Singapore 469569	Chief Financial Officer	NA
Chen Rong Hua	65	4-4, No 206, Zhangjia Huayuan Street, Yuzhong District, Chongqing, China	Chief Architect	Chief Architect
Zheng Sheng Qing	64	6-1 Unit 5, No. 263, Bayi Road, Yuzhong District, Chongqing, China	Chief Engineer	Chief Engineer
Guo Hong Qing	53	11-1, No. 53 Jintang Street, Yuzhong District, Chongqing, China	Chief Administrative Officer	Deputy General Manager

It is proposed that Mr Fang Ming, Mr Xie Xin and Ms Xu Li be appointed as Executive Directors following completion of the Acquisition.

Ms Xu Li, our Proposed Director, is the wife of Mr Xie Xin, our Proposed Director.

The Proposed Directors have represented to the Directors that, save as disclosed above and in the section entitled "Directors, Key Executive Officers and Employees of the Fortune Court Group" in the Letter to Shareholders from the Board of Directors of Fortune Court of this Circular and to the best of the Proposed Directors' knowledge and belief, none of the Proposed Directors is related to one another or to any substantial shareholder of the Company upon completion of the Acquisition.

Please refer to Section B.7.1 entitled "Directors, Key Executive Officers and Employees of the Fortune Court Group – Directors and Key Executive Officers of the Fortune Court Group" of this Circular for more information on the business and working experience of each of the Proposed Directors and Proposed Executive Officers.

The business and working experience of each of the Proposed Directors is as follows:

Mr Fang Ming is the Chairman and the General Manager of Chongqing Yingli and is responsible for the overall management of Chongqing Yingli's business. Prior to joining Chongqing Yingli, he was a manager at Chongqing Yunji Business Co., Ltd. from 1986 to 1992. He was a general manager of Chongqing Tiancheng from 1992 to 1997. He has also been the Executive Chairman of Chongqing Tiancheng since 1993. In 1994, Mr Fang became the President and general manager of Chongqing Yingli and was involved in the property business of the Company. In addition, he is, amongst others, the president of the Chongqing Yuzhong District Small Business Finance Improvement Association and the vice-president of the Real Estate Chamber of the Chongqing Federation of Industry and Commerce and a member of the Federation of Industry and Commerce. Mr Fang graduated from the Management School of Chongqing Broadcasting University with a Bachelor of Science in 1987.

Mr Xie Xin is the Senior Vice President, Corporate Finance and Investments, of Chongqing Yingli and Advisor to the Chairman of Chongqing Yingli. His Corporate Finance and Investments portfolio focuses on the external affairs of the Fortune Court Group. He is involved in the capital investments and corporate finance advisory work of Chongqing Yingli. Prior to joining Chongqing Yingli, he was a Business Director with Guotaijunan Securities Co., Ltd. from 2006 to 2007. He has worked as an assistant manager of the assurance and advisory team in KPMG from 2004 to 2006 and in Ernst & Young from 2000 to 2003. Mr Xie is a certified public accountant with the Chinese Institute of Certified Public Accountants. He graduated from Wuhan University with a Bachelor of Arts in Auditing in 2000.

Ms Xu Li is the Senior Vice President, Finance and Accounting, of Chongqing Yingli and Advisor to the Chairman of Chongqing Yingli, and is responsible for the internal financial affairs and accounting functions of the Fortune Court Group. The Chief Financial Officer will report to her in her position as Finance Director of the Fortune Court Group. All payments and fees of the Fortune Court Group and all other financial decisions will ultimately be approved by Ms Xu Li jointly with Mr Fang Ming. Prior to joining Chongqing Yingli, Ms Xu was the assistant to the Chairman of Tongren Health Industry Group between 2004 and 2006. Prior to that, she was an assistant manager at KPMG in 2004 and a senior auditor at Ernst & Young from 2000 to 2003. Ms Xu is a certified public accountant with the Chinese Institute of Certified Public Accountants. She graduated from China Renmin University with a Bachelor of Accounting in 2000, and obtained a Masters in Accounting from the University of Illinois at Urbana-Champaign in 2008.

Mr Lee Chong Min has been a director of the Fortune Court Group since March 2008 and is the founder and Managing Partner of CMIA Capital Partners. Before setting up CMIA in 2003, he was the Business Head for Asia-Pacific Equities for Cargill Financial Services Pte. Ltd. ("**Cargill**") from 2001 to 2002 and from 1994 to 1998. From 1998 to 2000, Mr Lee was an active investor and held appointments in various businesses in the Internet & Communications Technology industry – Mr

Lee was the Chief Executive Officer of Aretae Pte Ltd from 2001 to 2002 and an executive director at Pinnz Pte Ltd from 1999 to 2000. Prior to Cargill, from 1993 to 1994, Mr Lee was a fund manager at Commercial Union Asset Management Pte Ltd and responsible for Asian equity and fixed income investments. Prior to this, he was the Head of Equity & Equity Derivative Operations at J.P. Morgan Securities Asia Pte Ltd from 1992 to 1993. From 1991 to 1992, Mr Lee was a Manager of Regional Foreign Exchange & Money Market Operations at the Singapore branch of Morgan Guaranty Trust Company of New York Limited. Mr Lee has also co-founded several other private equity firms such as CMIA China Fund II Limited and WL Asia Capital Partners Limited. Mr Lee graduated with a Bachelor of Science degree from the National University of Singapore in 1991.

Mr He Zhao Ju @ Danny Ho has been a director of the Fortune Court Group since March 2008 and is a partner and Managing Director of CMIA, Chongqing. Prior to joining CMIA, he was the Vice-President of GIC Special Investments from 2000 to 2006. From 1998 to 2000, he was in charge of the mergers and acquisitions business for China at Crosby Corporate Advisory. From 1997 to 1998, he was an Assistant Manager (Corporate Finance) at Rabobank International. Prior to this, Mr Ho was a Supervisor (Corporate Finance) at Price Waterhouse from 1996 to 1997. From 1994 to 1996 Mr Ho was an Investment Analyst at Brieley Investments. Mr Ho is also a Chartered Financial Analyst and a member of the Association for Investment Management and Research. He graduated from Otago University, New Zealand with a Bachelor of Commerce (double majors in Finance and Economics) in 1994.

Mr Christopher Chong Meng Tak has been a partner and co-founder of ACH Investments Pte Ltd, a corporate advisory firm, since 1998. From 1996 to 1998, he was the Managing Director and Main Board Director of HSBC James Capel Asia (HK). From 1990 to 1996, Mr Chong was the Chief Representative of the Hong Kong Bank and Executive Director of Kay Hian James Capel (now UOB Kay Hian). He was also a Regional Research Director of HSBC James Capel (HK) (now HSBC Securities) from 1986 to 1990. From 1985 to 1986 Mr Chong was a Research Manager of Jardine Fleming (now J.P. Morgan (S.E.A) Limited). He was a senior accountant at Ernst & Whinney (now Ernst & Young (London)) from 1983 to 1985. Mr Chong is a director of several public companies, which are listed on the Australian Stock Exchange, the Singapore Stock Exchange and in Luxembourg. He has also advised several Asian Exchanges and Regulators, including the Indonesian Fund which is listed on the New York Stock Exchange. In addition, Mr Chong is, amongst other, a member of the Institute of Chartered Accountants of Scotland, and a Fellow of the Singapore Institute of Directors and Hong Kong Society of Accountants. Mr Chong graduated from the University College of Wales in 1979 with a 1st Class Honours in BSc Economics, and has a Masters in Business Administration from the London Business School.

Mr Lui Seng Fatt has been the Regional Director and Head of Investments at Jones Lang LaSalle in Singapore, a real estate money management and services firm, since 2005. He has over 25 years' experience in real estate and related businesses. Prior to joining Jones Lang LaSalle, Mr Lui was the President of the GEREG Group of companies with major strategic businesses in Infrastructure, Real Estate, Banking and Financial Services in the Asia Pacific region and America. He was also a Senior General Manager of Keppel Land International Limited, and was one of the key founding executives of Pidemco Land Limited, now known as CapitaLand Limited. He is currently the Honorary Advisor to the Real Estate Developers' Association of Singapore, on Real Estate Consultancy and Valuation. Mr Lui graduated from the University of Singapore with a Bachelors degree in Architecture in 1979, under a Government of Singapore Merit Scholarship, and holds a Masters in Business Administration with a major in Finance from the National University of Singapore.

Mr Xiao Zu Xiu has been the Chairman of the Chinese Nation Cultural Promotion Association since 1995 and Chairman of the Association of Researching the System of the People's Congress since 2003. He was also the Chairman for the Chongqing Veteran's Sports Association from 1997 to 2003. Mr Xiao was elected as a representative to the Chongqing Municipal People's Congress and chosen as the vice chairman of the National People's Congress Standing Committee in 1997. Prior to this, he was elected as executive deputy mayor in 1993, mainly overseeing the financial, taxation, auditing, educational and monitoring aspects. From 1985 to 1988, Mr Xiao was a director of the Committee for Peasants and Workers. From 1984 to 1985, he was a professor at the Agricultural Economy Department of Southwest Agricultural University and a teaching assistant from 1962 to 1984. Mr Xiao studied Agricultural Economics in the Southwest College of Agriculture and the Beijing Agricultural University and graduated in 1960 and 1963 respectively.

The present and past directorships of each of the Proposed Directors, excluding those held in the Company following completion of the Acquisition, are set out below:

Name	**Present directorships**	**Past directorships**
Fang Ming	Group Companies	Group Companies
	Chongqing Yingli Chongqing San Ya Wan	Nil
	Other Companies	Other Companies
	Chongqing Tiancheng	Nil
Xie Xin	Group Companies	Group Companies
	Nil	Nil
	Other Companies	Other Companies
	Nil	Nil
Xu Li	Group Companies	Group Companies
	Nil	Nil
	Other Companies	Other Companies
	Nil	Nil
Lee Chong Min	Group Companies	Group Companies
	Fortune Court	Nil
	Other Companies	Other Companies
	Ace Results Investments Limited Angsana Capital Partners Pte Ltd Arcasia Capital Partners Pte. Ltd. Becheliv Inc. Broad Cosmos Investments Ltd Century Energy Pte Ltd Changshu Everbright Material Technology China Luck Limited China Matrix Group Limited China Minzhong Holdings Limited China Minzhong Organic Food Corporation Pte. Ltd. CM Financial Services Limited CM Investment Advisers (Shanghai) Co Ltd CM Investment Management Limited CM IPO Ventures I Limited CM Mustard Seed Ventures Limited CM SG 15 Limited CM Strategic Holdings Limited CM Technology Ventures Limited CMIA Capital Partners Pte. Ltd. CMIA Capital Partners (Cayman) Limited CMIA CCF3 LIMITED CMIA China Fund II Limited	Acelevel Group Limited Diraja Investments Limited Future Strategy Holdings Limited Just Communication Technologies (M) Sdn. Bhd Keane Consulting (Asia) Pte. Ltd. NTAsia Discovery Fund Opentech Corporation Pte. Ltd. Radius-ED Pte. Ltd. Sino-Environment Technology Group Limited Twin Well Group Limited WAU Limited WestDelta Profits Limited

Name	Present directorships	Past directorships
	CMIA Healthcare Pte. Ltd. CMIA Partners Equity Limited CMIA Sichuan Gift 2008 Limited CNCM Capital Pte Ltd. Cody Sky Investments Limited Cosmos Galaxy Group Limited Darby Park Inc Donghaian Pte. Ltd. Dragon Point Limited Eighty-Eight Times Limited Everswift Holdings Limited Extra Right Investments Limited ForSuccess Holdings Limited FTZ Pte Ltd Good Speed International Limited Global Well Group Limited Green Lead Pte Ltd Haiyang Holdings Pte Ltd Harbour Full International Limited High Focus International Limited Huge Big Group Limited Justcom Technologies Pte. Ltd. Kelai Geothermal Holdings Pte Ltd Leap Forward Holdings Ltd Mega Bond International Limited Midsouth Holdings Limited New Oscar Limited Noble High Limited Ponte & Partners Pte. Ltd. RightLevel Investments Limited Right Treasure Limited Snowy River Limited Solitaire Capital Management Limited Speedy Gain International Limited Special Result Limited Stable International Limited Superb Team Limited Three Circles Pte Ltd WL Asia Capital Absolute Returns Fund WL Asia Capital Management (BVI) Limited WL Asia Capital Partners Limited (BVI) WL Asia Capital Partners Limited (Hong Kong) WL Asia Infrastructure Fund WL Asia IPO Ventures I Limited WL Asia IPO Ventures II Limited WLCM Mezzanine Ventures I Limited YTC Networks Pte. Ltd. Zhongkang Holdings Pte. Ltd. Zhong Nan Holdings Limited Zinglabs Pte. Ltd.	
He Zhao Ju @ Danny Ho	<u>Group Companies</u> Fortune Court <u>Other Companies</u> Leap Forward Holdings Ltd Chongqing Zhong Kang Pte Ltd CMIA Healthcare Pte Ltd DH Investments Pte Ltd	<u>Group Companies</u> Nil <u>Other Companies</u> Nil

Name	Present directorships	Past directorships
Christopher Chong Meng Tak	Group Companies Nil Other Companies ACH Investments Pte Ltd ACH Ventures Ltd Alan Kelly Investments Pte Ltd ASL Marine Holdings Ltd GLG Corp Ltd Koda Ltd Koon Holdings Limited Lorenzo International Limited Matrix Management Ltd Paromay Pte Ltd Paromay Ltd Silverslate Pte Ltd SKY China Petroleum Services Ltd Tian-An Pty Ltd Whitegrain Pte Ltd Win Fund Xpress Holdings Limited	Group Companies Nil Other Companies Nil
Lui Seng Fatt	Group Companies Nil Other Companies Australasia Global Pty Ltd	Group Companies Nil Other Companies Metro-City Development Corporation Ltd Metro-City Investment Corporation Pte. Ltd. Singland China Holdings Pte Ltd
Xiao Zu Xiu	Group Companies Nil Other Companies Nil	Group Companies Nil Other Companies Nil

Ms Xu Li is the wife of Mr Xie Xin.

The Proposed Directors have represented to the Directors that, save as disclosed above and to the best of the Proposed Directors' knowledge and belief, there are no familial relationships between the Proposed Directors, the Proposed Executive Officers and substantial shareholders of the Company (as part of the Enlarged Group).

Mr Lee Chong Min and Mr He Zhao Ju @ Danny Ho are to be appointed pursuant to the Redeemable Loan Stock Subscription Agreements.

The Proposed Directors have represented to the Directors that, save as disclosed above and in Section B.8 entitled "Interested Persons Transactions" of this Circular, and to the best of the Proposed Directors' knowledge and belief, there is no known arrangement or understanding with substantial shareholders, customers or suppliers of the Fortune Court Group pursuant to which the Fortune Court Group or the Vendors will appoint or continue to appoint any of the Proposed Directors or Proposed Executive Officers or any person nominated by any of them as a director or executive officer of the Company or the Enlarged Group following completion of the Acquisition.

The business and working experience of each of the Proposed Executive Officers is as follows:

Mr Lim Boon Ping was the Chief Financial Officer at Essilor Asia Pacific Pte Ltd, in charge of its financial affairs and annual budget from 1997 to 2008. From 1995 to 1997, he was a finance and administrative manager at Tai Thong Hung Industrial Chemicals Pte Ltd. He was also a finance manager at Flecon Multi System Pte Ltd from April 1995 to June 1995. Mr Lim was a senior internal auditor at Econ International Ltd from 1994 to 1995. Prior to this he was an accountant at Mayura Edible Oils Pte Ltd from 1993 to 1994. From 1991 to 1993, he was working as a senior auditor at the accounting firm of Teo Foong and Wong. From July 1991 to November 1991 he also worked as an accountant at Conpex Development Pte Ltd. He worked at Boon Suan Lee & Co as an assistant auditor from 1989 to 1991. From 1987 to 1989, Mr Lim worked as an assistant auditor at P G Wee & Partners. Mr Lim is a member of the Singapore Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He qualified to be a member of the Association of Chartered Certified Accountants in 1992.

Mr Chen Rong Hua has been the vice president of the Chongqing Branch of China Building Technique Group Co., Ltd since 2005. He was the Chief Architect at the Chongqing Design Institute from 1985 to 2005. From 1978 to 1985, he was an engineer at the Sichuan Oil and Gas Construction Company of Ministry of Petroleum Department. From 1968 to 1978, Mr Chen was a technician at No. 6 Metallurgy Construction Company of Ministry of Metallurgy. Mr Chen graduated from the Xi'an Metallurgy and Architecture College (Xi'an University of Architecture and Technology) in 1968.

Mr Zheng Sheng Qing has been the President of Chongqing Branch of China Building Technique Group Co., Ltd since 2004. From 1972 to 2004, he worked at the Chongqing Design Institute, working his way up as a technician, engineer, and eventually became the Vice Chief Engineer of the Institute. Mr Zheng graduated from the Xi'an Metallurgy and Architecture College (Xi'an University of Architecture and Technology) in 1968.

Mr Guo Hong Qing has been the Deputy General Manager of Chongqing Yingli since 2002. He has been the Deputy General Manager at Chongqing Baijiang Real Estate Co., Ltd since 1998, and has been an office manager of Chongqing Tiancheng since 1993. Mr Guo was also a manager at Chongqing Gas Compressor Co., Ltd from 1989 to 1993. Mr Guo graduated from the Chongqing Normal University with a degree in politics in 1987.

13.2 <u>Material Background Information on the Proposed Directors and Proposed Executive Officers</u>

The Proposed Directors have represented to the Directors and the Company that, save as disclosed below, no Proposed Director or Proposed Executive Officer:

(a) had at any time during the last ten years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;

(b) had at any time during the last ten years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;

(c) has any unsatisfied judgment against him;

(d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty, which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;

(e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;

(f) had at any time during the last ten years, had judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;

(g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

(h) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;

(i) has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity;

(j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:

   (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

   (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;

   (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

   (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

   in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or

(k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.

13.3 <u>Non-compete and Confidentiality Undertakings</u>

Mr Fang Ming, Mr Xie Xin and Ms Xu Li will, upon completion of the Acquisition, provide non-compete and confidentiality undertakings in favour of the Enlarged Group (the "**Non-compete and Confidentiality Undertakings**"). The Non-compete and Confidentiality Undertakings provide that during the continuance of their employment with the Enlarged Group, Mr Fang Ming, Mr Xie Xin and Ms Xu Li shall not engage in any other business or be concerned or interested, whether for reward or gratuitously, in any capacity in any trade or business or occupation of a similar nature to or competitive with that carried on by the Enlarged Group. The prohibition extends to the holding of any public or private office which, in the opinion of the Enlarged Group, may hinder or otherwise interfere with the performance of their duties to the Enlarged Group. In addition, Mr Fang Ming, Mr Xie Xin and Ms Xu Li shall not, for a period of 24 months after the expiry or cessation of employment with the Enlarged Group, for whatever reason, directly or indirectly carry on or be engaged or interested in any capacity in any other trade or business or occupation of a similar nature to or competitive with that carried on by the Enlarged Group.

Furthermore, each of Mr Fang Ming, Mr Xie Xin and Ms Xu Li shall keep secret and shall not, at any time, use for his or her own or another's advantage, or reveal to any person, firm or company, any of the trade secrets, business methods or information which he or she knew or ought reasonably to have known to be confidential concerning the business or affairs of the Enlarged Group so far as they shall have come to his or her knowledge during his or her employment with the Enlarged Group.

13.4 Proposed Directors' and Proposed Executive Officers' Remuneration

The estimated amount of compensation to be paid to the Proposed Directors and the Proposed Executive Officers for services rendered to the Enlarged Group in remuneration bands for the whole of FY2008 is set out as follows:

	FY2008
Proposed Directors	
Fang Ming	Band II
Xie Xin	Band I
Xu Li	Band I
Lee Chong Min	Band I
He Zhao Ju @ Danny Ho	Band I
Christopher Chong Meng Tak	Band I
Lui Seng Fatt	Band I
Xiao Zu Xiu	Band I
Proposed Executive Officers	
Lim Boon Ping	Band I
Chen Rong Hua	Band I
Zheng Sheng Qing	Band I
Guo Hong Qing	Band I

Notes:

Band I : Compensation of between S$1 to S$250,000 per annum.
Band II : Compensation of between S$250,001 to S$500,000 per annum.

13.5 Corporate Governance

Board Practices

The Board of Directors recognises the importance of corporate governance to Shareholders, and will follow closely the best practice outlined in the Best Practices Guide issued by SGX-ST and exert best efforts to implement the good practices recommended in the Code of Corporate Governance 2005. Upon completion of the Acquisition and the appointment of the Proposed Directors to the Board, the Nominating Committee, the Remuneration Committee and the Audit Committee will be reconstituted as follows:

New Nominating Committee

The new Nominating Committee will comprise the Proposed Executive Director, Mr Fang Ming, the Proposed Independent Director, Mr Xiao Zu Xiu, and the Existing Independent Directors, Mr Christopher Chong Meng Tak and Mr Lui Seng Fatt. The co-chairmen of the new Nominating

Committee are Mr Christopher Chong Meng Tak and Mr Xiao Zu Xiu. The new Nominating Committee has been set up to be responsible for the nomination of the Proposed Directors (including the Proposed Independent Director of the Company) taking into consideration each Proposed Director's contribution and performance, following completion of the Acquisition. The new Nominating Committee is also charged with the responsibility of determining annually whether a Proposed Director is independent. Under the Articles, at least one-third of the Proposed Directors are required to retire from office at every annual general meeting of the Company after completion of the Acquisition. Every Proposed Director must retire from office at least once every three years. A retiring Proposed Director is eligible and may be nominated for re-election. Each member of the Nominating Committee shall abstain from voting on any resolutions, making any recommendations and/or participating in any deliberations of the new Nominating Committee in respect of the assessment of his performance or re-nomination as a Proposed Director.

New Remuneration Committee

The new Remuneration Committee will comprise the Proposed Independent Director, Mr Xiao Zu Xiu, and the Existing Independent Directors, Mr Christopher Chong Meng Tak and Mr Lui Seng Fatt. The chairman of the Remuneration Committee will be Mr Xiao Zu Xiu. The new Remuneration Committee will be responsible for recommending to the Board of Directors a framework of remuneration for the Directors and executive officers and key executives of the Company, and determine specific remuneration packages for the proposed executive chairman and each of the Proposed Executive Directors.

The recommendations of the new Remuneration Committee will be submitted for endorsement by the entire Board of Directors. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by the new Remuneration Committee. Each member of the new Remuneration Committee shall abstain from voting on any resolutions, making recommendations and/or participating in any deliberations of the new Remuneration Committee in respect of his remuneration package.

The total remuneration of the employees who are related to the Proposed Directors will be reviewed annually by the new Remuneration Committee to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. In the event that a member of the new Remuneration Committee is related to the employee under review, he will abstain from such review.

The remuneration paid to employees who are immediate family members of the Proposed Directors will be disclosed in the annual report, following completion of the Acquisition, in the event such remuneration exceeds S$150,000 for that financial year.

New Audit Committee

The new Audit Committee will comprise the Proposed Independent Director, Mr Xiao Zu Xiu and the Existing Independent Directors, Mr Christopher Chong Meng Tak and Mr Lui Seng Fatt. The chairman of the new Audit Committee is Mr Christopher Chong Meng Tak.

The new Audit Committee will assist the Board of Directors in discharging their responsibility to safeguard the assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that management creates and maintains an effective control environment in the Company following completion of the Acquisition. The new Audit Committee will provide a channel of communication between the Board of Directors, the management and the external auditors of the Company on matters relating to audit following completion of the Acquisition.

In particular, the new Audit Committee will meet at least quarterly, following completion of the Acquisition, to discuss and review the following where applicable:

(a) review the audit plans of the external auditors, including the results of the external and internal auditors' examination and their evaluation of the system of internal accounting controls, their letter to management and the management's response;

(b) review the quarterly, half-yearly and annual financial statements and balance sheet and profit and loss accounts before submission to the Board of Directors for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;

(c) review the risk profile of the Enlarged Group, its internal control and risk management procedures and the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board of Directors;

(d) ensure co-ordination between the external and internal auditors and the management, and review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management, where necessary);

(e) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Enlarged Group's operating results or financial position, and the management's response;

(f) consider the appointment, remuneration, terms of engagement or re-appointment of the external and internal auditors and matters relating to the resignation or dismissal of the auditors;

(g) review and approve any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

(h) evaluate the independence of the external auditors;

(i) review the adequacy of the internal audit function and ensuring that a clear reporting structure is in place between the audit committee and the internal auditors;

(j) review arrangements by which staff of the Enlarged Group may, in confidence, raise concerns about possible impropriety in matters of financial reporting and other matters and the adequacy of procedures for independent investigation and appropriate follow-up action in response to such complaints;

(k) undertake such other reviews and projects as may be requested by the Board of Directors, and will report to Board of Directors its findings from time to time on matters arising and requiring the attention of the new Audit Committee; and

(l) generally undertake such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time.

In addition, all future transactions with related parties shall comply with the requirements of the Listing Manual. As required by paragraph 1(9)(e) of Appendix 2.2 of the Listing Manual, the Proposed Directors shall abstain from voting in any contract or arrangement or proposed contract or arrangement in which he has a personal material interest.

Apart from the duties listed above, the new Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position.

Information Disclosure

Following completion of the Acquisition, the Company will continue to implement a policy of providing full disclosure of material corporate information as commercially appropriate through press announcements, press releases and shareholders' circulars as well as through the statutory interim and annual financial results announcements.

13.6 Interested Person Transactions

Under Chapter 9 of the Listing Manual, transactions between an entity at risk and an interested person are known as Interested Person Transactions. For the purposes of the Listing Manual, an interested person refers to a director, chief executive officer or controlling shareholder of the company listed on the SGX-ST and/or any of their respective associates. An 'entity at risk' refers to:

(a) the Company;

(b) a subsidiary of the Company that is not listed on the SGX-ST or an approved exchange; or

(c) an associated company of the Company that is not listed on the SGX-ST or an approved exchange, provided that the listed group or the listed group and its interested person(s) has control over the associated company. An interested person would refer to a director, chief executive officer or controlling shareholder of the company and/or any of their associates.

Please refer to Section B.8 entitled "Interested Person Transactions" of this Circular for more information on the Interested Person Transactions undertaken by the Fortune Court Group within the last three financial years ended 31 December 2005, 2006 and 2007, and for the period from 1 January 2008 up to the Latest Practicable Date.

The Proposed Directors have represented to the Directors and the Company that, save as disclosed in Section B.8 entitled "Interested Person Transactions" of this Circular and to the best of the Proposed Directors' knowledge and belief, neither the Proposed Directors nor any of the Controlling Shareholders of the Fortune Court Group and/or their associates was or is interested, whether directly or indirectly, in any material transaction undertaken by the Fortune Court Group within the last three financial years ended 31 December 2005, 2006 and 2007, and for the period from 1 January 2008 up to the Latest Practicable Date.

13.7 Potential Conflicts of Interest

The Proposed Directors have represented to the Directors and the Company that, save as disclosed in Section B.8 entitled "Interested Person Transactions" of this Circular and to the best of the Proposed Directors' knowledge and belief, none of the Proposed Directors, Controlling Shareholders of the Fortune Court Group, Proposed Executive Officers and/or any of their associates has any material interest, whether direct or indirect, in:

(a) any material transactions to which the Fortune Court Group was or is a party;

(b) any company carrying on the same business or carrying on a similar trade as the Fortune Court Group; and

(c) any enterprise or company that is the customer or supplier of goods or services of the Fortune Court Group.

Please refer to Section B.9 entitled "Potential Conflicts of Interests" of this Circular for more information on the potential conflicts of interests.

14. RISK FACTORS

Shareholders should carefully evaluate each of the following considerations and all of the other information set forth in this Circular. Some of the following considerations relate principally to the industry in which the Fortune Court Group operates and its businesses in general. Other considerations relate principally to general economic and political conditions.

The Proposed Directors have represented to the Directors that all risk factors which are material to Shareholders in making an informed judgment of the Fortune Court Group have been set out in this section of this Circular.

Save as disclosed below, to the best of the Directors' knowledge and belief, all risk factors which are material to Shareholders in making an informed judgment of the Fortune Court Group, the Acquisition and the Enlarged Group have been set out in this Circular. Following completion of the Acquisition, the risk factors in relation to the Fortune Court Group will also be relevant to the Enlarged Group. If any of the following considerations and uncertainties develop into actual events, the business, financial condition or results of operations of the Enlarged Group could be materially and adversely affected.

14.1 Risk Factors Relating To The Fortune Court Group

Lack of audited financial statements of the Fortune Court Group and the failure by Fortune Court to appoint auditors and prepare auditors' reports for Fortune Court's shareholders may result in penalties on Fortune Court and/or officers of Fortune Court.

Under Section 122 of the Hong Kong Companies Ordinance, the directors of every private company (other than a private company which was a member of a group of companies of which a company other than a private company was a member) shall lay before the company at its annual general meeting a profit and loss account for the period since the preceding accounts and a balance sheet as at the date to which the profit and loss account is made up. If a director of a company fails to take all reasonable steps to comply with Section 122, he may be in violation of the section and be liable to imprisonment of up to 12 months and a fine of up to HK$300,000. Section 129C of the Hong Kong Companies Ordinance also requires that an auditors' report be attached to the profit and loss account and balance sheet that are laid before the Company in general meeting. If any copy of a balance sheet is issued, circulated or published without having annexed thereto a copy of the auditor's report, the company and every officer of the company who is in default may be liable to a summary offence and be liable to a maximum penalty of a fine of HK$150,000. Section 131 of the Hong Kong Companies Ordinance requires that every company shall at each annual general meeting of the company appoint an auditor or auditors to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting of the company. Where at an annual general meeting of a company no auditors are appointed, the court may, on the application of any member of the company, appoint a person to fill the vacancy. Fortune Court had previously not appointed auditors nor prepared audited financial statements since its incorporation. However, in May 2008, it appointed HLB Hodgson Impey Cheng to act as its auditors and conduct an audit on all the financial statements of Fortune Court since its incorporation to 31 December 2007. The Company's Hong Kong legal advisers, Wilkinson & Grist ("**W&G**") has advised that, based on past experience, prosecutions by the Hong Kong Companies Registry (the "**HKCR**") for failing to prepare audited accounts are not common as accounts of private companies, whether audited or unaudited, are not required to be filed with the HKCR. Further, W&G has also advised that the likelihood of the directors of Fortune Court facing jail terms for such non-compliance is low in the circumstances, unless in the opinion of the court, wilful default is proven against the director. However, it cannot be assured that such penalties will not be imposed on Fortune Court or officers of Fortune Court for failing to comply with the relevant provisions of the Hong Kong Companies Ordinance.

Chongqing Yingli may be unable to identify or acquire land for development at commercially acceptable prices and the land use rights for some of its development sites will not be formally vested until it has received the relevant land use rights certificates.

Maintaining a sizable and high-quality land bank for future development is critical to sustain the growth of Chongqing Yingli. Chongqing Yingli cannot assure you that it will be able to identify and acquire attractive sites in the future at commercially acceptable prices, or at all. In the PRC, the supply of land is controlled by government authorities, and its ability to acquire land use rights and their corresponding acquisition costs will be affected by government policies toward land supply, development and pricing. The central and local governments regulate the means by which property developers obtain land for development. In particular, on 9 May 2002, the State Bureau of Land Resources of the People's Republic of China promulgated the "Regulations on the Grant of State-owned Land Use Rights through Competitive Bidding, Public Auction and Listing for Sale", which require that state-owned land to be sold for commercial use or commodity housing development shall be by way of competitive bidding, public auction or listing-for-sale. The new regulations have contributed to an increase in the acquisition costs to property developers throughout China. Chongqing Yingli's inability to identify and acquire attractive new sites at commercially acceptable prices could impair its ability to compete with other property developers and materially and adversely affect its ability to grow its business and maintain its profitability.

In addition, under current PRC land grant policies, upon signing the land grant contract the grantee is required to pay the land premium pursuant to the terms of the land grant contract and the land grant contract is then submitted to the relevant local bureau for the issue of the land use right certificate. The relevant authorities will not issue the formal land use rights certificate for a piece of land until the developer has paid the land premium in full, completed the relocation process and is in compliance with other land grant conditions. Although Chongqing Yingli has obtained the formal land use rights certificates for all its properties held for investment, it has, as at the Latest Practicable Date, yet to obtain the formal land use rights certificates for the land parcel for the Jingong Restaurant Project although it has signed the land grant contract with the relevant authorities. Under current land grant policies, Chongqing Yingli is not allowed to begin developing its projects located on its land bank without first obtaining the relevant land use rights certificates. The land that it may acquire in the future will not be formally vested in Chongqing Yingli until it has received the corresponding formal land use rights certificate. Chongqing Yingli cannot assure you that there will not be any delays in the authorities' issuance of the formal land use rights certificates and that the delays will not materially and adversely affect the Enlarged Group's operations, including its ability to deliver these properties to its customers in a timely fashion.

Chongqing Yingli may not have adequate resources to finance land acquisitions or property development.

Property development is capital intensive. The availability of adequate financing is crucial to our ability to acquire land and to complete its development projects according to plan. Historically, Chongqing Yingli financed its land acquisitions from a combination of internal funds, shareholders' loans and bank loans. Its property development projects are financed through a combination of internal funds, pre-sale proceeds and bank loans. Under the "Measures for Administration of Pre-completion Sale of Commodity Buildings" promulgated by the Ministry of Construction in July 2004 and the Urban Real Estate Law, pre-sale proceeds may only be used to fund the property development costs of the relevant projects to which they relate. Chongqing Yingli cannot assure you that it will have sufficient internal funds available for land acquisitions or property development or that it will be able to achieve sufficient pre-sales in order to fund property development. Chongqing Yingli's ability to arrange adequate financing for land acquisitions or property development on commercially acceptable terms depends on a number of factors that are beyond its control, including general economic and political conditions, the terms on which financial institutions are willing to extend credit to them and the availability of equity financing.

For example, the PRC government has in recent years taken a number of policy initiatives in the financial sector to further tighten the lending requirements for real estate developers. In June 2003, the PBOC issued the "Circular on Further Strengthening the Management of Loans for Property Business" which, among other things:

- prohibits PRC commercial banks from granting loans to fund the payment of land premium;

- restricts PRC commercial banks from granting loans for the development of luxury residential properties such as villas; and

- prohibits real estate developers from using borrowings obtained from any local bank to fund property developments outside the region.

In accordance with the "Circular on Adjusting Real Estate Supply Structure and Stabilising Real Estate Price" promulgated by the General Office of the State Council on 24 May 2006, a commercial bank shall not lend to property developers with a project capital ratio of less than 35%, or accept as security for mortgage loans commodity properties that have been vacant for more than three years.

These policy initiatives may limit Chongqing Yingli's ability to use bank loans to finance or refinance property developments and therefore, it may need to maintain a relatively high level of internally sourced cash. Furthermore, the incurrence of debt will increase interest payments required to service debt obligations and could result in operating and financial covenants that restrict its operations and our ability to pay dividends to shareholders. If Chongqing Yingli's does not have adequate resources to finance land acquisitions or property developments, its business and financial condition may be materially and adversely affected.

Chongqing Yingli does not have insurance to cover potential losses and claims arising from certain events.

There are certain losses for which insurance is not available on commercially practicable terms, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If Chongqing Yingli suffers any uninsured losses, damages and liabilities in the course of its operations and property development, it may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property development that has been destroyed. In addition, any payment Chongqing Yingli makes to cover any losses, damages or liabilities could have a material adverse effect on its business, results of operations and financial condition.

Chongqing Yingli may face significant risks before realising any benefits from property development.

Chongqing Yingli's primary business is in the development of office and commercial properties. Property development typically requires substantial capital outlay during the land acquisition and construction phases and may take one or more years before positive cashflows may be generated through pre-sales or sales of a completed property development. Depending on the size of the development, the time span for completing a property development usually lasts for more than a year. Consequently, changes in the business environment during the length of the project may affect the revenue and cost of the development, which in turn has a direct impact on the profitability of the project. Factors that may affect the profitability of a project include the risk that the receipt of government approvals may take more time than expected, the failure to complete construction according to original specifications, schedule or budget, and lacklustre sales or leasing of the properties. The sales and the value of a property development project may be adversely affected by a number of factors, including but not limited to, the international, regional and local economic climate, local real estate conditions, perceptions of property buyers, businesses, retailers or shoppers in terms of the convenience and attractiveness of the projects, competition from other available properties, changes in market rates for comparable sales and increased business and operating costs. If any of the property development risks described above materialises, its returns on investments may be lower than originally expected and its business, financial condition, results of operations and prospects will be materially and adversely affected.

Property valuations may materially differ from prices that can be achieved.

Valuations of Chongqing Yingli's property interests as of 30 June 2008 prepared by Jones Lang LaSalle Sallmanns are contained in Appendix D(II) to this Circular. These valuations are based upon certain assumptions that are subjective. With respect to properties under development and land banks, the valuations are generally based on the assumptions, among other things, that the properties will be completed or developed as currently proposed, all regulatory and governmental approvals for the proposals have been obtained, Chongqing Yingli is in possession of proper legal titles and is entitled to transfer the properties at no extra land premium, and all land premiums have been paid in connection with such properties. Unanticipated changes in relation to particular properties, or changes in general or local economic or regulatory conditions or other relevant factors could affect such valuations and the returns that Chongqing Yingli can realise from these properties. The actual values that Chongqing Yingli derives from these properties may materially differ from the values attributed to them in the valuation report prepared by Jones Lang LaSalle Sallmanns.

Chongqing Yingli may not be able to generate adequate returns on its properties held for long-term investment purposes.

The completed property developments held by Chongqing Yingli are intended to be held for long-term investment. Property investment is subject to varying degrees of risks. The investment returns available from investments in real estate depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties as well as the expenses incurred. Maximising yields from properties held for long-term investment also depends to a large extent on active ongoing management and maintenance of the properties. The ability to eventually dispose of investment properties will also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The revenue derived from and the value of property investment may be adversely affected by a number of factors, including but not limited to, changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic maintenance, repair and re-letting. If its property investment business is unable to generate adequate returns, its business, financial condition, results of operations and prospects may be adversely affected.

Chongqing Yingli is subject to legal and business risks if it fails to obtain formal qualification certificates.

In accordance with the "Regulations on Administration of Urban Real Estate Development" promulgated by the State Council on 20 July 1998 (the "**Development Regulations**") and the Provisions on Administration of Qualifications of Real Estate Developers ("**Provisions on Administration of Qualifications**") promulgated by the Ministry of Construction on 29 March 2000, property developers in the PRC are required to obtain the relevant class of qualification certificates for the development of certain types of properties and certain sizes of property developments. The Development Regulations provide that when a property developer engages in the development and sale of real estate without any qualification certificates or beyond its qualification, it must rectify the default within the time limit set by the real estate development authorities under the local government on or above the county level. A fine ranging from RMB50,000 to RMB100,000 will also be imposed. If the property developer fails to rectify the default within the time limit, its business licence may be revoked by the Administration for Industry and Commerce. All qualification certificates are renewable on an annual basis. The property developer's registered capital, property development investments, history of property development, quality of property construction, expertise of the management or any illegalities on the part of the developer will be taken into account by the local authorities in deciding whether to renew the qualification certificates. Should Chongqing Yingli fail to obtain or renew the requisite qualification certificates or rectify any default, it may not be able to carry on all or part of its business and its business, financial condition, results of operations and prospects will be adversely affected. This in turn will have a material adverse effect on its business, financial condition, results of operations and prospects.

Chongqing Yingli's business, results of operations, financial condition and prospects may be adversely affected if it fails to obtain, or if there are material delays in obtaining, requisite governmental approvals for its property developments.

The real estate industry in the PRC is heavily regulated by the PRC government. PRC real estate developers must comply with various requirements mandated by applicable laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licences, certificates and other approvals from the relevant administrative authorities at various stages of the property development process, including but not limited to land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmations of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. Chongqing Yingli cannot assure you that it will not encounter problems in obtaining such government approvals or in fulfilling the conditions required for obtaining the approvals, or that it will be able to comply with new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of approvals. If Chongqing Yingli fails to obtain the relevant approvals or to fulfil the conditions of those approvals for its property developments, these developments may not proceed on schedule, and its business, financial condition, results of operations and prospects may be adversely affected.

Chongqing Yingli cannot assure you that the relevant PRC tax authorities will not enforce the payment of Land Appreciation Tax on properties disposed of by it in the past or to be disposed of by it in the future.

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to Land Appreciation Tax ("**LAT**") at progressive rates under PRC tax laws and regulations. There is an exemption available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant tax laws). Sale of commercial properties is not eligible for such exemption. Under relevant regulations, developers were also exempted from the payment of LAT on the first transfer of land and buildings made during the five years commencing on 1 January 1994, subject to certain conditions. According to the "Notice in respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy", the period of LAT exemption was subsequently extended to the end of 2000. Furthermore, according to the "Notice on the Serious Handing of Administration Work in relation to the Collection of Land Appreciation Tax" issued by the State Taxation Bureau on 10 July 2002, for real estate projects whose property development contracts were signed before 1 January 1994 or whose project proposal has been approved, and capital has been injected for development before 1 January 1994, the preferential treatment of LAT exemption for the developed properties that are transferred for the first time will not apply and such property transfer will be subject to the collection of LAT. As at 31 December 2007, Chongqing Yingli has prepaid LAT at the rate of 30% (on commercial properties) of its gross sale proceeds, in the aggregate amount of approximately RMB3.9 million. Chongqing Yingli will not have to prepay any LAT until the property is completed and is saleable. The amount of LAT payable for its properties as at the Latest Practicable Date is approximately RMB19.7 million and adequate provisions have been made to pay the remaining amount of LAT due. If Chongqing Yingli is required to pay an amount of LAT that significantly exceeds what it has prepaid or made provision for, its business, financial condition, results of operations and prospects could be adversely affected.

Chongqing Yingli has to bear the relocation costs associated with its property developments.

Chongqing Yingli purchases land from both the PRC government and private entities. Where land is obtained from the PRC government, relocation costs are usually included in the land premium payable. Where the land is obtained from other parties, the relocation costs are agreed upon between the seller and Chongqing Yingli. In accordance with the Regulations for the Administration of Demolition and Removal of Urban Housing promulgated by the State of Council on 13 June 2001, a real estate developer in the PRC is required to enter into written agreements with the owners or tenants of existing buildings to be demolished for development to provide compensation for their relocation. The compensation payable by the real estate developer is calculated by applying the prescribed formulae provided by the relevant provincial authorities. When Chongqing Yingli purchases land that is occupied, any delay or difficulty in the relocation process may cause a delay in the delivery of the land to it in whole or in part and may require an increase in the fees payable in connection with the relocation process. However, Chongqing Yingli cannot assure you that the relevant provincial authorities will not change their compensation formulae. If they do, construction costs may increase substantially. Furthermore, if Chongqing Yingli fails to reach agreements with the owners or residents on the amount of compensation payable, any party may apply to the relevant housing relocation authorities for a ruling on the amount of compensation, which may delay the completion schedule of its projects and increase its holding costs.

Chongqing Yingli faces potential liabilities in connection with some of its property developments.

New York New York

New York New York has a total of 44 floors, of which the 44th floor does not have a fire lift. According to the Law of the PRC on Municipal Planning（中华人民共和国城市规划法）, buildings which were constructed without a permit for construction or not in compliance with the requirements stipulated in such a permit shall, by order of the competent department of city planning administration of the local people's government, be demolished within a prescribed period of time or confiscated. The Notice Regarding the Removal of Illegal Buildings in Chongqing Province（重庆市人民政府关于拆除违法建筑的通告）also states that illegal buildings located in the main city zone (including the Yuzhong District) are not under legal protection and shall be removed. The issue cannot be rectified as the building has already been completed. However, the affected gross floor area amounts to an aggregate of 322.05 sq m out of a total gross floor area of 41,336.93 sq m. There remains a risk that the building may be demolished or confiscated as a result of its non-compliance with the applicable laws. If such an event were to occur, Chongqing Yingli may have to incur the costs of demolition, loss of revenue from leases of units in the building and it may be subject to claims from tenants, any of which may have a material adverse effect on its business, results of operations, financial condition and prospects.

Min Sheng Mansion

Chongqing Yingli and Chongqing Jian Wei Housing Development Co., Ltd. ("**Chongqing Jian Wei**") entered into a Project Transfer Contract in December 1994, pursuant to which (i) the State-owned land use right and the comprehensive development and operation right of the land located in Datong Road (and on which Min Sheng Mansion is located) was transferred to Chongqing Yingli, and (ii) Chongqing Jianwei agreed to pay the whole land grant fee in relation to the Min Sheng Mansion Project and release Chongqing Yingli from the requisite payment to the Chongqing Land and Resources Bureau (the "**Bureau**"). On 15 April 1997, Chongqing Yingli entered into a Supplementary Agreement to the Grant Contract with the Bureau, pursuant to which Chongqing Yingli is to pay RMB3 million of the land grant fee. Following subsequent discussions between Chongqing Yingli and the Bureau, the Bureau has orally agreed to release Chongqing Yingli from payment of the RMB3 million of the land grant fee. However, there is a risk that in future there may be a dispute over the outstanding land grant fee payable by Chongqing Yingli.

Lu Zu Temple Project

A State-owned Land Use Right Grant Contract was entered into between Chongqing Yingli and the Bureau in relation to the Lu Zu Temple Project on 29 July 1997. Pursuant to this grant contract, Chongqing Yingli was to have commenced construction works in December 1997 and to have completed the construction works by the end of December 2000. According to the contract, the Bureau may impose a charge of not more than 20% of the total land grant fee for the land in respect of which the contract was entered into if there is a failure to begin construction within one year from December 1997, and the Bureau may withdraw the land-use rights granted to Chongqing Yingli if there is a failure to begin construction within two years from December 1997. At present, Chongqing Yingli has not begun construction for this project due to administrative difficulties encountered in the demolishment of an old building situated on the land. Chongqing Yingli has applied to the Chongqing Planning Bureau Yuzhong District Sub-bureau (the "**Sub-bureau**") to extend the period for demolition and construction works. By way of a notice issued by the Sub-bureau (the "**Notice**"), the Sub-bureau has approved Chongqing Yingli's application for an extension of time without imposing any time restrictions or penalties. Thus, it is very unlikely that penalties would be imposed by the Sub-bureau on Chongqing Yingli for its non-compliance with the stipulated time limits for commencement and completion of construction works, and the Sub-bureau would not withdraw the land-use rights granted for the project. However, as the Notice did not state any time restrictions in relation to the length of deferment, there remains a risk that the Bureau may still impose penalties or withdraw the grant of the land-use rights in the future.

International Financial Centre Project

Chongqing Yingli also faces the risk of possible penalties for deferred commencement and completion of construction for the International Financial Centre Project (国际开发金融大厦项目) due to the lack of formal or specific approval from the Chongqing Administrative Bureau for Land and Resources and Real Estate (重庆市国土资源和房屋管理局). Pursuant to the State-owned Land Use Right Grant Contract (国有土地使用权出让合同) (Reference No. Yu Di (2004) He Zi (Zhong Qu) No.494) (渝地(2004)合字(中区)第494号) dated 21 December 2004 signed between Chongqing Yingli and the Chongqing Administrative Bureau for Land and Resources and Real Estate, Chongqing Yingli was to have commenced construction for the International Finance Centre prior to the end of December 2005 and completed construction prior to the end of December 2008. As at the Latest Practicable Date, Chongqing Yingli has not begun construction work on the project. The contract imposes a penalty of not more than 20% of the total amount of the land grant fee if it fails to start construction within one year after December 2005, and the Bureau has the right to withdraw the land-use rights to the land if Chongqing Yingli fails to start construction within two years after December 2005. A Notice on Approval of Sino-Foreign Joint Chongqing International Financial Centre Project (关于中外合资重庆国际开发金融大厦项目核准的通知) dated 17 January 2008 was issued by the Chongqing Development and Reform Committee (重庆市发展和改革委员会) permitting Chongqing Yingli to proceed with the project, although there was no formal or specific consent given for the extension of time by the Chongqing Administrative Bureau for Land Resources and Real Estate. Furthermore, Chongqing Yingli was also issued with the land use rights certificate for the International Financial Centre Project on 22 May 2008, therefore the likelihood that the Chongqing Development and Reform Committee would impose penalties or withdraw the grant of the land-use rights is not very significant. Construction works are expected to commence in the last quarter of 2008.

Zou Rong Plaza

Chongqing Yingli entered into a State-owned Land Use Right Grant Contract on 17 October 1995 with the Bureau with respect to the land on which Zou Rong Plaza is built. The land grant fee is RMB3.02 million, but according to invoices provided by Chongqing Yingli, only RMB2,867,800 has been paid. Following subsequent discussions between Chongqing Yingli and the Bureau, it has orally agreed to waive the difference of RMB152,200 and Chongqing Yingli was released from payment. However, there is a risk that the Bureau may claim the outstanding amount in the future.

Future International Building

As Chongqing Yingli intends to reserve the 46th to 48th floors of the Future International Building for its own use, it has not obtained the land use rights and property ownership certificates for these floors. As a result, under the relevant PRC laws and regulations, ownership of these floors cannot be transferred to third parties. The gross floor area of the 46th to 48th floors amounts to an aggregate of 1,349.34 sq m out of a total gross floor area of 135,539.94 sq m. However, if Chongqing Yingli intends to sell the 46th to 48th floors in the future, it would have to pay the relevant land grant fee and any administrative penalties to obtain the relevant land use rights and property ownership certificates.

Mr Fang Ming has on 18 August 2008 agreed to indemnify the Company for all losses, costs, damages, claims or other actions arising in relation to each of the above issues against any and all liabilities that may arise in the future.

14.2 Risks Relating To The PRC

Chongqing Yingli's business is dependent on the performance of the PRC property industry in Chongqing

All of the current and proposed property development projects of Chongqing Yingli are located in Chongqing. The business of Chongqing Yingli is hence dependent on the continuing growth of the PRC economy generally and the property industry of the PRC specifically. The property development market may be adversely affected by economic, political, social, regulatory or diplomatic developments in or affecting the PRC real estate industry generally. The business of Chongqing Yingli may be adversely affected by changes in inflation, interest rates, taxation, or other regulatory, political, social or economic factors affecting Chongqing, and any adverse developments in the supply and demand or housing prices in the property industry. The business of Chongqing Yingli is also subject to the cyclical nature of the property industry, and is hence vulnerable to any downturn in the residential and/or commercial property development market in the PRC.

The PRC property industry is susceptible to the macro-economic policies and austerity measures of the PRC government

The PRC government has exercised and continues to exercise significant influence over the PRC's economy in general, which, among others, affects the property industry in the PRC. From time to time, the PRC government adjusts its monetary and economic policies to prevent and curtail the overheating of the national and provincial economies, which may affect the real estate markets that Chongqing Yingli operates in. Any action by the PRC government concerning the economy or the real estate industry in particular could have a material adverse effect on the financial condition and results of operations of Chongqing Yingli.

On 2 September 2004, the China Banking Regulatory Commission ("**CBRC**") issued a regulation to limit mortgage loans on residential properties to a maximum of 80% of the purchase price. On 6 March 2005, the PBOC issued a notice which decreased the maximum mortgage loan from 80% to 70% of the purchase price. On 19 August 2006, the PBOC changed the minimum interest rate for mortgage loans of residential properties to 85% of the corresponding PBOC benchmark lending rate with the same terms. On 27 September 2007, the PBOC and CBRC further decreased the maximum mortgage loan to 70% of the purchase price for the purchase of first residential properties with a GFA of 90.00 sq m or above and 60% of the purchase price for the purchase of second residential properties with mortgage loans, and required the interest rate to be not less than 1.1 times of the corresponding PBOC benchmark lending rates if the purchaser obtained his second residential properties again through mortgage loans. In recent years, the PBOC has also increased the benchmark lending rate several times and, as a result, the minimum interest rate for property mortgages has been increased correspondingly. If the availability or attractiveness of mortgage financing is reduced or limited, the purchasing abilities of Chongqing Yingli's prospective customers may be affected.

The PBOC has increased the deposit reserve ratio for commercial banks several times, and with effect from 25 January 2008, it has been increased to 15%. The deposit reserve refers to the amount of funds that banks must hold in reserve against deposits made by their customers. The increase of the deposit reserve ratio may negatively impact the amount of funds available to be lent to business, including Chongqing Yingli, by commercial banks in the PRC. The central and local authorities may continuously adjust interest rates and other economic policies or impose other regulations or restrictions that may have an adverse effect on the property market in the PRC, which may adversely affect the business of Chongqing Yingli.

The PRC government has recently implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect how quickly Chongqing Yingli can deploy, as well as our ability to deploy the funds raised for its business in the PRC

On 10 July 2007, the General Affairs Department of the SAFE issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Properly Registered with the Ministry of Commerce ("**MOC**"). The notice stipulates, among other things, (i) that the SAFE will no longer process foreign debt registrations or approval for settlement of foreign exchange submitted by real estate enterprises with foreign investment who obtained approval certificates from commercial authorities and registered with the MOC on or after 1 June 2007, and (ii) that the SAFE will no longer process foreign exchange registrations (or change of such registrations) or settlement of foreign exchange in the capital account submitted by real estate enterprises with foreign investment who obtained approval certificates from commercial authorities on or after 1 June 2007 but failed to file with the MOC. This new regulation restricts the ability of foreign-invested real estate companies to raise funds offshore for the purpose of injecting such funds into the companies by way of shareholder loans. The increase of the registered capital of Chongqing Yingli by Fortune Court and the Company has already been approved by the Chongqing Foreign Economic and Trade Cooperation Committee (重庆市对外经济贸易委员会) and the Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China has been obtained by Chongqing Yingli on 5 September 2007. This capital increase has also been registered with the MOC on 18 October 2007. Chongqing Yingli cannot assure you that it has obtained or will obtain in a timely manner all relevant necessary approval certificates or has obtained or will obtain in a timely manner all registrations for Chongqing Yingli to comply with the new regulation in the future. Further, Chongqing Yingli cannot assure you that the PRC government will not introduce new policies that further restrict its ability to deploy in the PRC, or that prevent it from deploying in the PRC, the funds raised. Therefore, Chongqing Yingli may not be able to use all or any of the capital that it raises to finance its property acquisitions or new projects in a timely manner or at all.

Please also refer to Section 12.10 entitled "The Enlarged Group – Exchange Controls" of this Circular for more information on exchange controls in the PRC and the related risk factor.

Chongqing Yingli faces increasing competition that could adversely affect its business and financial position

In recent years, a large number of property developers have begun to undertake property development and investment projects in the PRC. In addition, a number of international developers have expanded their operations into China, including a number of leading Hong Kong and Singapore real estate development and investment groups. Many of these developers, both private and state-owned, have significant financial, managerial, marketing and other resources, as well as experience in property and land development. Competition between property developers is intense and may result in, among other things, increased costs of the acquisition of land for development, oversupply of properties in certain parts of the PRC, a decrease in property prices, a slow down in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities, an increase in construction costs and difficulty in obtaining high quality contractors and qualified employees. Any such consequences may adversely affect the business, results of operations and financial position of Chongqing Yingli. In addition, the real estate market in the PRC is rapidly changing. If Chongqing Yingli cannot respond to changes in market conditions more swiftly or effectively than its competitors do, its ability to generate revenue, its financial condition and its results of operations will be adversely affected.

There is a lack of reliable and updated information on property market conditions in the PRC generally and in particular in the provinces where Chongqing Yingli's property developments are located

Chongqing Yingli is subject to property market conditions in the PRC generally and in particular, the provinces where its property developments are located, including Chongqing. Currently, reliable and up-to-date information is not generally available in the PRC and in the relevant municipal cities and provinces on the amount and nature of property development and investment activities, the demand for such development, the supply of new properties being developed or the availability of land and buildings suitable for development and investment. Consequently, the investment and business decisions of Chongqing Yingli may not always have been, and may not be in the future, be based on accurate, complete and timely information. Inaccurate information may adversely affect the business decisions of Chongqing Yingli, which could materially and adversely affect its business, results of operations, financial condition and prospects.

Chongqing Yingli may forfeit land use rights to the PRC government if it fails to comply with the terms of the land grant contracts

Under PRC laws, if a developer fails to comply with or develop land according to the terms of the land grant contract (including those relating to payment of fees, land use or the schedule for commencement and completion of the development of the land), the relevant government authority may give a warning to or impose a penalty on the developer or forfeit the land use rights granted to the developer. There can be no assurance that circumstances leading to a possible breach of terms of the land grant contract, for example, a delay in the payment of the land grant fees or delay in the commencement of the development of the land for more than two years from the stipulated date of commencement in the land grant contract, will not arise or forfeiture action will not be taken by the relevant authorities in the future. Therefore, if Chongqing Yingli is affected by circumstances which would cause it to breach the terms of the land grant contract and lead to its land use rights being forfeited by the government, its business and prospects will be adversely affected.

Chongqing Yingli is subject to risks in relation to interest rate movements and changes in commodity prices

Chongqing Yingli faces risks in relation to interest rate movements and changes in commodity prices in particular as a result of the debts undertaken by it to finance its developments and the consumption of large quantities of building materials, including raw iron, steel and concrete, in its property development operations. Changes in interest rates will affect its interest income and interest expense from short term deposits and other interest-bearing financial assets and liabilities. This could in turn have a material and adverse effect on its net profits. Furthermore, an increase in interest rates would also adversely affect the willingness and ability of prospective customers to purchase Chongqing Yingli's properties, Chongqing Yingli's ability to service loans that it has guaranteed and Chongqing Yingli's ability to raise and service long-term debt.

In addition, Chongqing Yingli also faces risks of changes in commodity prices. As a property developer, in general, Chongqing Yingli enters into fixed or guaranteed maximum price construction contracts with independent construction companies, each of which concerns the development of a significant part of its overall development project. These contracts typically cover both the supply of the building materials and the construction of the facility, for a construction period of one to three years. Therefore, should the price of building materials increase significantly prior to Chongqing Yingli's entering into a fixed or guaranteed maximum price construction contract, it might be required to pay more to prospective contractors, which could materially and adversely affect its results of operations and financial condition.

Changes in tax laws, regulations, policies, concessions and treatment may materially and adversely affect the financial condition and results of operations of Chongqing Yingli

Currently, Chongqing Yingli is taxed on a basis as agreed with the Chongqing Tax Authority, in particular, in relation to income tax. If there is a change in the tax laws, regulations, policies, concessions and treatment (including any retrospective change of the basis or to the agreement reached with the local government as aforesaid), its profits may be affected adversely, resulting in a material and adverse effect on its financial condition and results of operations.

Changes in the social, political and economic conditions in the PRC could affect the business of Chongqing Yingli

Substantially all of Chongqing Yingli's assets and its revenues are derived from its business operations located in the PRC. Accordingly, any significant slowdown in the PRC economy or decline in demand for the properties of Chongqing Yingli from customers in the PRC will have an adverse effect on its business, financial condition and results of operations. Furthermore, any unfavourable changes in the social and political conditions of the PRC may also adversely affect its business and operations.

Since the adoption of the "open door policy" in 1978 and the "socialist market economy" in 1993, the PRC government has been undergoing reforms in its economic and political systems, which are expected to continue. Any changes in the social, political and economic policies of the PRC government may lead to changes in the laws and regulations or the interpretation of the same, as well as changes in the foreign exchange regulations, taxation and land ownership and development restrictions, which may in turn adversely affect its financial performance. Although Chongqing Yingli believes that these reforms will have a positive effect on its overall and long-term development, Chongqing Yingli cannot predict whether changes in PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on its current or future business, results of operations or financial condition.

Chongqing Yingli may not have sufficient insurance to cover potential losses and claims

Chongqing Yingli may not have maintained sufficient insurance coverage against potential losses or damages with respect to its properties. Chongqing Yingli also does not maintain insurance coverage against liability from tortious acts or other personal injuries on its project sites. Chongqing Yingli believes that third-party construction companies should bear these tortious and personal injury liabilities arising from its project sites. In addition, there are certain types of losses, such as losses due to typhoons, flooding, war and civil disorder, which are currently uninsurable in China. Business interruption insurance is also currently unavailable in China. Chongqing Yingli believes that its practice is consistent with the general practice in the PRC property development industry. However, there may be instances when Chongqing Yingli will have to incur losses, damages and liabilities because of its lack of insurance coverage, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The operations of Chongqing Yingli are subject to seasonal variations

The business of Chongqing Yingli is under the influence of seasonal variations. For example, winter weather conditions can hinder the execution of development projects. In addition, the delivery of properties of Chongqing Yingli in the first quarter of each year is negatively impacted by long vacations at the end of the year and during the Chinese New Year holidays. Therefore, Chongqing Yingli's revenue and profit, recognised upon delivery of properties, in the first half of each year are often much lower than the second half and it will continue to experience significant fluctuations in revenue and profit on an interim basis.

The business of Chongqing Yingli will be adversely affected if it fails to obtain or renew qualification certificates

All real estate developers in the PRC must obtain a qualification certificate and renew it on an annual basis in order to carry out the business of property development in the PRC. In addition, all real estate developers in the PRC must hold a valid qualification certificate when they apply for a pre-sale permit. According to the PRC regulation on qualification of property developers issued in 2000, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be extended for not more than two years under renewal. If, however, the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. More established developers, such as Chongqing Yingli, must also apply for renewal of their qualification certificates on an annual basis. Under the relevant PRC government regulations, property developers must fulfill all statutory requirements before they may obtain or renew their qualification certificates.

Previously, Chongqing Yingli did not conduct its property developments through project companies. However, going forward, Chongqing Yingli may do so for some of its property developments. If any of its project companies is unable to renew its qualification certificates or obtain formal qualification certificates in a timely manner, or at all, as and when they expire, that project company may not be permitted to continue to engage in real estate development or to conduct any pre-sales for that development, which in turn could have a material adverse effect on its business, financial condition, results of operations and prospects.

The business of Chongqing Yingli will be adversely affected if it fails to obtain, or experience delays in obtaining, necessary government approvals for any major property development

China's property markets are strictly regulated by the PRC government. Property developers in China must comply with various laws and regulations, including rules stipulated by local governments. To develop and complete a property project, Chongqing Yingli must apply to relevant governmental departments for various licenses, permits, certificates and approvals, including but not limited to land use rights certificates, construction planning permits, work commencement permits, pre-sale permits and completion acceptance certificates.

Chongqing Yingli may encounter serious delays or difficulties in applying for these licenses, permits, certificates and approvals in the future. In the event that Chongqing Yingli fails to obtain the necessary licenses, permits, certificates and approvals for any of its major property projects, or a serious delay occurs in the PRC government's examination and approval process, Chongqing Yingli will not be able to meet its development schedule, which could have a material adverse effect on the business, financial condition, results of operations and prospects of Chongqing Yingli.

Chongqing Yingli cannot assure you that the services rendered by independent contractors will always match its requirements for quality or be available within its budget

Chongqing Yingli engages independent contractors to provide various services, including construction, piling and foundation, building and property fitting-out works, interior decoration and installation of elevators. Chongqing Yingli selects independent contractors by submission of open tenders. Although Chongqing Yingli invites contractors to tender bids according to their reputation for quality and track record, and although once a contract is awarded it supervises the construction progress, Chongqing Yingli cannot assure you that the services rendered by any of these independent contractors will always be satisfactory or match its requirements for quality. In addition, Chongqing Yingli may be required to provide additional capital or other payment in excess of the contractor's bid to complete a property development. Further, the completion of the property developments of Chongqing Yingli may be delayed, and it may incur additional costs due to a contractor's financial or other difficulties. Any of these factors could have a material adverse effect on the business, financial condition and results of operations of Chongqing Yingli.

Interpretation of PRC laws and regulations involves uncertainty

The operations of Chongqing Yingli in the PRC are subject to the laws and regulations promulgated by the PRC government. The PRC legal system is a codified legal system made up of the PRC constitution, written laws, regulations, circulars, directives and other government orders. The PRC government is still in the process of developing its legal system so as to meet the needs of investors and to encourage foreign investment. Generally, the PRC economy is developing at a faster pace than its legal system. Therefore, some degree of uncertainty exists in connection with whether existing laws and regulations will apply to certain new events or circumstances, and if so, the manner of such application. In particular, unlike common law jurisdictions like Singapore, decided cases do not form part of the legal structure of the PRC and thus have no binding effect. The interpretation, implementation and enforcement of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction.

Furthermore, in line with its transformation from a centrally planned economy to a free market oriented economy, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system in the PRC is still evolving, laws and regulations or the interpretation of the same may be subject to change.

Introduction of new laws or changes to existing regulations by the PRC government may adversely affect our business

Chongqing Yingli's business operations in the PRC are governed by the PRC legal system. The PRC legal system is a codified system comprising written laws, regulations, circulars, administrative directives and internal guidelines. The PRC government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investment. As the PRC economy is developing at a faster pace than its legal system, some degree of uncertainty exists as to whether, and how, existing laws and regulations will apply to certain new events or circumstances. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still at an experimental stage and are therefore subject to policy changes.

Precedents on the interpretation, implementation and enforcement of PRC laws and regulations are currently limited and the decisions of the PRC courts do not bind the same in subsequent cases. As such it cannot be predicted to a reasonable degree of certainty the outcome of any disputes, which Chongqing Yingli may have with its customers and/ or suppliers. Even in cases where judgments are granted in Chongqing Yingli's favour, it may be unable to enforce them if the other party does not have the means to satisfy the judgment. In the event that Chongqing Yingli fails to obtain judgment or are unable to enforce judgments, it may not be able to recover the judgment debt, which it would have otherwise been entitled to. In this way, Chongqing Yingli's business, in particular, its profits may be affected.

New rules on mergers and acquisitions of domestic enterprises by foreign investors

In particular, on 8 August 2006, the MOC, the China Security and Regulatory Commission ("**CSRC**"), the SAFE and three other PRC authorities promulgated the Rules on the Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (the "**New M&A Rules**"), which came into effect on 8 September 2006. Pursuant to Articles 39 and 40 of the New M&A Rules, the listing of offshore special purpose vehicles ("**SPVs**"), which are directly or indirectly established or controlled by PRC entities or individuals, are subject to the prior approval from CSRC (the "**CSRC Approval**"). Pursuant to Article 11 of the New M&A Rules, the acquisition of related PRC domestic enterprises by SPVs needs to be approved by MOC. On 21 September 2006, CSRC promulgated permit guidelines on Domestic Enterprises Indirectly Overseas Issuing or Listing and Trading Their Securities (the "**CSRC Permit Guidelines**"). The CSRC Permit Guidelines provide that the SPVs referred to in Articles 39 and 40 of the New M&A Rules are subject to CSRC Approval.

The application of the New M&A Rules is however restricted to acquisitions by foreign investors of the equity interest of a PRC domestic enterprise, or a subscription for increased registered capital in a PRC domestic enterprise. Chongqing Yingli had duly obtained status as a foreign invested enterprise prior to the promulgation of the New M&A Rules and as such, the said rules have no impact on Chongqing Yingli. The rules applicable to Chongqing Yingli are the Several Provisions on the Changes in Equity Interest of Investors in Foreign Investment Enterprises (外商投资企业投资者股权变更的若干规定, "Provision 267"). Based on Provision 267, the share transfer of the equity interests in Chongqing Yingli does not require approval from or registration with MOC or CSRC, other than approval from the original local authority, the Chongqing Foreign Economic and Trade Cooperation Committee (重庆市对外经济贸易委员会). Further, since the acquisition of shares in Chongqing Yingli by the Company via the acquisition of Fortune Court (a company which is incorporated in Hong Kong) is a share transfer between foreign investors of a foreign enterprise, such acquisitions will have no impact on Chongqing Yingli and will not be subject to the New M&A Rules.

New enterprise income tax law

Chongqing Yingli now enjoys a preferential enterprise income tax rate of 25% pursuant to relevant tax regulations or policies of Chongqing Municipality. On 16 March 2007, the National People's Congress of the PRC passed the Enterprise Income Tax Law of the PRC (the "**EIT Law**"), which took effect as of 1 January 2008. In accordance with the new law, a unified enterprise income tax rate of 25% and unified tax deduction standards will be applied equally to both domestic-invested enterprises and FIEs. However, it adopted some transitional preferential measures for old enterprises established before the promulgation of the EIT Law which enjoy low tax rates or regular tax reduction and exemption preferential treatment under the then-current tax laws and administrative regulations. According to these transitional measures, old enterprises which were entitled to enjoy the then-current preferential income tax treatment at low tax rates under the then-current tax laws may, pursuant to the regulations of the State Council, continue to enjoy a gradually increasing transitional income tax rate within five years after the EIT Law becoming effective (the "**Transitional Arrangement**"). Old enterprises, which were entitled to enjoy regular tax reduction and exemption preferential treatment under the then-current income tax laws, may continue to enjoy the remaining incentives in accordance with the requirements and period specified by the then-current income tax laws. However, for enterprises that have not made any profits and thus not enjoyed such preferential treatment, the period for enjoying preferential income tax treatment shall be calculated from the year in which the EIT Law becomes effective. On 26 December 2007, the State Council promulgated the Notice on the Implementation of Preferential Transitional Enterprise Income Tax Policy. The transitional enterprise income tax rate for enterprises which originally enjoyed the enterprise income tax rate of 15% is 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012; the income tax rate for enterprises which originally enjoyed the enterprise income tax rate of 24% has been fixed at 25% from 2008. As a result, the tax rate and income tax expense of Chongqing Yingli may increase over time. Any increase in Chongqing Yingli's effective tax rate as a result of the above new enterprise income tax law may adversely affect its operating results.

14.3 Other Risk Factors Relating To The Enlarged Group

In addition, the following factors are also relevant in assessing the risks relating to the Enlarged Group:

No prior market for the Shares of the Company on an Enlarged Group basis

The new Shares have never been traded on an Enlarged Group basis. As such, there can be no assurance that an active trading market for the new Shares will develop or, if developed, will be sustained.

Volatility of the Share price of the Company

The issue price of the Consideration Shares allotted and issued to acquire the ordinary shares of Fortune Court may not be indicative of prices of the new Shares that will prevail in the trading market. The trading prices of Shares could be subject to fluctuations in response to variations in the results of operations, changes in general economic conditions, changes in accounting principles or other developments affecting the Enlarged Group, the customers or competitors, changes in financial estimates by securities analysts, the operating and stock price performance of other companies, general stock market price fluctuations and other events or factors. Volatility in market prices of the Shares may be caused by factors beyond the control of the Enlarged Group and may be unrelated and disproportionate to the operating results of the Enlarged Group.

The market price of the Shares may fluctuate significantly and rapidly as a result of, amongst other things, the following factors, some of which are beyond the control of the Enlarged Group:

(a) the success or failure of the Enlarged Group's management team in implementing business and growth strategies;

(b) announcements by the Company, following completion of the Acquisition, of significant contracts, acquisitions, strategic alliances or capital commitments;

(c) loss of the Enlarged Group's major customers or failure to complete significant orders or contracts;

(d) changes in the Enlarged Group's operating results;

(e) involvement in litigation;

(f) unforeseen contingent liabilities of the Enlarged Group;

(g) addition or departure of key personnel of the Enlarged Group;

(h) changes in share prices of companies with similar business to the Enlarged Group that are listed in Singapore;

(i) changes in securities analysts' estimates of the Enlarged Group's financial performance and recommendations;

(j) differences between the Enlarged Group's actual financial operating results and those expected by investors and securities analysts; and

(k) changes in general market conditions and broad market fluctuations.

Concentration of control

Newest Luck will acquire majority control over the Company after completion of the Acquisition, which will allow it to influence the outcome of matters submitted to Shareholders for approval. Upon completion of the Acquisition and the Compliance Offering, Newest Luck will become a Controlling Shareholder holding approximately 52.78% of the Enlarged Share Capital. Please refer to Sections 9 and 12.5 entitled "Financial Effects of the Acquisition, the Disposal, the Compliance Offering and the Capital Injection" and "The Enlarged Group – Principal Shareholders" of this Circular for more information on the effects of the Acquisition and Compliance Offering on and the resulting shareholding structure of the Company. As a result, Newest Luck will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. Newest Luck will also effectively have veto power with respect to any Shareholder action or approval requiring a special resolution. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of the Company, following completion of the Acquisition, which may otherwise have benefited the Shareholders.

Uncertainty of the success and timing of the Compliance Offering

Following the completion of the Acquisition and the allotment and issuance of the Consideration Shares, it is expected that the percentage of the Company's issued Shares that are held in public hands will fall below 10%, and as a result trading in the Company's Shares on the SGX-ST will likely be suspended until the float and distribution requirements under the Listing Manual are met. The Company also proposes to carry out the Compliance Offering to comply with shareholding spread and distribution requirements of the SGX-ST. However, the Compliance Offering is subject to, amongst other things, the entry into of a Placement Agreement and suitable market conditions and pricing. No assurance can be given regarding the timing of the Compliance Offering, if and when it occurs, and whether it will be successful if undertaken.

15. NEW SHARE ISSUE MANDATE TO ALLOT AND ISSUE NEW SHARES AND CONVERTIBLE SECURITIES

The Company had, at its annual general meeting held on 23 April 2008, passed a resolution pursuant to Section 161 of the Companies Act and Rule 806(2) of the Listing Manual granting the Directors a general mandate (the "**Old Share Issue Mandate**") to allot and issue Shares and convertible securities in the capital of the Company. In light of the changes to the capital structure of the Company brought about by the Acquisition and Compliance Offering, it is proposed that, subject to Shareholders' approval of the Acquisition, the allotment and issuance of the Consideration Shares and the new Shares pursuant to the Compliance Offering and the Whitewash Resolution, the Old Share Issue Mandate be revoked and a New Share Issue Mandate be issued to the Proposed Directors pursuant to Section 161 of the Companies Act and Rule 806(2) of the Listing Manual.

The New Share Issue Mandate, if approved, will authorise the Proposed Directors to issue new Shares or convertible securities in the capital of the Company (whether by way of bonus issue, rights issue or otherwise), subject to the following limitations namely, that the aggregate number of new Shares and convertible securities that may be issued must not be more than 50.0% of the issued Enlarged Share Capital, of which the aggregate number new Shares and convertible securities issued other than on a pro rata basis to Shareholders following completion of the Acquisition must be not more than 20.0% of the issued Enlarged Share Capital. For the purpose of determining the aggregate number of new Shares and convertible securities that may be issued, the percentage of issued share capital shall be based on the Company's issued share capital as at the time of passing of the resolution approving the New Share Issue Mandate, after adjusting for:

(a) the Consideration Shares to be allotted and issued to the Vendors pursuant to the Acquisition;

(b) the new Shares to be allotted and issued pursuant to the Compliance Offering; and

(c) any new Shares arising from the conversion or exercise of any convertible securities in issue when the New Share Issue Mandate is approved.

The New Share Issue Mandate, once approved, will continue in force until the conclusion of the Company's next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier, unless revoked or varied by the Company in a general meeting.

Shareholders are to note that the passing of the resolution to approve the New Share Issue Mandate is subject to the passing of the other resolutions approving the Acquisition, the allotment and issuance of the New Shares, Consideration Shares and new Shares pursuant

to the Compliance Offering and the Whitewash Resolution. If any of these other resolutions are not passed, the New Share Issue Mandate will not take effect and the Old Share Issue Mandate shall remain in force.

16. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE WHITEWASH RESOLUTION AND INTERESTED PERSON TRANSACTIONS

EYCF has been appointed as the Independent Financial Adviser to advise the Independent Directors and Independent Shareholders in relation to the Whitewash Resolution and Interested Person Transactions.

For the purpose of the Whitewash Resolution, the Independent Directors are:

(a) Mr Lim Hong Ching;

(b) Mdm Yeo Sock Kon;

(c) Mr Bek Yeok Siew;

(d) Mr Chew Thiam Keng;

(e) Mr Ong Chong Beng;

(f) Mr Christopher Chong Meng Tak; and

(g) Mr Lui Seng Fatt.

For the purpose of the Interested Person Transaction in connection with the Acquisition, the Independent Directors are:

(a) Mr Lim Hong Ching;

(b) Mdm Yeo Sock Kon;

(c) Mr Bek Yeok Siew;

(d) Mr Chew Thiam Keng;

(e) Mr Ong Chong Beng;

(f) Mr Christopher Chong Meng Tak; and

(g) Mr Lui Seng Fatt.

For the purpose of the Interested Person Transaction in connection with the Disposal, the Independent Directors are:

(a) Mr Bek Yeok Siew;

(b) Mr Chew Thiam Keng;

(c) Mr Ong Chong Beng;

(d) Mr Christopher Chong Meng Tak; and

(e) Mr Lui Seng Fatt.

Based on the analysis undertaken by EYCF and subject to the qualifications and assumptions made in its letter, EYCF is of the opinion that (i) the financial terms of the Acquisition and the Disposal are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders; and (ii) the Whitewash Resolution is not prejudicial to the interests of the Company and the Independent Shareholders. Accordingly, EYCF has advised the Independent Directors to recommend to the holders of ordinary shares in the Company to vote in favour of the Acquisition, Disposal and the Whitewash Resolution.

A copy of EYCF's letter in relation to the Whitewash Resolution and Interested Person Transactions is reproduced in Appendix C of this Circular.

17. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of Directors in the issued and paid-up share capital as recorded in the Register of Directors' Shareholdings pursuant to Section 164 of the Companies Act are as follows:

	Direct interest		Deemed interest	
Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Lim Hong Ching	25,208,000	19.85	20,792,000	16.37
Yeo Sock Kon	20,792,000	16.37	25,208,000	19.85
Bek Yeok Siew	–	–	–	–
Chew Thiam Keng	–	–	–	–
Ong Chong Beng	–	–	–	–
Christopher Chong Meng Tak	–	–	–	–
Lui Seng Fatt	–	–	–	–
Total	46,000,000	36.22	46,000,000	36.22

As at the Latest Practicable Date, the interests of the substantial Shareholders of the Company in the issued and paid-up share capital of the Company as recorded in the Register of Substantial Shareholders maintained pursuant to Section 88 of the Act are as follows:

	Direct interest		Deemed interest	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Tan Kim Seng	66,000,000	51.97	–	–
Lim Hong Ching (1)	25,208,000	19.85	20,792,000	16.37
Yeo Sock Kon (1)	20,792,000	16.37	25,208,000	19.85
Total	112,000,000	88.19	46,000,000	36.22

Notes:

(1) Mr Lim Hong Ching is the husband of Mdm Yeo Sock Kon. They are deemed interested in each other's respective shareholdings in the Company.

Save as disclosed above, none of the Directors or substantial shareholders has any interest, whether direct or indirect, in the Acquisition and/or Compliance Offering.

18. RECOMMENDATION OF THE DIRECTORS (INCLUDING THE INDEPENDENT DIRECTORS)

The Directors, save for Mr Lim Hong Ching and Mdm Yeo Sock Kon (who, being interested in the Interested Person Transaction in connection with the Disposal, have abstained from making any recommendation on the resolution to approve the Disposal), are of the opinion that the Interested Person Transaction in connection with the Disposal is in the best interests of the Company.

Accordingly, the Directors, save for Mr Lim Hong Ching and Mdm Yeo Sock Kon, recommend that Shareholders vote in favour of the ordinary resolutions relating to the Interested Person Transaction in connection with the Disposal.

Save as aforesaid, having considered and reviewed, amongst other things, the terms of the S&P Agreement, the rationale for and the financial effects of the Acquisition, the Compliance Offering and the Disposal, the advice of EYCF in relation to the Whitewash Resolution and the Interested Person Transactions, the risk factors and other investment considerations, and all other relevant facts set out in this Circular, the Directors, including the Independent Directors, are of the opinion that all the resolutions as set out in the section entitled "Notice of Extraordinary General Meeting" of this Circular are in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of all the resolutions to be proposed at the EGM, notice of which have been set out in the section entitled "Notice of Extraordinary General Meeting" of this Circular.

19. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which has been set out in the section entitled "Notice of Extraordinary General Meeting" of this Circular, will be held at 18 Cross Street 8th Floor Marsh & McLennan Centre, Singapore 048423 on 26 September 2008 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the resolutions (with or without modifications) set out in the notice of the EGM.

20. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at No. 35, Sungei Kadut Street 4, Singapore 729057 by not later than 10.00 a.m. on 24 September 2008. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes.

As at the Latest Practicable Date, Mr Tan Kim Seng, Mr Lim Hong Ching and Mdm Yeo Sock Kon held approximately 51.97%, 19.85% and 16.37% respectively, of the total issued and paid-up share capital of the Company.

Mr Tan Kim Seng will abstain and procure that his respective associates will abstain, from voting in respect of the resolutions relating thereto as described in Resolutions 1 and 2 as set out in the Notice of EGM in connection with the Acquisition of the entire share capital of Fortune Court and the allotment and issuance of the Consideration Shares. The Company has procured Mr Tan Kim Seng to provide an irrevocable undertaking to vote in favour of the other resolutions (save for Resolution 1 and 2 in the Notice of EGM) at the EGM.

Mr Lim Hong Ching and Mdm Yeo Sock Kon will also abstain and procure that their respective associates will abstain, from voting in respect of the resolution relating thereto as described in Resolution 3 as set out in the Notice of EGM in connection with the Disposal. The Company has procured Mr Lim Hong Ching and Mdm Yeo Sock Kon to provide an irrevocable undertaking to vote in favour of the other resolutions (save for Resolution 3 in the Notice of EGM) at the EGM.

They will also not accept nominations to act as proxy, corporate representative or attorney to vote in respect of the said resolutions unless the Shareholders appointing them have indicated clearly how votes are to be cast in respect of the said resolutions.

21. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been reviewed and approved by the Board of Directors and they (including the Directors who may have delegated detailed supervision over the preparation of this Circular) collectively and individually accept full responsibility for the truth and accuracy of the information in the Letter to Shareholders from the Board of Directors of the Company, the sections entitled "Consents" and "Documents for Inspection" in the Letter to Shareholders from the Board of Directors of the Company of this Circular.

Where information relating to the Vendors, Fortune Court, the Fortune Court Group or the Enlarged Group has been extracted from published or otherwise available sources or is otherwise based on information obtained from the Vendors or the Fortune Court Group, the sole responsibility of the Board of Directors has been to ensure that such information has been accurately and correctly extracted from these sources or, as the case may be, reflected or reproduced in this Circular.

The Board of Directors also confirms that, having made all reasonable enquiries, to the best of their knowledge and belief, the facts stated and the opinions expressed in the "Letter to Shareholders from the Board of Directors of the Company", the Sections 23 and 24 entitled "Consents" and "Documents available for Inspection" of this Circular are fair and accurate and not misleading in all material aspects as at the date of this Circular. The Board of Directors has not undertaken any independent verification of the information furnished by the Vendors, Fortune Court and/or the Fortune Court Group.

22. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

J.P. Morgan, as financial adviser to the Company in respect of the Acquisition, acknowledges that, having made due and careful enquiries and to the best of its knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Company, Fortune Court, the Fortune Court Group, the Enlarged Group, the Acquisition and Compliance Offering. J.P. Morgan is not aware of any other material facts, the omission of which would make any statement in this Circular herein misleading.

Notwithstanding the above, J.P. Morgan does not undertake any responsibility for, nor has J.P. Morgan undertaken any independent verification of the contents of, the Letter to Shareholders from the Board of Directors of Fortune Court, and Appendices B, C and D.

Where information relating to the Company, Fortune Court and the Fortune Court Group have been extracted from published or otherwise publicly available sources or obtained from the Directors and/or the employees acting on behalf of the Company, the Vendors, the directors of Fortune Court and/or employees acting on behalf of Fortune Court and the Fortune Court Group, the sole responsibility of J.P. Morgan has been to ensure that such information has been accurately extracted from these sources.

23. CONSENTS

(a) Foo Kon Tan Grant Thornton has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the Chongqing Yingli Real Estate Development Co Ltd Audited Financial Statement for the Financial Years Ended 31 December 2005, 2006 and 2007 referred to in Appendix B(I) and the Chongqing Yingli Real Estate Development Co Ltd Unaudited Interim Financial Statement for the Period 1 January 2008 to 31 March 2008 referred to in Appendix B(II) of this Circular in the form and context in which they appear in this Circular and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

(b) EYCF has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the Independent Financial Adviser's advice in respect of the Interested Person Transactions and the Whitewash Resolution and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

(c) Jones Lang LaSalle Sallmanns has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the Market Research Report and the Valuation Report and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

(d) The Financial Adviser, the Share Registrar and Share Transfer Office, the Auditors and Reporting Accountants to Chongqing Yingli, the Legal Adviser to the Company in respect of the Acquisition, the Legal Adviser to the Company in respect of PRC laws, the Legal Adviser to the Company in respect of Hong Kong laws, the Legal Adviser to J.P. Morgan, the Legal Adviser to J.P. Morgan in respect of PRC laws, the Independent Financial Adviser in respect of the Interested Person Transactions and the Whitewash Resolution, the Valuer and the Principal Bankers to the Company have each given and have not withdrawn their respective written consents to the issue of this Circular with the inclusion herein of their respective names and references to their respective names in the forms and context in which they respectively appear in this Circular and to act in such respective capacities in relation to this Circular.

24. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at the registered office of the Company during normal business hours for a period of six months from the date of this Circular:

(a) The Memorandum and Articles of Association of the Company;

(b) The Sale and Purchase Agreement dated 7 July 2008 between the Company and the Vendors in respect of the Acquisition;

(c) The Business Transfer Agreement dated 7 July 2008 between the Company and Showy Pte. Ltd. in respect of the Disposal;

(d) The Chongqing Yingli Real Estate Development Co Ltd Audited Financial Statement for the Financial Years Ended 31 December 2005, 2006 and 2007 referred to in Appendix B(I) of this Circular;

(e) The Chongqing Yingli Real Estate Development Co Ltd Unaudited Interim Financial Statement for the Period 1 January 2008 to 31 March 2008 referred to in Appendix B(II) of this Circular;

(f) The Letter from EYCF referred to in Appendix C of this Circular;

(g) The Market Research Report included in Appendix D(I) to this Circular;

(h) The Valuation Report included in Appendix D(II) to this Circular; and

(i) The letters of consent referred to in Section 23 entitled “Consents” of this Circular.

25. OTHER INFORMATION

Please see Appendix A for more information on the material contracts entered by the Fortune Court Group and the material litigation of the Fortune Court Group.

Yours faithfully
For and on behalf of the Board of Directors

Lim Hong Ching
Chairman and Director

4 September 2008

To: The Shareholders of
Showy International Limited

Dear Sir/Madam

PROPOSED ACQUISITION (THE "ACQUISITION") BY SHOWY INTERNATIONAL LIMITED (THE "COMPANY") OF THE ENTIRE SHARE CAPITAL OF FORTUNE COURT FROM THE SHAREHOLDERS OF FORTUNE COURT

B.1 INTRODUCTION

This letter has been prepared by the directors of Fortune Court, on behalf of Fortune Court, for inclusion in the circular to Shareholders of the Company ("**this Circular**"). Except for where the context otherwise requires, capitalised terms defined in this Circular shall apply throughout this letter. References to Directors in this letter refer to the directors of Fortune Court.

B.2 INFORMATION ON THE FORTUNE COURT GROUP

B.2.1 Background

Fortune Court was incorporated under the laws of Hong Kong on 3 September 1996 as a private company limited by shares. Fortune Court is the holding company of Chongqing Yingli, a Chinese-Hong Kong joint venture company established under the laws of the PRC in 1993.

Chongqing Yingli is principally engaged in real estate development in Chongqing. Since its establishment in 1993, Chongqing Yingli has successfully developed several large real estate projects such as New York New York (纽约纽约), Zou Rong Plaza (邹容广场) and Future International (未来国际), with a focus on the development of commercial and office buildings. Situated in the heart of the central business district of Chongqing, tenants of these real estate projects of Chongqing Yingli include local and multinational companies.

The sale and rental of all the properties developed by Chongqing Yingli, together with a team of experienced and professional sales personnel familiar with the local market, form an integral part of Chongqing Yingli's business. Proceeds from the sale and rental of its properties are thereafter utilised by Chongqing Yingli for future development projects.

As at 30 June 2008, the total GFA of completed properties held for investment by Chongqing Yingli is approximately 132,252.04 sq m, comprising commercial area of 76,837.42 sq m, office area of 16,969.27 sq m and car park space of 38,446.35 sq m. In addition, the total estimated GFA of the land bank held by Chongqing Yingli and its subsidiary Chongqing San Ya Wan as at 30 June 2008 is 714,388.25 sq m. Chongqing Yingli engages third parties to assist in the project management of its properties and to provide project consultancy services.

As at the Latest Practicable Date, Chongqing Yingli owns a subsidiary, Chongqing San Ya Wan, through the acquisition of a 69% interest in the said company for RMB65,300,000 pursuant to share transfer agreements executed in April and May 2008 by Chongqing Yingli as purchaser and Chongqing Pu Hui Real Estate Development Co., Ltd (重庆浦辉房地产开发有限公司) and Chongqing Da He Aquatic Products Limited Liability Co. (重庆市大禾水产有限责任公司) as vendors. The acquisition was completed on 14 May 2008. The vendors are not related to the directors or controlling shareholders of Chongqing Yingli. Chongqing San Ya Wan is a project company that holds the land use rights to the Yubei Project, one of the land banks currently undergoing development by the Fortune Court Group. The remaining 31% of Chongqing San Ya Wan is held by two natural persons who are not related to the directors or controlling shareholders of Chongqing Yingli. Chongqing Yingli is currently in the process of acquiring another 12% interest in Chongqing San Ya Wan, and this is expected to be completed around October 2008. Chongqing

San Ya Wan has recently implemented accounting and internal control systems that are consistent with those at Chongqing Yingli. However, as these systems have been recently implemented, the auditors and reporting accountants to Chongqing San Ya Wan have not had the opportunity to perform tests to check the effectiveness of these accounting and internal control systems.

Save for interests in the paid-up capital of Chongqing Yingli and Baijiang (in the process of liquidation) and its loan owing to Fang Ming (further details of which are set out in Section B.8.2 entitled “Interested Person Transactions – Present and On-Going Interested Person Transactions” of this Circular), Fortune Court does not have any other material assets or liabilities.

B.2.2 The Fortune Court Restructuring Exercise

(a) Entry into the Redeemable Loan Stock Subscription Agreements and Supplemental Agreements pursuant to the Pre-RTO Investment

On 3 January 2008 and 6 January 2008, Fortune Court entered into the Redeemable Loan Stock Subscription Agreements with LFH and the Tan Brothers respectively, for the subscription of the Redeemable Loan Stock issued by Fortune Court.

On 26 May 2008 and 7 July 2008, Fortune Court entered into the Redeemable Loan Stock Supplemental Agreements with LFH and the Tan Brothers, respectively pursuant to which the parties amended certain terms and conditions of their respective original redeemable loan stock subscription agreements with Fortune Court.

Pursuant to the Redeemable Loan Stock Subscription Agreements, LFH had subscribed for S$85 million of Redeemable Loan Stock, and Mr Tan Fuh Gih and Mr Tan Hoo Lang had each subscribed for $5 million of the Redeemable Loan Stock. Under the Redeemable Loan Stock Subscription Agreements, the parties agreed, amongst others, that:

(i) the Redeemable Loan Stock would be redeemed by Fortune Court and shares of Fortune Court issued to holders of the Redeemable Loan Stock in the event of an RTO, on the terms and conditions of the Redeemable Loan Stock Subscription Agreements; and

(ii) the proceeds from the subscription of the Redeemable Loan Stock would be utilised by Chongqing Yingli for various property development projects.

The Pre-RTO Investment was contributed in five tranches of approximately US$38 million, US$0.1 million, S$5 million, S$5 million and S$30 million (equivalent to approximately RMB260 million, RMB0.7 million, RMB24 million, RMB24 million and RMB146 million respectively at an exchange rate of US$1: RMB6.8582 and S$1: RMB4.8799 as at 8 August 2008) on 7 January 2008, 21 January 2008, 16 January 2008, 16 January 2008 and 2 June 2008 respectively. Approximately RMB214 million of the amounts received by Fortune Court under the Pre-RTO Investment was contributed to Chongqing Yingli’s registered capital to increase Fortune Court’s interest in the paid-up capital of Chongqing Yingli.

In consideration of LFH entering into the Redeemable Loan Stock Subscription Agreement and subscribing for the Redeemable Loan Stock, a charge over the entire issued share capital of Fortune Court was granted to LFH, subject to the terms and conditions of the memorandums of charge dated 3 January 2008, 26 May 2008 and 30 June 2008. On 18 August 2008, the Pre-RTO Investors became shareholders of Fortune Court when the Redeemable Loan Stock was redeemed by Fortune Court and shares of Fortune Court were issued pursuant to such redemption. The charge over the entire issued share capital of Fortune Court was released on 18 August 2008.

(b) Redemption of the Redeemable Loan Stock into shares of Fortune Court pursuant to the Redeemable Loan Stock Subscription Agreements as amended by the Supplemental Agreement

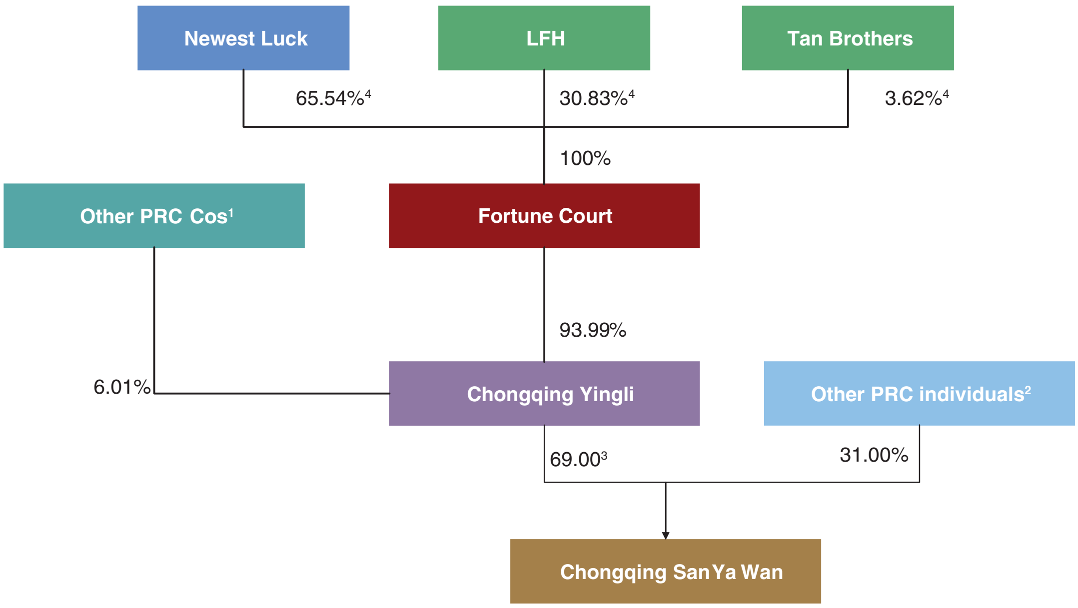
The debt owing to LFH and the Tan Brothers pursuant to the redemption of the Redeemable Loan Stock was capitalised by the allotment and issuance of an aggregate of 131,428,846 shares of Fortune Court to LFH and the Tan Brothers. The charge over the entire issued share capital of Fortune Court was consequently released upon the redemption by LFH of the Redeemable Loan Stock. Upon such redemption and allotment and issuance of shares in Fortune Court, the resultant shareholding of Fortune Court is as follows:

Name of Shareholder	**% of the issued and paid-up share capital of Fortune Court[(1)]**
Newest Luck	65.54
LFH	30.83
Tan Fuh Gih	1.81
Tan Hoo Lang	1.81

Note:

(1) The total percentages do not add up to 100% due to rounding differences.

The shareholding structure of the Fortune Court Group upon redemption of the Redeemable Loan Stock and the allotment and issuance of shares in Fortune Court to LFH and the Tan Brothers as described above, but prior to the Acquisition, is as follows:



Note:

1 The Other PRC Cos are Chongqing Tiancheng, Chongqing Tiancheng Passenger Motor Co., Ltd. and Chongqing Jingli holding 4.76%, 0.65%, and 0.60% of the paid-up capital of Chongqing Yingli respectively.

2 The other shareholders of Chongqing San Ya Wan are two natural persons who are not related to the directors or controlling shareholders of Chongqing Yingli.

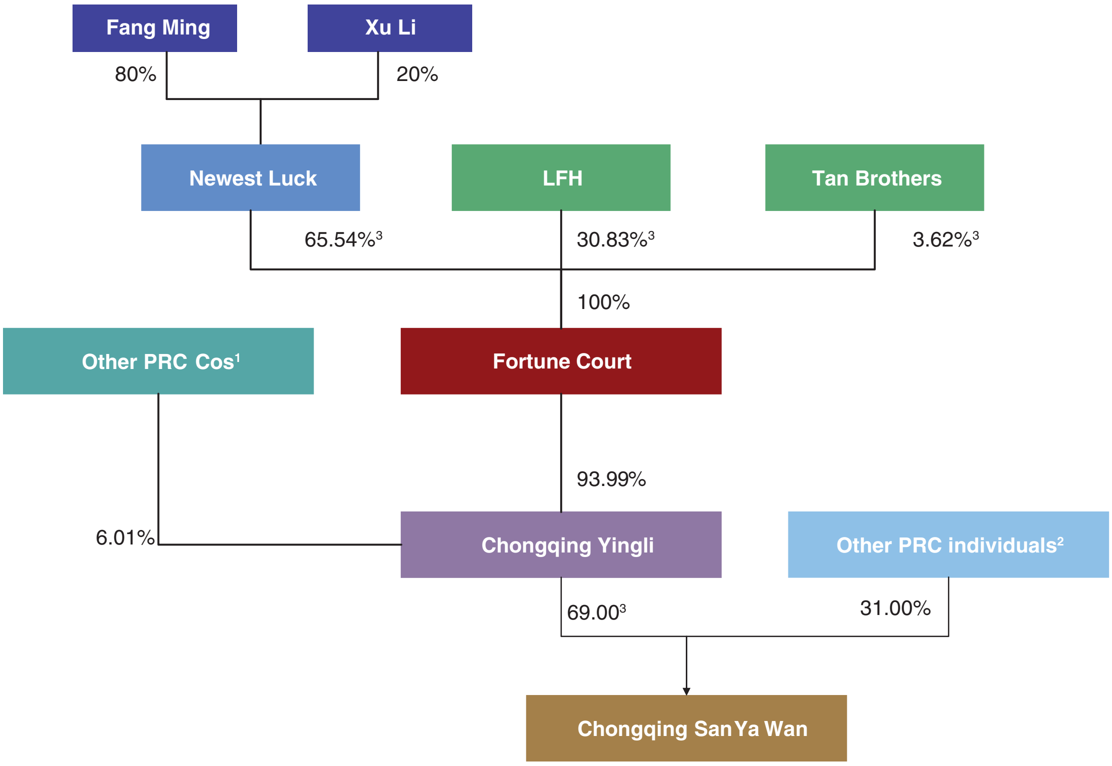
3 Chongqing Yingli is currently in the process of acquiring another 12% interest in Chongqing San Ya Wan, and this process is expected to be completed around October 2008.

4 The total percentages do not add up to 100% due to rounding differences.

Please refer to Section 12 entitled "The Enlarged Group" of this Circular for more information on the restructuring exercise undertaken by the Enlarged Group.

B.2.3 Group Structure of the Fortune Court Group

As at the date of this Circular, the corporate structure of Fortune Court is as follows:



Note:

1 The Other PRC Cos are Chongqing Tiancheng, Chongqing Tiancheng Passenger Motor Co., Ltd. and Chongqing Jingli holding 4.76%, 0.65% and 0.60% of the registered capital of Chongqing Yingli respectively.

2 The other shareholders of Chongqing San Ya Wan are two natural persons who are not related to the directors or controlling shareholders of Chongqing Yingli.

3 The total percentages do not add up to 100% due to rounding differences.

Please refer to Section 12.1 entitled "The Enlarged Group – Acquisition, Compliance Offering and Capital Injection" of this Circular for a diagrammatic representation of the corporate structure of the Enlarged Group.

Details of the Fortune Court Group are as follows:

Name	Legal form of incorporation	Date and country of incorporation	Principal place of business	Principal businesses[1]	% of interest in paid-up and/or registered capital of each entity held by Fortune Court
Fortune Court	Private limited company	3 September 1996, Hong Kong	Hong Kong	Holding company	–
Chongqing Yingli	Private limited Company	3 November 1993, PRC	PRC	Real Estate Development	46.05%
Chongqing San Ya Wan	Private limited Company	18 January 2004, PRC	PRC	Real Estate Development	31.77%

Baijiang Industrial Development Co., Ltd. (重庆百江置业发展有限公司), in which Fortune Court holds 25% of the paid-up capital, is an associated company of Fortune Court which is undergoing liquidation.

Save as disclosed above, there are no other subsidiaries and associated companies of Fortune Court.

B.3 SHARE CAPITAL

Fortune Court was incorporated on 3 September 1996 under the laws of Hong Kong as a private limited company.

At the Latest Practicable Date, Fortune Court has an authorised share capital of HK$20,000 with shares of par value at HK$0.00004 each.

The following is a summary of the changes in the issued share capital of Fortune Court and the registered capital of Fortune Court's subsidiaries, Chongqing Yingli and Chongqing San Ya Wan, since its incorporation in the three years preceding the Latest Practicable Date:

Fortune Court

Date of capital increase	No. of ordinary shares issued	Purpose of issue/reduction	Resultant issued share capital (HK$)
3 September 1996	2	Incorporation	2
5 November 1996	9,998	Increase in share capital	10,000
18 January 2008	250,000,000	Subdivision of shares	10,000
18 August 2008	131,428,846	Redemption of Redeemable Loan Stock by LFH and the Tan Brothers	15,257.15

Chongqing Yingli

Date of capital increase	Purpose of issue/reduction	Increase in registered capital (US$)	Resultant registered capital (US$)
3 November 1993	Incorporation	2,000,000	2,000,000
26 June 2000	Increase in registered capital	1,000,000	3,000,000
4 September 2007 (1)	Amendment of joint venture contract	65,548,892	68,548,892

Note:

(1) The date of the increase of the registered capital of Chongqing Yingli to US$65,548,892 is with reference to the Amendments to the Articles of Association dated 24 August 2007 and the Approval Letter Regarding the Increase of Investment of the Company (关于重庆英利房地产开发有限公司增加投资的批复) (Ref no Yu Wai Jing Mao Fa [2007] No. 299 (渝外经贸发［2007］299号)) issued by the Chongqing Foreign Economic and Trade Cooperation Committee dated 4 September 2007. Fortune Court has paid up US$30,588,956.97 of the registered capital of Chongqing Yingli as at 13 March 2008 and the remaining amount of registered capital will only be fully paid-up after the Capital Injection by the Company of US$34,959,934.74. Please refer to Section 3 entitled "The Capital Injection Subsequent to the Acquisition and the Compliance Offering" of this Circular for further details.

Chongqing San Ya Wan

Date of capital increase	Purpose of issue/reduction	Increase in registered capital (RMB)	Resultant registered capital (RMB)
18 January 2004	Incorporation	20,000,000	20,000,000 (1)

Note:

(1) The registered capital of Chongqing San Ya Wan has not changed or been increased since the date of its incorporation.

B.3.1 Principal Shareholders

As at the date of this Circular, the directors and substantial shareholders of Fortune Court, together with their shareholdings in Fortune Court, are as follows:

	Direct interest		Deemed interest	
	No. of shares	%	No. of shares	%
Fortune Court Directors				
Fang Ming [(1)]	–	–	250,000,000	65.54
Xie Xin [(2)]	–	–	250,000,000	65.54
Xu Li [(2)]	–	–	250,000,000	65.54
Lee Chong Min[(3)]	–	–	–	–
He Zhao Ju @ Danny Ho[(3)]	–	–	–	–
Gao Ying	–	–	–	–
Substantial Shareholders				
Newest Luck	250,000,000	65.54	–	–
LFH	117,594,231	30.83	–	–
Total	367,594,231	96.37	250,000,000	65.54

Notes:

(1) Newest Luck currently holds 250,000,000 shares in Fortune Court. Newest Luck is a company with 80% of its equity interest held by Mr Fang Ming and 20% of its equity interest held by Ms Xu Li. Accordingly, Mr Fang Ming and Ms Xu Li are deemed interested in the shares in Fortune Court held by Newest Luck. Prior to 25 March 2008, Mr Fang Ming held the entire issued and paid-up share capital of Fortune Court. The beneficial interest in Fortune Court was later transferred to Newest Luck. On 30 June 2008, prior to the redemption of the Redeemable Loan Stock by LFH and the Tan Brothers, the legal interest in Fortune Court was transferred to Newest Luck to hold directly.

(2) Mr Xie Xin is the husband of Ms Xu Li. He is therefore deemed interested in his wife's shareholding interest in Fortune Court.

(3) Mr Lee Chong Min and Mr He Zhao Ju @ Danny Ho were appointed as directors of Fortune Court pursuant to LFH's investment in Fortune Court under the Redeemable Loan Stock Subscription Agreement.

B.4 BUSINESS OVERVIEW

B.4.1 Industry Overview

PRC economy and real estate market

Since 2000, the PRC real estate market has steadily grown with average real estate prices rising. The average price of office properties experienced a CAGR of 9.2% from 2000 to 2006[9], and the average price of retail properties experienced a CAGR of 8.3% from 2000 to 2006[10]. The total GFA sold of commodity properties (including residential, office and retail properties) experienced a CAGR of 22.3% from 2000 to 2007[11].

The PRC real estate market has undergone accelerated development due to factors such as the abolishment of state-allocated housing, reform regulations issued by the PRC government relating to land, building construction property sale and mortgage policy. Furthermore, with China's increasing presence in the international community and entry into the WTO, foreign direct investment in the PRC has been increasing at a CAGR of 9.1% from 2000-2007[12]. A large number of multi-national corporations have been setting up operations in China, thereby increasing the demand for high-end office property, retail property and luxury residential property.

9 Market research report page D(I)-3 (under The PRC Property Market Overview)
10 Market research report page D(I)-3 (under The PRC Property Market Overview)
11 Market research report page D(I)-3 (under The PRC Property Market Overview)
12 Market research report page D(I)-2 (under The PRC Economy)

Chongqing economy and real estate market

Chongqing has experienced rapid economic development since it obtained its "Special Economic Zone" status and become a directly-administered municipality, entitling it to many favourable economic policies. Moreover, Chongqing has also benefited from being the key economic centre in Western China, under the Central Government's "Go West" campaign. In 2007, it realised a real GDP growth rate of 15.6%, with a nominal GDP output of RMB411.2 billion[13].

More domestic and multi-national companies are expected to enter Chongqing to tap onto the attractive Western China market. In anticipation of the increase in demand for office and retail properties in future, both domestic and foreign invested developers have been increasing their development projects in Chongqing in recent years. This has led to real estate investment in Chongqing increasing rapidly, experiencing a CAGR of 29.4%[14] from 2000 to 2007. The total real estate investment in Chongqing in 2007 reached RMB85 billion, with a year-on-year growth of 35.0%[15].

There is strong growth in Chongqing land property prices, as evidenced by the rising average land prices in the nine urban districts of Chongqing, which has increased from RMB1,131[16] per sq m in 2004 to RMB2,755 per sq m in 2007. Recent land prices transacted by property developers in Chongqing also indicates the strong sentiments on the growth potential of Chongqing's property prices.

B.4.2 History And Development of the Fortune Court Group

Established since 1993, Chongqing Yingli, Fortune Court's subsidiary, has been one of the leading commercial property developers in Chongqing, ranking amongst the top 50 property developers in the burgeoning Chongqing property market. Chongqing Yingli's success as a premium property developer is also evident with four consecutive bi-annual awards as one of the Top 50 Chongqing Real Estate Companies between the years 1999 to 2007.

Overview of Fortune Court

Fortune Court, the holding company of Chongqing Yingli, was incorporated under the laws of Hong Kong on 3 September 1996 as a private company limited by shares. Fortune Court is a Chinese-Hong Kong joint venture company established under the laws of Hong Kong.

Overview of Chongqing Yingli

Since its establishment in 1993, Chongqing Yingli engages principally in the development, sale, rental, management and long-term ownership of high quality commercial and residential properties in Chongqing. Both external and internal resources are used to market its properties. Chongqing Yingli's properties are managed by Chongqing Jingli, which is GB/T19001-2000 and ISO9001:2000 quality certified. Mr Fang Ming was a controlling shareholder of Chongqing Jingli.

Certain commercial properties that Chongqing Yingli has developed may be retained by it so as to enhance the value of the projects on an ongoing basis through quality property management services.

Chongqing Yingli also focuses on the development and construction of restorative projects of old living quarters in the urban districts of Chongqing. This business model of undertaking development involving urban renewal is a unique aspect of its business, with the reconstruction of old city areas into high quality and premier design developments. As at the Latest Practicable Date, Chongqing Yingli holds six investment properties, mostly located in the Jiefangbei district, which is the financial and cultural centre of Chongqing.

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13 Market research report page D(I)-9 (under Economic Indicators of Chongqing - GDP Growth)
14 Market research report page D(I)-9 (under Chongqing Property Market Overview - Economic Indicators of Chongqing)
15 Market research report page D(I)-9 (under Chongqing Property Market Overview - Economic Indicators of Chongqing)
16 Market research report page D(I)-15 (under Chongqing Property Market Overview - Latest Land Transactions in Chongqing)

The following table sets out an overview of the completed properties and land banks of Chongqing Yingli as at the Latest Practicable Date:

Completed Properties

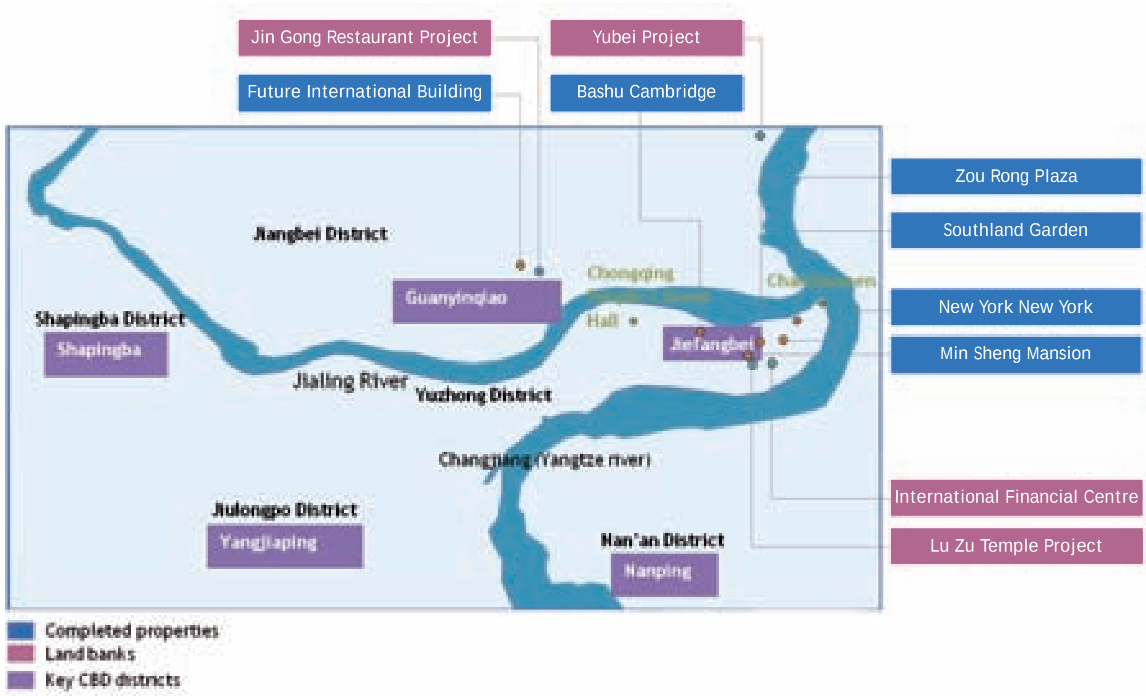
Name of Property	Location	Uses	Total GFA (sq m)
Min Sheng Mansion (民生商厦)	No. 181 Minsheng Road, Yuzhong District, Chongqing Office,	Retail and Residential	63,341.64
Zou Rong Plaza (邹容广场)	Odd No. 37-69 Linjiang Road and Odd No.141-155 Zourong Road, Yuzhong District, Chongqing	Office, Retail and Residential	102,502.41
Southland Garden (南国丽景)	No. 46, No. 48, No. 50 and No. 52 Cangbai Road, Yuzhong District, Chongqing	Retail and Residential	57,009.64
New York New York (纽约纽约)	No. 108 Bayi Road, No. 169 and No. 171 Minzu Road, Yuzhong District, Chongqing	Office and Retail	41,336.93
Future International Building (未来国际)	No.6 Walking Street, Guanyinqiao, and No. 6 Yi Zhi Road, North Jianxin Road, Jiangbei District, Chongqing	Office and Retail	135,539.94
Bashu Cambridge (巴蜀剑桥)	No. 8 Bashu Road, Yuzhong District, Chongqing	Residential and Retail	43,086.15

Land Bank

Name of Property	Location	Uses	Total GFA (sq m)
Lu Zu Temple Project (鲁祖庙地块)	Junction of Minsheng Road and Datong Road, Yuzhong District, Chongqing	Office, Retail and Residential	137,987.00 (planned GFA)
International Financial Centre (国际开发金融大厦)	Intersection of Zhonghua Road, Minquan Road and Qingnian Road, Yuzhong District, Chongqing	Office and Retail	173,438.00 (planned GFA)
Jingong Restaurant Project (观音桥金弓酒店项目)	Entrance of the Guanyinqiao Jiangbei District	Office and Retail	126,000.00 (planned GFA)
Yubei Project (渝北项目建设)	Huixing Street, Yubei District	Retail	197,116.00 [(1)] (planned GFA)

Note:

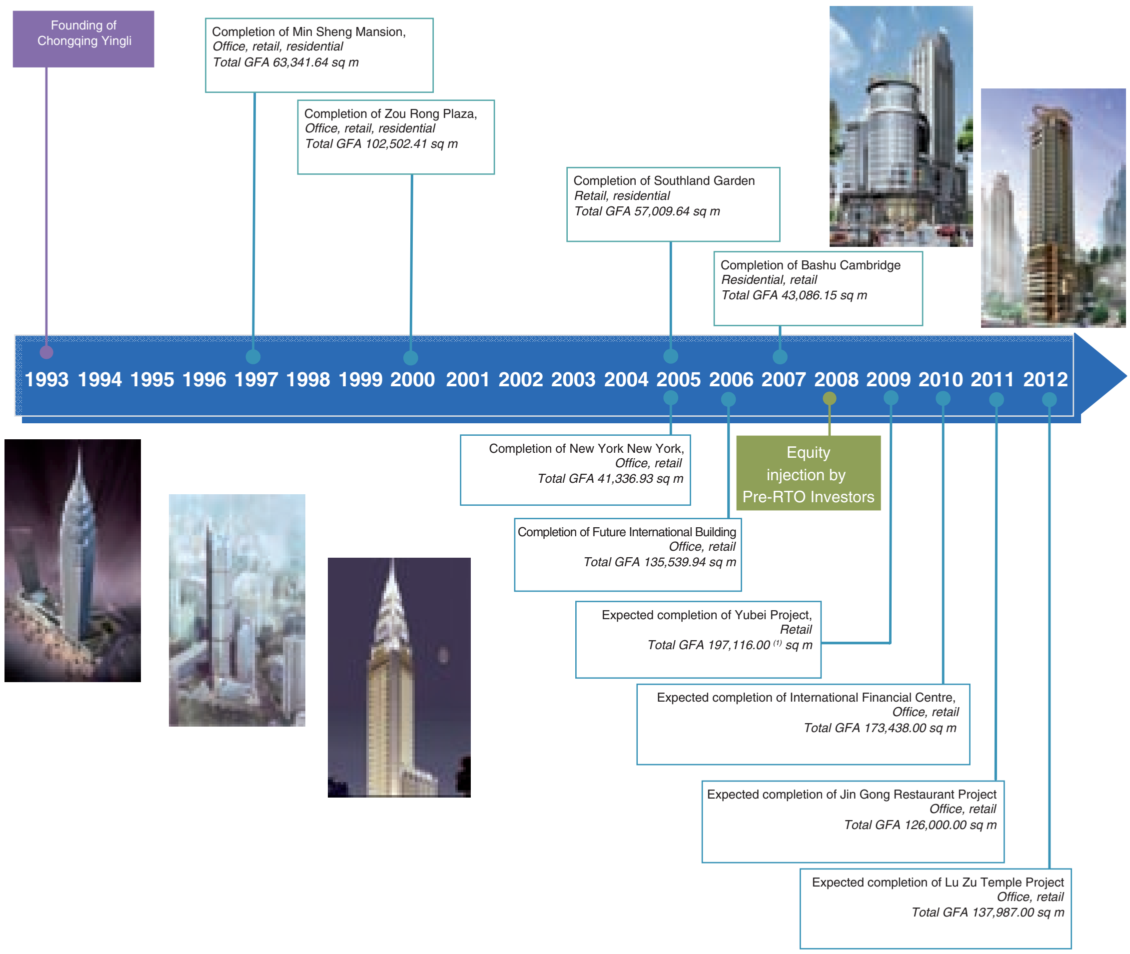
(1) This is the total saleable/leaseable GFA for the parcel of land to which Chongqing San Ya Wan has land use rights. Chongqing Yingli has a 69% equity interest in Chongqing San Ya Wan.



As the founder of Chongqing Yingli, Mr Fang Ming, has been instrumental in managing the business of the Fortune Court Group since its inception and has successfully developed and managed all the real estate development projects of Chongqing Yingli. Under the leadership of Mr Fang Ming, Chongqing Yingli has received numerous awards and accreditations. Mr Fang Ming has also been awarded the Most Outstanding Entrepreneur in China award by the Ministry of Construction in 2003 and has been named as an Outstanding Socialist Contributor from the Non-Public Economic Sector in Chongqing by both the district and municipal governments in 2006.

In addition, Chongqing Yingli's focus on the area of urban renewal has also enabled it to build up a specialised field of property development, combining premier design and high quality construction in its contribution to modernising the landscape of prime areas of Chongqing's city centre.

As at the Latest Practicable Date, Chongqing Yingli owns a subsidiary, Chongqing San Ya Wan through the acquisition of a 69% interest in the said company for RMB65,300,000 pursuant to share transfer agreements executed in April and May of 2008 by Chongqing Yingli as purchaser and Chongqing Pu Hui Real Estate Development Co., Ltd (重庆浦辉房地产开发有限公司) and Chongqing Da He Aquatic Products Limited Liability Co. (重庆市大禾水产有限责任公司) as vendors. The acquisition was completed on 14 May 2008. The vendors are not related to the directors or controlling shareholders of Chongqing Yingli. Chongqing San Ya Wan is a project company that holds the land use rights to the Yubei Project, one of the land banks currently undergoing development by the Fortune Court Group. The remaining 31% interest in Chongqing San Ya Wan is held by two natural persons who are not related to the directors or controlling shareholders of Chongqing Yingli. Chongqing Yingli is currently in the process of acquiring another 12% interest in Chongqing San Ya Wan, and this is expected to be completed around October 2008. Chongqing San Ya Wan has recently implemented accounting and internal control systems that are consistent with those at Chongqing Yingli. However, as these systems have been recently implemented, the auditors and reporting accountants to Chongqing San Ya Wan have not had the opportunity to perform tests to check the effectiveness of these accounting and internal control systems.



Note:

(1) This is the total saleable/leaseable GFA for the parcel of land to which Chongqing San Ya Wan has land use rights. Chongqing Yingli has a 69% equity interest in Chongqing San Ya Wan.

B.4.3 Competitive Strengths

Chongqing Yingli believes that the following competitive strengths have contributed and will continue to contribute to its growth.

(a) Chongqing's potential for growth

Being one of the fastest growing cities in the PRC, Chongqing is experiencing rapid economic development as a directly administered municipality and Special Economic Zone. President Hu Jintao personally singled out Chongqing as "an important economic growth area for China's West, an economic centre in the upstream area of the Yangtze River, and a municipality with coordinated development for both urban and suburban areas".[17] Due to the strong central government support and economic incentives granted to Chongqing, Chongqing's GDP growth rate was at 15.6%[18] in 2007. According to Bo Xilai, a member of the political bureau of the Central Government, the PRC government plans to invest RMB100 billion over the next three to five years in Chongqing for infrastructure development[19].

As one of the key economic centres in Western China, many domestic and multi-national corporations are setting up their offices in Chongqing. This is expected to spur demand for infrastructure investments and real estate developments in Chongqing. In particular, Jiefangbei of Yuzhong District, as the core commercial and business district of Chongqing has attracted more than 90% of the foreign-funded banks and branches of commercial banks in Chongqing. The rental rates of retail properties in Jiefangbei are the highest amongst all the commercial areas in Chongqing, with an average monthly rental of RMB120 per sq m in June 2008[20].

Jiefangbei is expected to continue to be the municipal retail center. With many of the properties that it has retained for investment situated in the Jiefangbei commercial district, Chongqing Yingli is able to benefit from the high rental rates in Jiefangbei. Moreover, due to limited future supply of retail properties in Jiefangbei, it is expected that the rental and occupancy rates in the area will continue to rise. Situated in a robust and growing property market in Chongqing, the directors of Chongqing Yingli believe that its strong base in Chongqing will enhance the growth of its business and drive its expansion plans in the future.

(b) Good working relationship with the local authorities

Chongqing Yingli works in close cooperation with the Chongqing government authorities throughout the development of a new project. Chongqing Yingli's good relationship with the local government authorities as well as its expertise and track record has enabled it to identify and source for development sites in prime areas. Given its track record in building quality and representative developments commanding premium prices, Chongqing Yingli's property developments are often visited by government officials from around the PRC. These visits often lead to invitations to participate in new development sites. This gives Chongqing Yingli a competitive advantage in identifying and acquiring prime sites for its future developments.

Chongqing Yingli has an established track record in acquiring prime land in the central business districts of Chongqing such as the Yuzhong and Jiangbei districts. Through acquiring land in these prime areas, Chongqing Yingli has managed to develop many successful projects, such as Min Sheng Mansion, Zou Rong Plaza, Southland Garden, New York New York, Future International Building and Bashu Cambridge.

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17 Market research report page D(I)-8 (under Economic Indicators of Chongqing)

18 Market research report page D(I)-8 (under Economic Indicators of Chongqing - GDP growth)

19 Information was extracted from the internet website of the Chongqing Evening News (http://news.idoican.com.cn/cqwb/html/2007-12/26/content_2110484.htm) published on 26 December 2007. Fortune Court has not sought the consent of the Chongqing Evening News newspaper nor has the Chongqing Evening News newspaper provided its consent to the inclusion of the above information in this Circular. The Chongqing Evening News newspaper is therefore not liable for the information. While our Directors have included such information in their proper form and context in the Circular, they have not verified the accuracy of such information.

20 Market research report page D(I)-16 (under Chongqing Retail Property Market - Price, Rental and Vacancy)

(c) Experienced management team

Chongqing Yingli has an experienced management team that is led by Mr Fang Ming, who has more than 15 years of experience in the property development industry. Over the past decade, Mr Fang Ming has been instrumental in introducing international designs and quality standards into the real estate sector in Chongqing, gaining recognition from the city and state governments. Under his leadership, Chongqing Yingli has developed a number of award winning buildings such as New York New York and the Future International Building, both of which have become prominent buildings in Chongqing.

Mr Fang Ming and his management team have in-depth knowledge of the local markets and have established good long-term relationships with the local government authorities and business partners. In addition, key members of the management team have an average of more than 10 years of experience in the property sector and a number of the general managers have been with Chongqing Yingli since its incorporation. This has given Chongqing Yingli an advantage in terms of being given opportunities to acquire prime sites early and subsequently reap lucrative returns, and this is evidenced by its track record and acquisition of other properties. Chongqing Yingli is also well positioned to capitalize on its excellent business relationships and strong fundamentals to ensure seamless execution and delivery of its projects.

(d) Well established reputation and premium brand equity

Chongqing Yingli is a leading property developer in Chongqing with a niche in developing high quality commercial buildings in the prime areas within the key districts of Chongqing, such as Jiefangbei in Yuzhong and Guanyinqiao in Jiangbei. Chongqing Yingli has a proven track record of over 14 years and has completed more than 440,000.00 sq m (GFA) of quality developments, including the award-winning Future International Building, New York New York, Zou Rong Plaza, Min Sheng Mansion, Southland Garden and Bashu Cambridge. From the high quality and innovative designs of Chongqing Yingli's properties, Chongqing Yingli has established a strong brand name in the Chongqing property market. It has also built up a good reputation amongst customers, business partners, government authorities and the public alike for its smooth execution and timely delivery of its projects.

The numerous accolades that have been awarded to Chongqing Yingli by various government and non-government agencies in the PRC are also testimony to the success of its projects and business operations. This recognition of Chongqing Yingli's efforts has helped Chongqing Yingli to continue securing land in prime locations and to attract partners to collaborate with them.

Please refer to Section B.4 entitled "Business Overview" of this Circular for more information on Chongqing Yingli's projects.

(e) Unique business model that specializes in urban renewal

Chongqing Yingli has a proven track record in undertaking developments involved in the urban renewal of prime areas of Chongqing, having successfully worked with local authorities to modernise the landscape of the city centre in Chongqing's main districts. Chongqing Yingli's projects such as New York New York and Future International Building have contributed to the overall development and improvement of the main city centres of Yuzhong and Jiangbei, modernising the landscape and skyline and hence contributing to the overall capital appreciation of the surrounding properties. Due to their proven track record, Chongqing Yingli is often invited by the district governments in Chongqing and the authorities in surrounding cities to bid for key development sites.

Capitalizing on its experience and proven track record, Chongqing Yingli currently holds sizeable land reserves in the central business districts of Chongqing which have been slated for urban renewal and intends to acquire more sites for redevelopment using the proceeds from the Compliance Offering and the Disposal. The total estimated GFA of Chongqing Yingli's land bank as at 30 June 2008 (including those held by its subsidiary, Chongqing San Ya Wan) is 714,388.25 sq m, of which approximately 437,425.00 sq m of the land bank is located in the city centre and is demarcated for urban renewal.

(f) Strong financial fundamentals with an increasing proportion of stable, recurrent rental income

Chongqing Yingli has acquired sufficient land reserves in key strategic locations to support its development pipeline for the next three to five years. Of these, more than 50% of the land bank size (by GFA) is expected to be investment properties which Chongqing Yingli intends to retain for stable recurrent rental income.

In recent years, Chongqing Yingli has been working towards increasing the proportion of stable, recurrent rental income by retaining certain commercial properties in good locations. However, Chongqing Yingli also sells the properties it develops to ensure that it has sufficient cash flow for re-investment. Chongqing Yingli targets to eventually achieve an equal proportion of income from property development and income from property investment. The benefit of this strategy is that the Company will be able to enjoy the potential capital appreciation of its properties and at the same time reduce the volatility of its income. This business model will allow Chongqing Yingli to address its cash flow needs and provide it with the ability to grow at the same time.

(g) Scalable and dynamic business model with good cost control

Chongqing Yingli has a scalable business model whereby it outsources most of its development functions, but retains control of the most critical components. Chongqing Yingli outsources the functions of project design, construction and property management. However, it retains control of critical processes such as the identification and acquisition of new land sites, sourcing of major construction materials, such as lifts and windows, sales of properties, quality control checks and after sales services. This allows Chongqing Yingli to select the best providers who can supply it with the required goods and services within its specifications at the most competitive prices. This approach to cost management also enables the management team to have effective control over the total project cost. The directors of Fortune Court believe that this enables Chongqing Yingli to expand quickly into new geographical markets, select the best suppliers and service providers within that region and yet maintain the high quality of its developments, all at a comparatively low cost.

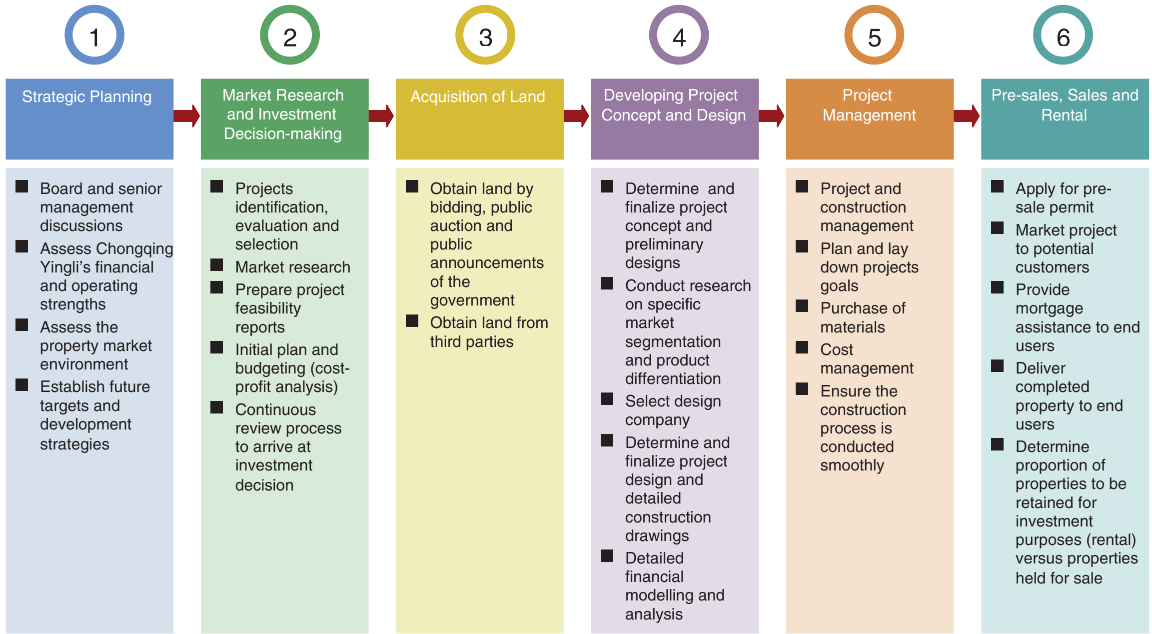
Chongqing Yingli has also developed a standardized development process, and usually seeks to standardize the materials and equipment which it uses in its projects, enabling it to enjoy economies of scale in terms of the procurement of major construction materials. Chongqing Yingli also sources its own supplies through designated suppliers with whom they have formed long term strategic partnerships. Chongqing Yingli is able to take advantage of its good supplier relationships to obtain the competitive prices and implement more efficient quality checks on the materials which it uses.

B.4.4 Chongqing Yingli's Operating Philosophy

Chongqing Yingli formulates its overall real estate property development business strategy based on its long-term views of the economic and social developments in the PRC. Its objective is to construct quality commercial properties for its customers, to enhance the landscape and the visual appeal of the areas where its properties are located, to upgrade the central business districts areas, and to grow its business together with its employees and the community.

B.4.5 Overview of Principal Activities

Chongqing Yingli's principal business activities are described as follows:



(1) <u>Strategic Planning</u>

Strategy planning begins with the formulation of the overall investment objectives and development plans of the company. The board and senior management of Chongqing Yingli will undertake an in-depth analysis and consideration of certain key parameters, such as the macro-economic policies and development plans of the PRC government, the growth and development of Chongqing and the economic growth and prospects and the demand and supply conditions in the real estate market. Once the overall development strategy is determined, Chongqing Yingli will then analyse its own financial and operating strengths, conduct market analysis and project feasibility reports and investment proposals submitted by the management team. This will be followed by budgeting proposals.

(2) <u>Site Selection and Master Planning</u>

The projects of Chongqing Yingli are typically completed in several phases. Planning of projects has to be project-specific as some projects may have master agreements which are entered into but where construction work has not yet begun, whereas some other projects can be fully completed properties for which land use rights have been granted with commencement of sales and leasing of retail and office space. This spread of development phases allows Chongqing Yingli to minimise development risks while providing earnings growth potential. This, together with a combination of geographic spread, product diversity and revenue mix, assists Chongqing Yingli in mitigating overall demand volatility.

In determining whether to enter into a new project, the following factors and risks of development are considered, among others:

(a) The type of office, residential or retail community proposed, the occupancy rate of and demand for properties of the required type, if any, supply and demand of the relevant property market;

(b) The degree to which the proposed development is aligned with Chongqing Yingli's business and growth strategies, as well as the development plans of the relevant level of the PRC Government;

(c) The selection of projects should take into account Chongqing Yingli's financial strength and risk analysis. Risk assessment is fundamental to Chongqing Yingli's project selection;

(d) Chongqing Yingli's assessment of the potential returns, including cash flow and capital appreciation, from the development; and

(e) The terms of potential leases, including the potential for rent increases.

Chongqing Yingli's project decision-making process includes the following:

(a) Conduct in-depth feasibility studies on the proposed projects;

(b) Analyse project details, including its advantages and disadvantages respectively;

(c) Draw up a detailed Investment Analysis Report;

(d) Conduct discussion meetings on project feasibility with the Board and major shareholders;

(e) After the Board finalizes the investment plan, ascertain the key direction, timeline and budget resources; and

(f) Finalize project.

(3) Acquisition of Land

Prior to the introduction of PRC government regulations requiring land use rights for property development to be sold by tender or auction, land use rights are generally acquired through private negotiations.

The Regulations on the Grant of State-owned Land Use Rights through Competitive Bidding, Public Auction and Public Announcements issued by the Ministry of Land and Resources provide that, from 1 July 2002, land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC shall be granted by the government only through public tender or auction

Where land-use rights are granted by way of a tender, an evaluation committee consisting of not fewer than five members (including a representative of the grantor and other experts) will evaluate the tenders that have been submitted to decide the most competitive tender. The relevant authorities will consider not only the tender price, but also the credit history and qualifications of each bidder and their proposals. Where land-use rights are granted by way of an auction, a public auction will be held by the relevant local land bureau and the land-use rights will be granted to the highest bidder.

Post 1 July 2002, Chongqing Yingli seeks to acquire land use rights directly by: (i) competitive bidding through public tenders, auctions or listing at a land exchange administered by the local government; (ii) purchasing land use rights directly from third parties or acquiring companies that hold land use rights; and (iii) forming joint ventures with companies that hold development sites. In addition, where it is permitted by PRC law to do so, Chongqing Yingli acquires land use rights by agreement with local governments for the comprehensive redevelopment of urban areas.

Land acquisitions are funded primarily through internal resources, private equity investors and bank loans. Typically, in the preliminary stages of the Company's property developments, internal resources are used to pay land premiums for the acquisition of land use rights. The Company is generally able to obtain 65% of the development costs via bank loans to fund its project development costs.

The amount of bank finance that Chongqing Yingli requires also depends on, among other things, the amount and timing of pre-sales and the availability of key anchor tenants in property investment. The ability to obtain bank finance is dependent on pre-sales as a high pre-sales volume acts as a good indicator to the banks that Chongqing Yingli is able to generate sufficient cash and long term commitment by anchor tenants that provide Chongqing Yingli with the certainty of recurring income. This in turn gives the banks added confidence in Chongqing Yingli's ability to repay its debt obligations, therefore influencing and increasing the willingness of the banks to provide financing to Chongqing Yingli.

(4) Developing Project Concept and Design

Chongqing Yingli's in-house product development team is responsible for the management of the project conceptualisation, planning and design for its property developments. As at 31 December 2007, the product development team comprises 18 professionals, including architects, landscape specialists, planning experts, interior designers, as well as structural, civil, mechanical and electrical engineers. The design process includes architectural, exterior and interior design, engineering and landscaping.

Chongqing Yingli's product development team also works in collaboration with external professional firms throughout the design process. In selecting these firms, Chongqing Yingli considers their reputation for reliability and quality, their pricing, references and design proposals. Design contractors are typically selected through a tender process for each project. The product development team constantly monitors the progress and quality of the design teams to ensure they meet our required standards. The team is also responsible for overseeing and ensuring that the property projects are completed on time and in accordance with our strict quality requirements.

In general, Chongqing Yingli will consider the following principal factors in determining the design of a particular property development:

(a) Target market segment and product positioning;

(b) The surrounding environment of the site;

(c) Plot ratio as approved by the relevant government authorities;

(d) Advice and recommendations of professional advisors including architects and planning experts; and

(e) The proposed type of development.

(5) Project Management

Project Management

The project construction work is contracted out to independent construction companies selected through an invitation tender process, based on their reputation, track record, project team's execution experience and cost competitiveness. Reputable construction companies are engaged and in particular, Chongqing Yingli has established a reliable long-term relationship with the China Nuclear Industry Huaxing Construction Company, Ltd. ("**CNHXCC**"). CNHXCC is an engineering and construction firm that has worked on several construction projects in Chongqing.

The terms of the construction contracts that Chongqing Yingli enters into with CNHXCC are consistent with the terms of the construction contracts that it enters into with other construction contractors. The contractors provide various services, including piling and foundation works, construction works and installation and fitting-out works. As one of Chongqing Yingli's close partners, CNHXCC has been involved in the construction of the

Future International Building and New York New York. The success of Chongqing Yingli's designs can be seen from these completed projects, which have become the landmarks of Chongqing and established Chongqing Yingli's good reputation.

Chongqing Yingli enters into construction contracts with construction companies selected via a competitive bidding process based on the terms of the tender documents. The standard construction contract contains warranties from the construction company in respect of quality and timely completion of construction. In addition, the construction contract provides that a security deposit equivalent to 5% of the total construction cost is retained by the Company for a period of between 12 and 24 months after completion of the works to cover additional costs arising from defects and rectification works.

Contractors are also subject to Chongqing Yingli's internal quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. Construction progress payments are determined following certification by a quantity surveyor based on the amount of works completed. In the event of delay in construction or unsatisfactory quality of workmanship, Chongqing Yingli may withhold construction payments or require the construction company to pay a penalty or provide other remedies under PRC law and the contracts to recover any loss.

As at the Latest Practicable Date, Chongqing Yingli has not had any major disputes with any of its contractors. All construction progress payment claims are verified by professional quantity surveyors engaged by Chongqing Yingli.

Field Management for Projects

The field management, or construction management of projects, is a critical part of Chongqing Yingli's construction work. Chongqing Yingli has a comprehensive system of field management. Generally, it is divided into the following procedures:

(a) Project arrangement and management: Chongqing Yingli establishes a project department or a project company, and appoints employees and the Project Manager. It determines individuals' specific roles, and allocates company's resources accordingly;

(b) Project plan formulation: Chongqing Yingli proposes and implements the general process plan of the project; outlines the development objectives and goals, and carries out the project plans;

(c) Process management: including (1) submission for approval, management/board approvals; (2) assess quality, rate of progress and safety standards; (3) establishment and maintenance of public relationships; (4) acceptance and delivery of projects;

(d) Materials bidding, purchasing and management: Chongqing Yingli monitors the bidding method, bidding process, purchasing method and purchasing process. Through close monitoring, it can guarantee and assure its customers of the high quality of its products; and

(e) Project cost management: includes (1) Determine cost components; (2) allocate cost control responsibilities/roles; (3) establish and carry out detailed cost analysis; (4) dynamic control and active project cost management; (5) Review cost calculation and cost analysis.

(6) Pre-Sales, Sales and Rental of Property

In line with its marketing strategy, Chongqing Yingli generally conducts pre-sales (i.e. selling property in advance of its construction completion) of Chongqing Yingli's developments in accordance with applicable PRC laws. Chongqing Yingli commences pre-sales of its properties once the pre-sale permit (商品房屋预售许可证) has been obtained. To obtain the pre-sale permit, various certificates, permits and approvals, including but not limited to a valid legal certificate (中华人民共和国外商投资企业批准证书), a qualification certificate for real estate development enterprises (房地产开发企业资质证书), the relevant land use rights certificates, the permit for construction project planning, the Land Use Planning Permit (土地使用规划许可证) and the permit for commencement of certificate (建筑工程施工许可证) need to be obtained in advance. When the pre-sale permit has been obtained, pre-sales of properties can be conducted.

Chongqing Yingli sets selling prices for its properties after taking into account local market trends, costs of development, expected investment returns and prevailing supply and demand conditions. A standard contract to be entered into between Chongqing Yingli and the purchaser which specifies the GFA of the property sold, purchase price, method and manner of payment, and the date and manner of delivery of the completed property, is adopted. There are also provisions for examination, acceptance and certification to be carried out by relevant government authorities before delivery of the completed property. Each purchaser is typically required to make an initial deposit of between 10% and 20% of the sale price (depending on the type of property) upon the execution of a sale and purchase of property contract. The balance of the purchase price is satisfied either by a lump sum payment of the entire balance, either with or without mortgage facilities arranged with banks, or instalment payments. Regardless of the payment method, the purchase price must be paid in full to us before completion of the development.

After-Sales Services

As part of the after-sales services, Chongqing Yingli assists its customers with the title registration for their properties and the leasing of their properties. A customer service department is established for each of their development projects to handle customer feedback.

In addition, property management services are provided for the projects developed to enhance the property value for the end users. Chongqing Yingli believes that the provision of quality after-sales service enhances its brand equity and goodwill, and helps to generate new sales and customer referrals for its properties.

B.4.6 Property Investment

As part of its strategy to generate an additional and recurrent revenue stream, Chongqing Yingli will retain some of its commercial and integrated developments as investment properties for lease. This will allow Chongqing Yingli to take advantage of the growth potential of the selected commercial property segments in the key high growth area that they have decided to focus on.

Chongqing Yingli sets out in the table below a summary of the properties held by it for investment:

Properties held for Investment

Name of Property	Location	Uses	GFA (sq m) held for investment
Min Sheng Mansion (民生商厦)	No. 181 Minsheng Road, Yuzhong District, Chongqing	Office, Retail and Residential	7,655.74
Zou Rong Plaza (邹容广场)	Odd No. 37-69 Linjiang Road and Odd No.141-155 Zourong Road, Yuzhong District, Chongqing	Office, Retail and Residential	6,787.68
Southland Garden (南国丽景)	No. 46, No. 48, No. 50 and No. 52 Cangbai Road, Yuzhong District, Chongqing	Retail and Residential	14,939.31

Name of Property	Location	Uses	GFA (sq m)
New York New York (纽约纽约)	No. 108 Bayi Road, No. 169 and No. 171 Minzu Road, Yuzhong District, Chongqing	Office and Retail	4,118.03
Future International Building (未来国际)	No.6 Walking Street, Guanyinqiao and No. 6 Yizhi Road, North Jianxin Road, Jiangbei District, Chongqing	Office and Retail	88,688.33
Bashu Cambridge (巴蜀剑桥)	No. 8 Bashu Road, Yuzhong District, Chongqing0	Residential and Retail	10,063.95

Chongqing Yingli's business approach has been to develop premium retail and residential properties. In choosing its tenants, Chongqing Yingli adopts the same approach, looking for high-end retailers and other well-known organizations as its main tenants for its projects. The lengths of the leases are typically divided into two main categories: short-term leases that do not exceed five years for future office properties, and retail and hotel properties which usually have a lease period of five to 10 years. The annual rate of increase in rent is between five to 10% to take into account property appreciation rates. At present, Chongqing Yingli's property rental rates on a per sq m basis for its projects are amongst the highest in Chongqing. Compatible with Chongqing's aspiration to be a world class city, Chongqing Yingli will favour working with other recognised property management companies such as DTZ Debenham Tie Leung Property Management Services Pte Ltd and Jones Lang LaSalle Property Management Pte Ltd to achieve leading international property management standards for a high quality office and business environment for first class customer service.

Chongqing Yingli sets out in the table below the lease information relating to the top three tenants of Chongqing Yingli in relation to its investment properties:

Name of Tenant	Property	Tenure / Expiry Date	Percentage Contribution to Rental Income for FY2007 (%)
New World Department Store (China) Co., Ltd.	Future International Building	20 years / 30 September 2026	57.45
Chongqing Department Store Co., Ltd	Future International Building	15 years / 31 December 2022	12.33
Shanghai Motel Hotel Management Co., Ltd.	Southland Garden	20 years / 31 December 2026	3.89

B.4.7 Quality Control

Strong emphasis is placed on quality control to ensure that the quality of its projects complies with relevant regulations and meets market standards. Records that are necessary to provide evidence of conformity and the performance of quality control activities are kept in related functional departments in each project and by the construction supervisory consultant.

Quality control is crucial to the successful development of the commercial and residential projects and to meet the requirements of the target customers of the company. Approved registers of design consultants, other consultants, contractors and material suppliers are established and maintained to ensure that only those that are competent are permitted to participate in the tender process.

The quality control of each of Chongqing Yingli's projects is headed by the respective project management team and performed in accordance with the specifications of the projects. Chongqing Yingli constructs and approves specific mock-ups of its projects to establish the quality standard required for each project.

The performance of the design consultants, other consultants, contractors and material suppliers are regularly monitored and assessed to ensure that they meet the specified requirements and appropriate follow-up action is taken against, and penalties imposed on, those that do not meet the required standards.

B.4.8 Sales and Marketing

Chongqing Yingli has its own internal sales and marketing team for its property developments. The sales and marketing team plans and organises on-site procedures, conducts market research, designs sales, arranges promotional activities, collects customer data and comments and recommends pricing strategies.

Aside from a fixed monthly salary, Chongqing Yingli also rewards its sales and marketing teams with bonuses in place of sales commissions upon reaching their allocated sales quota.

Its sales and marketing initiatives include, but are not limited to, advertisements in newspapers, magazines and outdoor advertising boards. To achieve its objectives, the sales and marketing team will either develop and design strategies internally or work closely with advertising agencies, design houses, print media companies and event coordinators.

B.4.9 Major Suppliers

The suppliers accounting for 5.0% or more of the Fortune Court Group's total raw material purchases for the last three financial years ended 31 December 2005, 2006 and 2007 are provided below:

		Percentage of total purchases (%)		
	Raw material/ service	FY2005	FY2006	FY2007
China Nuclear Industry Huaxing Construction Company, Ltd. (中国核工业华兴建设有限公司)	Construction services	12.41	10.24	14.23
Chongqing Hitachi Elevator Marketing Ltd ((日立)重庆日立电梯营销工程有限公司)	Installation of elevators and escalators	–	–	7.37

Purchases from China Nuclear Industry Huaxing Construction Company, Ltd. was higher in FY2005 and FY2007 due to the completion of the construction of New York New York and Southland Garden, and Bashu Cambridge and Future International Building, respectively.

None of the Fortune Court Group's directors, executive officers or substantial shareholders has any interest, direct or indirect, in any of the above suppliers and the Fortune Court Group is not materially dependent on any industrial, commercial or financial contract (including a contract with a supplier).

B.4.10 Major Customers

Details of Chongqing Yingli's customers accounting for 5.0% or more of the total turnover for the last three financial years ended 31 December 2005, 2006 and 2007 are provided below:

	Percentage of total turnover (%)		
	FY2005	FY2006	FY2007
Zhou Sheng Jun	16.44	–	–
Yingfu International Group Co., Ltd. (英富国际集团有限公司)	10.02	–	–
Liu Hui Jing	5.91	–	–
Zhang Yong Mei	8.02	–	–
Xiao Ke Qiang	8.38	–	–
Chongqing Wujiang Power (Group) Co., Ltd. (重庆乌江电力（集团）有限公司)	6.87	–	–
Chongqing Tianli Industry Co., Ltd. (重庆天利实业有限公司)	18.94	–	–
Chongqing Tianye Optical Chains Co., Ltd. (重庆千叶眼镜连锁有限公司)	–	6.29	–
Zhou Qiang	–	9.24	–
Chongqing Yujiang Die Casting Co., Ltd. (重庆渝江压铸有限公司)	–	7.81	–
Wang Mo	–	5.68	–
SiS Information Technology (Chongqing) Ltd. (矽统信息科技(重庆)有限公司)	–	5.37	–
Chongqing Carpenter Tan Handicrafts Co., Ltd. (谭木匠工艺制品有限公司)	–	–	5.53
Chongqing ShunTian West Industrial Co., Ltd. (重庆舜天西投实业有限公司)	–	–	5.19
Chongqing Minsheng Energy Group (重庆民生能源集团)	–	–	5.33
New World Department Store (China) Co., Ltd. (新世界百货有限公司)	–	–	9.34

As most of the sales for New York New York and Southland Garden were completed in FY2004, sales amounts booked in FY2005 for the remaining units in these projects contributed 10.0% or more to the total turnover of Chongqing Yingli.

Similarly, most of the sales for Future International Building were completed in FY2005, thus the percentage of sales for remaining units to the above buyers exceeded 5.0% of total turnover in FY2006 and FY2007.

In FY2007, sales to Chongqing Carpenter Tan Handicrafts Co., Ltd., Chongqing ShunTian West Industrial Co., Ltd. and Chongqing Minsheng Energy Group relate to the remaining units in Bashu Cambridge. In addition, the lease to New World Department Store (China) Co., Ltd. in Future International Building contributed more than 5.0% of the total turnover of Chongqing Yingli.

The Fortune Court Group is not materially dependent on any other contracts with other customers and none of Fortune Court's directors, executive officers or substantial shareholders have any interest, direct or indirect, in any of the above customers.

B.4.11 Awards and Accolades

As at the Latest Practicable Date, Chongqing Yingli has received several awards and accolades, some of which are set out below:

Real Estate Industry Awards/Accolades	Year of Award
Chongqing's Top 50 Real Estate Development Enterprises (重庆市房地产开发企业五十强) by the Chongqing Municipal Construction Commission (重庆市建设委员会)	2001, 2003, 2005, 2007
Top 10 Best Projects for Chongqing Jiangbei District Year 2006 City Developments (重庆市江北区2006年度城市建设十佳项目) by the Chongqing Jiangbei District Local Government (重庆市江北区人民政府)	2007
The Leading Brand in Chongqing Construction (建筑重庆之上品牌领袖) by Chongqing Daily News Group (重庆日报报业集团)	2007
Leading Unit in the Chongqing Enterprise Purchasing Managers (2007年度重庆市企业采购经理先进单位) by the National Statistics Bureau, Chongqing team (国家统计局重庆调查总队)	2007
Awards/Accolades for Individual Buildings	
Consumers' Satisfaction Buildings (消费者满意楼盘) for Zou Rong Plaza and Min Sheng Mansion by the Chongqing Consumer's Rights and Interests Protection Commission (重庆市消费者权益保护委员会)	2001, 2002
Top 10 Exhibition Buildings (十佳参展楼盘) for Southland Garden and New York New York by the 2003 Chongqing Yuzhong District Real Estate Exchange Committee (2003重庆渝中房地产交易会组委会)	2003
The Most Anticipated Building by Consumers (最受消费者期待楼盘) for Southland Garden by Chongqing Property Ranking (重庆楼市总评榜)	2004
The Project with Greatest Investment Values (重庆2004追局投资商业项目) for New York New York by China Research Institute (中国指数研究院)	2004
China's Famous Buildings (中国名盘) for New York New York by China International Real Estate and Archi-tech Fair (中国驻教会)	2004
The Most Stylish Landmark (最具风格的地标) for New York New York by Chongqing Real Estate Association (重庆市房地产业社会)	2007
Other Awards/Accolades	
Chongqing's Top 50 Trusted Real Estate Enterprises (重庆市五十家房地产交易诚信企业) by the Chongqing Municipal Land Resources and Housing Administrative Bureau and the Chongqing Administration for Industry and Commerce (重庆市国土资源和房屋管理局和重庆市工商行政管理局)	2002, 2006
Outstanding Human Habitat Brand in China (2003中国人居优秀品牌) by Xinhua News Agency (新华社人居杂志社)	2003
Chongqing's Trustworthy and Self-Governed Real Estate Enterprise (重庆地产诚心自律上榜企业) by the Real Estate Branch of the Chongqing General Chamber of Commerce (重庆市总商会房地产商会)	2005

Real Estate Industry Awards/Accolades	Year of Award
Trustworthy Taxpayer Unit for 2004（2004年度诚信纳税单位）by the Direct Taxation Administrant Bureau of the Chongqing Municipal Local Tax Bureau（重庆市地方税务局直属征收管理局）	2005
Trustworthy Credit Unit in Chongqing's Banking Sector（信贷诚信单位）by the Chongqing Banking Association（重庆因行业协会）	2006
Outstanding Non-Public-Owned Enterprise（重庆市渝中区非公有制经济优秀企业）by the Party Committee and the government of Yuzhong District, Chongqing（中共重庆市渝中区委员会和重庆市渝中区人民政府）	2006
Model Collective Unit in "Double-Loves, Double-Selections" Activities for New Enterprises（重庆市新建企业"双爱双评"活动先进集体） by the Chongqing Federation of Trade Unions and the Chongqing Municipal Commission（重庆市总工会和重庆市建设委员会）	2006
Trusted Enterprise（诚信企业）by the Chongqing Municipal Construction Commission（重庆市建设委员会）	2006
The Most Caring Member Enterprise（最眷会员企业）by the Real Estate Branch of the Chongqing General Chamber of Commerce（重庆市总商会房地产商会）	2006
The Trustworthy Brand Enterprise（诚信品牌企业）by the Chongqing City Construction Comprehensive Exploitation Association（重庆城市建设综合开发协会）	2006
Leading Entity of the Real Estate Development Industry of Chongqing Municipality in Earthquake and Disaster Relief（重庆房地产开发行业抗震救灾先进集体)by the Managing Office of Chongqing Municipality in City Construction and Comprehensive Development（重庆市城市建设中和开发管理办公室）and the Chongqing City Construction Comprehensive Exploitation Association（重庆城市建设综合开发协会）	2008
Leading Entity of Chongqing Municipality in Earthquake and Disaster Relief（重庆市抗震救灾先进集体）by the Chongqing Municipal Committee of the Communist Party（中共重庆市委）and the People's Government of Chongqing Municipality（重庆市人民政府）	2008
Leading Entity in Donation for the "5.12" Earthquake and Disaster Relief（"5.12"抗震救灾捐赠先进集体）by the Committee of the Communist Party of Yuzhong District, Chongqing Municipality（中共重庆市渝中区委）and the People's Government of Yuzhong District, Chongqing Municipality（重庆市渝中区人民政府）	2008

The Chairman of Fortune Court, Mr Fang Ming, also won the title of Outstanding Entrepreneur for Urban Habitat Construction in China in 2003（2003中国城市人居建设杰出企业家）from the Ministry of Construction and was selected as Outstanding Socialist Contributor（优秀社会主义事业建设者）from the Non-Public Economic Sector in Chongqing by both the district and the municipal governments in 2006.

B.4.12 Intellectual Property

As at the Latest Practicable Date, Chongqing Yingli is in the process of applying for the registration of the following trademarks in the PRC. The table below sets out certain details regarding the trademark applications as at the Latest Practicable Date:

Trademark	Country of Registration	Registration Number	Class	Status	Application Date
	The PRC	–	36	Pending registration	12 May 2008 (1)
英利国际置业 YING LI INTERNATIONAL REAL ESTATE	The PRC	–	36	Pending registration	12 May 2008 (1)

Note:

(1) The Trademark Bureau of the PRC State Administration for Industry and Commerce accepted the trademark registration applications on 12 May 2008 under the application numbers 6714387 and 6714388 and as at the Latest Practicable Date, the Company is awaiting the registration of the said applications by the authorities.

B.4.13 Insurance

PRC laws, regulations and government rules do not require property developers to purchase insurance policies for its real estate developments. However, the construction contractors engaged by Chongqing Yingli are required to maintain accident insurance for their construction workers pursuant to PRC law. As at the Latest Practicable Date, Chongqing Yingli has not suffered any losses or damages or incurred any liabilities relating to its properties that have had a material and adverse effect on its business.

B.4.14 Environmental

Chongqing Yingli is subject to PRC national and local environmental laws and regulations governing air pollution, noise emissions, water and waste discharge and other environmental matters. Major environmental laws and regulations to which it is subject include the Regulations on the Administration of Environmental Protection of Construction Project, the Procedures on the Administration of Environmental Protection of Construction Projects and the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects.

There has not been any major accident at any construction site operated by Chongqing Yingli or the contractors it engages since its establishment. To the best of its directors' knowledge, Chongqing Yingli has complied with applicable environmental laws and regulations and has not breached any applicable environmental laws or regulations since its establishment.

B.4.15 Government Regulations

As at the Latest Practicable Date, Chongqing Yingli is subject to the relevant government regulations as set out in Appendix E.

Below is a description of the material licences, certifications, approvals and permits to enable the Fortune Court Group to carry on its business activities in Chongqing:

Licence/certification/approval/permit	Awarding regulatory body
Approval Letter regarding the Joint Venture Contract and the Articles of Association of Chongqing Yingli (关于重庆英利房地产开发有限公司合同及章程的批复)	Chongqing Urban and Rural Construction Administrative Committee (重庆市城乡建设管理委员会)
Approval Letter regarding the establishment of Chongqing Yingli (关于同意成立重庆英利房地产开发有限公司的批复)	Chongqing Planning Committee (重庆市计划委员会)
Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC (中华人民共和国外商投资企业批准证书)	Chongqing Municipal People's Government (重庆市人民政府)
Business Licence No. 03926	Chongqing Administrative Bureau for Industry and Commerce (重庆市工商行政管理局)
Organisational Institution Entity Code Certificate (组织机构代码证) No. 62190-X	Chongqing Administration for Quality and Technology Supervision (重庆市质量技术监督局)
Tax Registration (税务登记证) Certificate Yu Guo Shui Zi (渝国税字) 50010362190669X	Chongqing State Tax Bureau (重庆市国家税务局)
Tax Registration Certificate Yu Di Shui Zi (渝地税字) 50090262190669X	Chongqing Local Tax Bureau (重庆市地方税务局)
Financial Registration Certificate for Enterprises with Foreign Investment (外商投资企业财政登记证) No. 5102020024	Chongqing Yuzhong District Financial Bureau (重庆市渝中区财政局)
Registration Certificate for the Import and Export Application to Customs by the Consignee or the Consignor (海关进出口货物收发货人报关注册登记证书) No. 5003930900	Chongqing Customs of the PRC (中国人民共和国重庆海关)
Statistics Registration Certificate (统计登记证) Yu Tong Deng Zheng Zi (渝统登证字) No. 500103002-001161	Chongqing Yuzhong District Statistics Bureau (重庆市渝中区统计局)
Foreign Exchange Registration Certificate (外汇登记证) No. 500000930033	State Administration for Foreign Exchange, Chongqing Foreign Exchange Administration Department (国家外汇管理局重庆外汇管理部)
Qualification Certificate for Real Estate Development Enterprises (房地产开发企业资质证书) No. 0130559	Chongqing Construction Committee (重庆市建设委员会)
Chongqing Social Insurance Registration Form (重庆市社会保险登记表)	Chongqing Medical Insurance Management Centre, Yuzhong District Sub-center (重庆市医疗保险管理中心渝中区分中心)

B.4.16 Project Details

Completed Projects

As at the Latest Practicable Date, Chongqing Yingli holds six completed properties. Most of these properties are located in the Jiefangbei and Guanyinqiao areas, which are the financial and cultural centres of Chongqing and one of the biggest central business districts of the western region of the PRC. The following are details of each of the investment properties of Chongqing Yingli:

Min Sheng Mansion (民生商厦)

Min Sheng Mansion is located at No. 181 Minsheng Road, Yuzhong District, Chongqing, in the centre of the Jiefangbei area in the Yuzhong District. It was the first property development of the Company and the first skyscraper in the district at the time of the completion of construction. Some of the key tenants of this development include China Everbright Bank, Yuzhong Tobacco Co., Ltd. and Guotaijunan Securities.

This development has a saleable/leaseable GFA of 63,341.64 sq m and occupies a site area of 3,251.50 sq m. This is a mixed residential, office and retail complex, including car park space. Construction of this development commenced in July 1995 and was completed in December 1997. As at 30 June 2008, 32,066.64 sq m of the total GFA has been sold and 10,885.69 sq m of the property has been retained for rental.

Summary	
Site Area	3,251.50 sq m
Total Saleable / Leaseable GFA	63,341.64 sq m (1)
Remaining Saleable / Leaseable GFA held for investment	There is no remaining saleable GFA. The remaining leaseable GFA is 10,885.69 sq m.
Use	Office, retail, residential
Construction start date	July 1995
Construction end date	December 1997
Location	No.181 Minsheng Road, Yuzhong District, Chongqing
Valuation	RMB66 million (Refer to page D(II)-3 of the Valuation Report)

Note:

(1) Part of the total saleable/leaseable GFA comprising 20,389.64 sq m is used for resettlement.

Zou Rong Plaza (邹容广场)

Zou Rong Plaza is located at Odd No. 37-69 Linjiang Road and Odd No.141-155 Zourong Road, Yuzhong District, Chongqing. Known in the industry as the major financial hub of Chongqing and located at the centre of the Jiefangbei area in the Yuzhong District, the tenants of Zou Rong Plaza include major financial institutions such as the Bank of Communications, the Industrial and Commercial Bank of China, China Pacific Insurance (Group) Co., Ltd. and Chongqing Commercial Bank.

This development has a saleable/leaseable GFA of 102,502.41 sq m and occupies a site area of 6,712.00 sq m. This is a mixed residential, office and retail complex, including car park space. The construction of this development commenced in March 1998 and was completed in December 2000. As at 30 June 2008, 77,231.11 sq m of the total GFA has been sold and 6,851.58 sq m of the property has been retained for rental.

Summary	
Site Area	6,712.00 sq m
Total Saleable / Leaseable GFA	102,502.41 sq m (1)
Remaining Saleable / Leaseable GFA held for investment	There is no remaining saleable GFA. The remaining leaseable GFA is 6,851.58 sq m.
Use	Office, retail, residential
Construction start date	March 1998
Construction end date	December 2000
Location	Odd No. 37-69 Linjiang Road and Odd No.141-155 Zourong Road, Yuzhong District, Chongqing
Valuation	RMB44 million (Refer to page D(II)-3 of the Valuation Report)

Note:

(1) Part of the total saleable/leaseable GFA comprising 18,405.95 sq m is used for resettlement.

Southland Garden (南国丽景)

Southland Garden is located at No. 46, No. 48, No. 50 and No. 52 Cangbai Road, Yuzhong District, Chongqing. It is a high-end residential and commercial property, located at the intersection of the Yangtze River and the Jialing River in the Jiefangbei area in the Yuzhong District and is next to a popular tourist destination.

This development has a GFA of 57,009.64 sq m and occupies a site area of 2,316.70 sq m. This is a mixed use development which is predominantly residential and retail, including car park space. Construction of this development commenced in June 2002 and was completed in December 2004. As at 30 June 2008, 41,283.68 sq m of the total GFA has been sold and 15,725.96 sq m of the property, comprising retail facilities and a car park, has been retained for rental.

Summary	
Site Area	2,316.70 sq m
Total Saleable / Leaseable GFA	57,009.64 sq m
Remaining Saleable / Leaseable GFA held for investment	There is no remaining saleable GFA. The remaining leaseable GFA is 15,725.96 sq m.
Use	Retail and residential
Construction start date	June 2002
Construction end date	December 2004
Location	No. 46, No. 48, No. 50 and No. 52 Cangbai Road, Yuzhong District, Chongqing
Valuation	RMB106 million (Refer to page D(II)-3 of the Valuation Report)

New York New York (纽约纽约)

New York New York is located at No.108 Bayi Road, No. 169 and No. 171 Minzu Road, Yuzhong District, Chongqing. It stands out amongst other skyscrapers with its exquisite and characteristic architecture and is a landmark building located at the heart of the Jiefangbei area in the Yuzhong District. Some of the main tenants of New York New York include the Chongqing Office of KFC, the fast food chain and Chongqing Jinfuren Industrial Co., Ltd (中国金夫人集团).

This development has a saleable/leaseable GFA of 41,336.93 sq m and occupies a site area of 860.00 sq m. New York New York is primarily an office building with retail facilities, including car park space. The commencement of construction took place in December 2002 and was completed in March 2005. As at 30 June 2008, 31,080.03 sq m of the total GFA has been sold and 4,652.34 sq m of the property, comprising office space and car park spaces, has been retained for rental.

Summary	
Site Area	860.00 sq m
Total Saleable / Leaseable GFA	41,336.93 sq m (1)
Remaining Saleable / Leaseable GFA held for investmentis	There is no remaining saleable GFA. The remaining leaseable GFA 4,652.34 sq m.
Use	Office, retail
Construction start date	December 2002
Construction end date	March 2005
Location	No. 108 Bayi Road, No. 169 and No. 171 Minzu Road, Yuzhong District, Chongqing
Valuation	RMB69 million (Refer to page D(II)-3 of the Valuation Report)

Note:

(1) Part of the total saleable/leaseable GFA comprising 5,604.56 sq m is used for resettlement.

Future International Building (未来国际)

Future International Building is located at No.6 Walking Street, Guanyinqiao, and No. 6, Yi Zhi Road, North Jianxin Road, Jiangbei District, Chongqing. It is one of the tallest buildings in Chongqing and has the largest GFA in the prime area of Guanyinqiao business area. This is an iconic and landmark structure in Chongqing.

It houses big listed retail establishments, such as the New World Department Store (China) Co., Ltd., Unicom, a big telecommunications company in China and Chongqing Department Store Co., Ltd., as well as international companies, such as Konka Group Co., Ltd.

This development has a saleable/leaseable GFA of 135,539.94 sq m and occupies a site area of 8,719.80 sq m. It is an office and retail complex, and includes car park space. Chongqing Yingli commenced construction of this development in November 2004 and completed construction in December 2006. As at 30 June 2008, 44,073.79 sq m of the total GFA has been sold, 1,870.16 sq m remains for sale and 91,466.15 sq m of the property, comprising retail, office and car park space, has been retained for rental.

Summary	
Site Area	8,719.80 sq m
Total Saleable / Leaseable GFA	135,539.94 sq m
Remaining Saleable / Leaseable GFA held for investment	The remaining saleable GFA is 1,870.16 sq m. The remaining leaseable GFA is 91,466.15 sq m.
Use	Office, retail
Construction start date	November 2004
Construction end date	December 2006
Location	No.6 Walking Street, Guanyinqiao, and No. 6, Yi Zhi Road, North Jianxi Road, Jiangbei District, Chongqing
Valuation	RMB1,010 million (Refer to page D(II)-3 of the Valuation Report)

Bashu Cambridge (巴蜀剑桥)

Bashu Cambridge is located at No. 8 Bashu Road, Yuzhong District, Chongqing. It is a high-end residential development with some retail units, located near Bashu High School, a leading secondary education institute of Chongqing.

This development has a saleable/leaseable GFA of 43,086.15 sq m and occupies a site area of 2,534.1 sq m. It is a residential and retail complex, including a car park. Chongqing Yingli commenced construction of this development in December 2005 and completed construction in February 2007. As at 30 June 2008, 30,784.66 sq m of the total GFA has been sold, 522.49 sq m remains for sale and 11,371.49 sq m of the property, comprising commercial space and car park space, has been retained for rental.

Summary	
Site Area	2,534.1 sq m
Total Saleable / Leaseable GFA	43,086.15 sq m (1)
Remaining Saleable / Leaseable GFA held for investment	The remaining saleable GFA is 522.49 sq m. The remaining leaseable GFA is 11,371.49 sq m.
Use	Residential, retail
Construction start date	December 2005
Construction end date	February 2007
Location	No. 8 Bashu Road, Yuzhong District, Chongqing
Valuation	RMB50 million (Refer to page D(II)-3 of the Valuation Report)

Note:

(1) Part of the total saleable/leaseable GFA comprising 625.75 sq m is used for resettlement.

Land Bank

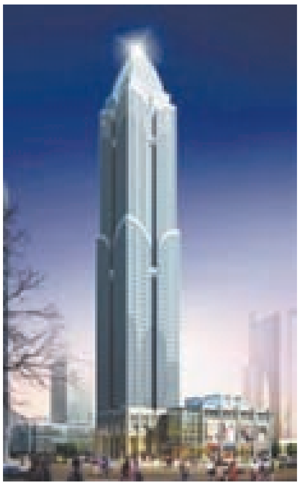
Land bank includes land currently held for sale and development, land held for future development, as well as land to be acquired by Chongqing Yingli in the PRC. As at the Latest Practicable Date, Chongqing Yingli has one property under development and the land for this project is located at Yubei District, Chongqing. The following are the details of the plans of Chongqing Yingli for its land bank:

Lu Zu Temple Project (鲁祖庙地块)

This parcel of land has a site area of approximately 4,150.00 sq m. Chongqing Yingli intends to construct a building for retail and office uses with an estimated GFA of approximately 137,987.00 sq m. The land use rights of a portion of the land, with a site area of approximately 4,150.00 sq m, has been granted for a term of 50 years expiring on 23 January 2048 for residential and commercial uses. This portion of the land is located beside the International Finance Centre and the building will only be constructed later. The land use rights for the remaining portion has been allocated and will be issued upon payment of the relevant land premium and relocation fees estimated (by the management of Chongqing Yingli in accordance with the guidelines issued by the relevant PRC authorities) to be approximately RMB180 million.

Summary	
Site Area	4,150.00 sq m
Total Saleable / Leaseable GFA	137,987.00 sq m
Use	Office, retail
Construction start date	Estimated 2010
Construction end date	Estimated 2012
Location	Junction of Minsheng Road and Datong Road, Yuzhong District, Chongqing
Valuation	RMB412 million (Refer to page D(II)-4 of the Valuation Report)

International Financial Centre (国际开发金融大厦)



For the land parcel located at the intersection of Zhonghua Road, Minquan Road and Qingnian Road, Yuzhong District, Chongqing, Chongqing Yingli intends to develop a flagship landmark to be named the International Financial Centre. Located in the heart of the Jiefangbei area, this property is expected to be a new major financial hub and to house major international financial institutions, offices of consulates and other multinational companies. Upon completion, it is expected to be the highest skyscraper in the southwest of China.

This development has a planned GFA of 173,438.00 sq m and occupies a site area of 8,025.00 sq m. Chongqing Yingli intends to develop this site into a retail and office building, with a GFA of 36,920.00 sq m and 108,388.00 sq m respectively. Chongqing Yingli was also issued with the land use rights certificate for the International Financial Centre Project on 22 May 2008.

Summary	
Site Area	8,025.00 sq m
Total Saleable / Leaseable GFA	173,438.00 sq m
Use	Office, retail
Construction start date	Estimated 2008
Construction end date	Estimated 2010
Location	Jianshe Apartment Community of Jiaochangkou, Yuzhong District, Chongqing
Valuation	RMB1,090 million (Refer to page D(II)-4 of the Valuation Report)

Jingong Restaurant Project (观音桥金弓酒店项目)

This parcel of land is situated at the entrance of the Guanyinqiao area and next to one of Chongqing Yingli's completed property developments, Future International Building. It is accessible and centrally located, thus providing easy access to transportation and roads. It is envisaged that this parcel of land will be developed into a commercial and entertainment skyscraper that will house exhibition facilities for international conventions and exhibitions.

This parcel of land has a GFA of approximately 126,000.00 sq m and a site area of 6,825.00 sq m. On 14 January 2008, the Chongqing North Land Reserve (Land Auction) Center (重庆北部土地储备（土地拍卖）中心), the Chongqing Jiangbei District Guanyinqiao Commercial Circle Administrative Office (重庆市江北区观音桥商圈管理办公室) and Chongqing Yingli entered into Yubei Village Two Jingong Plot Joint Regularisation Contract (渝北二村金弓地块联合整治协议)(the "Regularisation Contract"), pursuant to which Chongqing Yingli would provide funds to the former two parties for the regularisation of the Jingong plot. Under the Regularisation Contract, Chongqing Yingli has to pay RMB50 million as down payment and RMB1 million as deposit for performance of the contract. Further to the Regularisation Contract, if Chongqing Yingli subsequently obtains the right to develop the Jingong plot under a tender process, the Jiangbei District Financial Bureau (江北区财政局) undertakes to pay 35% of the land grant fee and all the supporting urban construction fees which will be shared by the Jiangbei District in accordance with the finance sharing system to Chongqing Yingli. If Chongqing Yingli fails to win the tender, all regularization expenses paid by Chongqing Yingli will be returned to it when the local authorities receive the fees from the winning tender. Chongqing Yingli will also receive 70% of the difference from the winning tender as compensation, such amount not to exceed the regularisation expenses.

Summary	
Site Area	6,825.00 sq m
Total Saleable / Leaseable GFA	126,000.00 sq m
Use	Office and Retail
Construction start date	Estimated 2009
Construction end date	Estimated 2011
Location	Yubei Village 2 of Guanyinqiao, Jiangbei District, Chongqing
Valuation	No commercial value[(1)] (Refer to page D(II)-4 of the Valuation Report)

Note:

(1) Jones Lang LaSalle Sallmanns has attributed no commercial value to the property as the acquisition has not yet commenced.

Yubei Project (渝北项目建设)

This parcel of land is located at Yubei District, Chongqing. Pursuant to share transfer agreements executed in April and May 2008, Chongqing Yingli directly acquired a 69% shareholding interest in Chongqing San Ya Wan, a company that holds the land use rights to the said parcel of land. The land use rights certificate for this parcel of land was obtained by Chongqing San Ya Wan on 13 July 2005. The said parcel of land is being developed into a commercial building for retail purposes. Chongqing Yingli is currently in the process of acquiring another 12% interest in Chongqing San Ya Wan, and this is expected to be completed around October 2008.

Summary	
Site Area	136,358.20 sq m (1)
Total Saleable / Leaseable GFA	197,116.00 sq m (2)
Type / Use	Retail
Construction start date	Estimated 2008
Construction end date	Estimated 2009
Location	Jinshi Avenue, National Agricultural and Technology Zone, Yubei District, Chongqing
Valuation	RMB485 million (3) (Refer to page D(II)-4 of the Valuation Report)

Notes:

(1) This is the total site area of the parcel of land to which Chongqing San Ya Wan has land use rights. Chongqing Yingli holds a 69% equity interest in Chongqing San Ya Wan.

(2) This is the total saleable/leaseable GFA for the development being undertaken on the parcel of land to which Chongqing San Ya Wan has land use rights. Chongqing Yingli has a 69% equity interest in Chongqing San Ya Wan.

(3) This constitutes 69% of the full value of RMB703 million.

B.5 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the results of operations and financial condition should be read in conjunction with the "Chongqing Yingli Real Estate Development Co Ltd Audited Financial Statements for the Financial Years Ended 31 December 2005, 2006 and 2007" and related notes thereto as set out in Appendix B(I) of this Circular.

This discussion contains forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Circular, particularly in Section 14 entitled "Risk Factors" of this Circular.

B.5.1 Overview

Revenue

In 2005, 2006 and 2007, Chongqing Yingli derived substantially all its revenue from the sale of commercial properties. Accordingly, Chongqing Yingli's revenue is primarily dependent on the volume of properties it sells, the prices at which it makes the sales and the timing of delivery of sold properties to purchasers. The volume of properties it sells and the timing of delivery of sold properties depend on the progress on the construction of its properties and the market response it obtains when it launches its property sales.

The prices of Chongqing Yingli's properties are determined by the market forces of supply and demand rather than by state guidance or state-prescribed pricing. Chongqing Yingli prices its properties by reference to the market rates for similar types of properties at comparable localities. The average price of Chongqing Yingli's projects will therefore depend on the location mix of properties sold and delivered during each fiscal period. In addition, Chongqing Yingli generally develops and sells its residential projects in phases. For each development, it generally prices the initial launch lower than subsequent phases of the project to stimulate demand. Chongqing Yingli is generally able to then price subsequent phases higher, riding on the success of prior phases.

Revenue from the sale of properties fluctuates based on the levels of actual completion of construction and delivery of Chongqing Yingli's properties and therefore can vary significantly from period to period. Factors that may affect the amount of this revenue include the timing of completion of its projects and the timing of recognition of revenue from pre-sales of units in its property developments.

Chongqing Yingli recognises revenue from sales of properties when the legal title passes to the buyer or when the equitable interest in the property vests in the buyer upon release on the handover notice of the respective property to the buyer, whichever is earlier. Any payments it receives before it recognises revenue are credited to its balance sheet as advances received on sales of properties.

Cost of Sales

The predominant components of Chongqing Yingli's cost of sales are land acquisition and construction costs. Property developments require substantial capital outlay for land acquisition and construction and may take many months or years before positive cashflows can be generated.

The land premium is a payment to the land bureau for the right to occupy, use and develop a particular development site. The land bureau determines the actual land premium payable. Chongqing Yingli understands that the land bureau fixes the amount of land premium payable based on the following principal factors:

(a) the location of the land and the land premium in respect of comparable sites in the vicinity;

(b) the national industrial policies and local economic conditions;

(c) the expected GFA for the proposed development or plot ratio; and

(d) the intended category of use for the development, with commercial use attracting a higher charge compared with residential use.

In addition, the PRC central government introduced regulations in May 2002 that required government departments and agencies to grant state-owned land use rights for residential and commercial property development by public tender, auction or listing-for-sale. To the extent that there are competing bids for a piece of land, the cost of acquisition could also increase.

In some situations, Chongqing Yingli also pays resettlement costs in connection with its land acquisition, which comprise the actual expenditure it incurs in relocating the residents originally occupying the buildings subject to demolition on the relevant site, including resettlement compensation paid to the original residents. The PRC government has laid down some basic principles for determining the appropriate level of resettlement compensation, including:

(a) the replacement cost or market price of the property subject to demolition;

(b) the location of the property;

(c) the purpose and use of the property subject to demolition; and

(d) the GFA of the property to be demolished.

Construction costs encompass all costs for the design and construction of a project, including payments to independent contractors, costs of raw materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of the construction costs of Chongqing Yingli's property developments, with the cost of independent contractors remaining relatively stable. Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement.

Chongqing Yingli tries to reduce its exposure to short-term price fluctuations of construction materials and limit project cost overruns by outsourcing the construction work (including procurement of supplies for its projects) of most of its property developments at fixed prices. Nonetheless, Chongqing Yingli is still subject to longer term price movements of construction materials. In addition, in line with industry practice, Chongqing Yingli and its construction contractors may amend existing construction contracts to take into account significant price movements of construction materials. Furthermore, price movements of other supplies in relation to property developments, including construction equipment and tools, ventilation systems, plant watering systems, elevators and interior decoration materials, may also increase Chongqing Yingli's construction costs.

Costs associated with foundation and substructure design and construction are another major component of Chongqing Yingli's construction costs and vary not only according to the area and height of the buildings but also to the geologic conditions of the site. The foundation and substructure designs and construction process for developments in different localities and the respective costs incurred may vary significantly. Therefore, construction costs of a property development may be substantially higher if the conditions of the site require more complex designs and procedures or more expensive materials in order to provide the desired foundation support.

Chongqing Yingli believes that its experience and reputation in the property development industry and its scale of business operations provide it leverage when negotiating with construction companies, other service providers and suppliers. Nevertheless, in the three years ended 31 December 2007, construction costs increased as a percentage of revenue, reducing its gross profit margins, primarily as a result of increases in the price of steel and cement due to strong demand for these commodities in the PRC. To the extent that the market can absorb these additional costs, Chongqing Yingli may be able to pass them on to its customers in the form of higher pricing for its properties.

Under PRC law, a business tax of 5.0% is levied on service revenues, including sales of properties and rental income. The revenue Chongqing Yingli records in its financial statements is net of such business taxes, which include 5.0% business tax payable on its gross income from sales of properties.

General Economic Conditions in the PRC and Government Regulation

Chongqing Yingli's results of operations are subject to general political, economic, fiscal, legal and social developments in Chongqing and other parts of the PRC, including:

(a) the performance of China's real estate market, in particular, the supply and demand for private properties, market pricing trends, standard of living, level of disposable income and demographic changes in Chongqing and other parts of the PRC;

(b) the regulatory and fiscal environment of Chongqing and other parts of the PRC, including land grant policies, pre-sale policies, financing policies and tax policies; and

(c) the political and economic policies of the PRC in general.

Critical Accounting Policies

Chongqing Yingli's consolidated financial information has been prepared in accordance with IFRS, which requires it to make judgments, estimates and assumptions that affect (1) the reported amounts of its assets and liabilities, (2) the disclosure of its contingent assets and liabilities at the end of each fiscal period and (3) the reported amounts of revenues and expenses during each fiscal period. Chongqing Yingli continually evaluates these estimates based on its own historical experience, knowledge and assessment of current business and other conditions, its expectations regarding the future based on available information and reasonable assumptions, which together form its basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, Chongqing Yingli's actual results could differ from those estimates. Some of Chongqing Yingli's accounting policies require a higher degree of judgment than others in their application.

When reviewing Chongqing Yingli's financial statements, shareholders should consider (1) its selection of critical accounting policies; (2) the judgment and other uncertainties affecting the application of those policies; and (3) the sensitivity of reported results to changes in conditions and assumptions. Chongqing Yingli believes the following accounting policies involve the most significant judgment and estimates used in the preparation of its financial statements.

Revenue

Chongqing Yingli experienced an increasing trend in its sales from 2005 to 2007. Chongqing Yingli derived substantially all its revenue from sales of its properties. A small proportion of income comprised rental revenue. In 2005, 2006 and 2007, rental revenue represented 0.6%, 3.1%, and 16.2% of Chongqing Yingli's total revenue respectively. As Chongqing Yingli continues to expand, the rental and other recurring income from its commercial properties is expected to constitute an increasing proportion of its revenue in the future.

Administrative expenses

Advertising and marketing expenses and settlement costs comprise the Fortune Court Group's administrative expenses. In addition, a key component of administrative expenses is depreciation expense related to investment properties when accounting for investment properties using the cost method in 2005 and 2006. This depreciation is derived based on straight-line depreciation method over 30 years. Administrative expenses also include salaries, employment benefits and other expenses.

Taxation

Chongqing Yingli accounts for income taxes under the provisions of IAS 12 — Income Taxes, with the required disclosures as described in Note 21 to its audited financial statements as set out in Appendix B(I) of this Circular.

Chongqing Yingli is subject to PRC enterprise income tax of 33% (prior to 1 January 2008) on its assessable profit. From 1 January 2008 onwards, the PRC enterprise income tax will be assessed at a rate of 25%. Chongqing Yingli's tax expenses for 2005 to 2007 are assessed at a rate of 33%. The tax expense in 2007 is likely to be lower than 33% due to the change in PRC enterprise income tax rate to 25%.

Taxation includes deferred tax expense due to the change in accounting policy related to investment property. By attributing investment property using the fair value method, Chongqing Yingli recognises the fair value gain and losses on investment property under the income statement, which in turns creates the deferred tax provision under IAS 12.

Land Appreciation Tax

In accordance with relevant provisions of the *Provisional Regulations of the People's Republic of China on Land Appreciation Tax*, different levels of progressive rates as follows will be adopted for land appreciation tax:

(a) for that part of the appreciation amount not exceeding 50% of the sum of deductible items, the tax rate shall be 30%;

(b) for that part of the appreciation amount exceeding 50%, but not exceeding 100%, of the sum of deductible items, the tax rate shall be 40%;

(c) for that part of the appreciation amount exceeding 100%, but not exceeding 200%, of the sum of deductible items, the tax rate shall be 50%; and

(d) for that part of the appreciation amount exceeding 200% of the sum of deductible items, the tax rate shall be 60%.

Land appreciation tax shall be exempt in the case where residences of ordinary standards are built for sale.

In accordance with the provisions of *Circular from Chongqing Local Taxation Bureau Regarding the Strengthening of LAT Collection* (Yu Di Shui Fa [2002], document no.:100), taxation shall be prepaid by real estate companies as per stipulated proportion. The prepaying proportion is adjusted as follows:

(a) for sales of commodity houses, the proportion will temporarily be 1% (among residential properties, prepayment is temporarily targeted on luxury apartments, villas and vacation villages);

(b) for old houses and land transfers that do not get assessed, whose deductions can not be determined for now, and that have not completed transfer procedures, the proportion will temporarily be 2%;

(c) for newly-built commodity houses or old houses, deductions shall be ascertained before the final determination of tax payments, with refund for any overpayment or a supplemental payment for any deficiency policy to be adopted; and

(d) for those newly-built commodity houses or transferring of old houses which have registered severe losses without any added value, prepayment can be exempt upon the approval from Chongqing Local Taxation Bureau of the written report submitted by district or county-level government and LAT has been paid by the company in accordance with the above stipulated proportion.

Chongqing Yingli has, based on the difference between LAT payable and actually prepaid LAT, made provisions for property development projects that have not been liquidated despite their fulfillment of relevant conditions and for those that have recognised sales revenue but have not measured up to relevant liquidation conditions.

Depreciation of Property, Plant and Equipment

Chongqing Yingli exercises judgment in estimating the useful lives of its depreciable assets. Chongqing Yingli depreciates its property, plant and equipment on a straight line basis over approximately five years. Chongqing Yingli takes into account the expected level of usage and technological developments that could impact the economic useful lives and the residual values of these assets.

Allowance for Receivables

Chongqing Yingli exercises judgment in estimating the collectibility of its receivables. If it determines that certain receivables are not collectible, Chongqing Yingli will make special allowances for such receivables. Chongqing Yingli does not have a policy requiring general provisions for receivables.

Carrying value of development properties

Chongqing Yingli exercises significant judgment in assessing the recoverability of development properties. Chongqing Yingli performs cost studies, taking into account the selling price and costs of residential properties. Chongqing Yingli also reviews the status of such development projects to ensure that the total project cost and project revenue estimates are realistic and reflect prevailing market conditions. Using these estimates, Chongqing Yingli approximates the carrying amount of the development properties that will be recoverable.

Investment property

Chongqing Yingli used the IAS 40 cost method in 2005 and 2006, reflecting investment property at cost. However, this was changed to the fair value method from 1 January 2007 onwards, in which Chongqing Yingli adopted the fair value model, replacing the cost model. Chongqing Yingli believes that the fair value method is a more reflective presentation of its investment property value.

With this change in accounting policy, Chongqing Yingli recognises the fair value gain and losses on investment property under the income statement. Moreover, with the revaluation gain recognised under the fair value method, it has to account for deferred tax under IAS 12.

B.5.2 Review Of Past Performance

Income statement

	Year ended 31 Dec 2007 RMB	Year ended 31 Dec 2006 RMB	Year ended 31 Dec 2005 RMB
Revenue	245,929,899	228,596,790	98,131,289
Cost of sales	(167,879,166)	(150,959,163)	(71,512,761)
Gross profit	78,050,733	77,637,627	26,618,528
Other income	13,133	—	—
Reversal of depreciation of investment properties	21,553,048	—	—
Selling expenses	(6,311,531)	(6,546,775)	(3,860,539)
Administrative expenses	(8,640,000)	(22,726,700)	(9,096,165)
Fair value gain on investment properties	813,162,988	—	—
Finance costs	(328,452)	(93,506)	(154,739)
Profit before taxation	897,499,919	48,270,646	13,507,085
Taxation	(217,406,215)	(21,337,143)	(5,957,516)
Profit for the year attributable to shareholders	**680,093,704**	**26,933,503**	**7,549,569**

FY2005 vs FY2006

Revenue

In 2006, Chongqing Yingli's revenue increased by RMB130.5 million or 132.9% to RMB228.6 million from RMB98.1 million in 2005. This is attributable to the completion of Future International and the sale of its properties in 2006.

Sale of properties

Future International, New York New York and Southland Garden contributed to the bulk of the sales of properties in 2006. Future International sold units comprising a GFA of 26,402 sq m. Southland Garden sold units comprising a GFA of 3,495 sq m. In addition, in 2006, Min Sheng Mansion sold units comprising a GFA of 632 sq m and New York New York sold units comprising a GFA of 655 sq m. Southland Garden and New York New York contributed to the sales of properties in 2005. In 2005, the properties sold were principally attributable to the sales of New York New York and Southland Garden. Sold New York New York units comprised a GFA of 7,782 sq m and sold Southland Garden units comprised a GFA of 5,875 sq m. Land prices have also been rising in Chongqing.

Rental revenue

Rental sales have been steadily increasing as a proportion of total income. This is attributable to the management's change in strategy after mid-2006 to comprise a larger proportion of income as rental income, by increasing its completed units for rental. Chongqing Yingli recorded rental revenue from Future International units, leasing to major retailers such as New World Department Store China and Best Department Store. Rental revenue increased from RMB0.6 million in 2005 to RMB7.0 million in 2006, representing an increase of RMB6.4 million, or 1,036.7%. Rental revenue as a proportion of total income increased from 0.6% in 2005 to 3.1% in 2006.

Cost of sales

Chongqing Yingli's cost of sales represents primarily the costs it incurs from its property development activities, including land costs, construction costs, relocation costs, and capitalized interest expense. Primary cost from sale of properties, rental cost is small. In 2006, its cost of sales increased by RMB79.4 million or 111.1% to RMB151.0 million from RMB71.5 million in 2005. The increase was primarily the result of increase in revenue from sales of properties in 2006.

Gross profit margin

In 2006, Chongqing Yingli's gross profit increased by RMB51.0 million or 191.7% to RMB77.6 million from RMB26.6 million in 2005. Chongqing Yingli's gross profit margin for 2006 is 34.0% which is higher than 27.1% in 2005. This is attributable to increase in land prices, as it is also able to pass on the burden of rising land costs to customers.

Selling expenses

Selling expenses comprise a decreasing proportion of sales, from 3.9% in 2005 to 2.9% in 2006. Overall selling expenses increased from RMB3.9 million to RMB6.5 million, representing an increase of RMB2.7 million or 69.6%. Currently, Chongqing Yingli's marketing of its sales in units is conducted by its internal sales force.

Administrative expenses

Chongqing Yingli's employee benefit expenses decreased by RMB0.1 million or 1.0%, from RMB2.3 million in 2005 to RMB2.2 million in 2006. This is attributable to the upward alignment of salaries to create better incentives for staff.

In addition, a significant component of the Fortune Court Group's administrative expenses is comprised of the depreciation expense related to investment properties. In 2006, the depreciation expense was RMB17.0 million which was RMB12.5 million or 274.1% higher than the 2005 depreciation expense of RMB4.5 million. Future International contributed to the bulk of the RMB373.8 million additions to investment properties in 2006, which subsequently led to the increased in depreciation expense in 2006, assuming that investment properties are depreciated straight line using 30 years.

Finance costs

In 2006, Chongqing Yingli's finance costs decreased by RMB0.1 million, approximately 39.6% from RMB0.2 million in 2005 to RMB0.1 million in 2006.

Profit for the year attributable to shareholders

In 2006, Chongqing Yingli's profit attributable to shareholders increased greatly by RMB19.4 million or 256.8%, from RMB7.6 million in 2005 to RMB26.9 million in 2006. As a percentage of revenue, profit attributable to shareholders increased from 7.7% to 11.8% in 2006.

Taxation

Chongqing Yingli's tax expenses for 2006 increased by RMB15.4million or 258.2% from RMB6.0 million in 2005 to RMB21.4 million in 2006. This is attributable to the increase in profit before tax.

FY2006 vs FY2007

Revenue

In 2007, Chongqing Yingli's revenue increased by RMB17.3 million or 7.6% from RMB228.6 million in 2006 to RMB245.9 million in 2007. The increase was primarily the result of Bashu Cambridge's sales of completed properties. Rental income formed a significantly larger proportion of Chongqing Yingli's total income in 2007 at 16.2%, and as a result, the sale of properties had a smaller proportion of total income in 2007 at 83.8%. This is attributable to the management's change in strategy in 2007 to have rental income comprise an increasing proportion of its total income.

Sale of properties

Future International comprised 51.3% of the sales in properties and Bashu Cambridge contributed 45.9% of the sales of properties in 2007. Future International sold units comprising a GFA of 18,993 sq m and Bashu Cambridge sold units comprising a GFA of 26,628 sq m. There is also a small proportion of sales of properties attributable to Southland Garden and Zou Rong Plaza. Southland Garden sold units comprising a GFA of 469 sq m and Zou Rong Plaza sale of properties comprise GFA of 1,291 sq m.

Rental revenue

In 2007, rental revenue experienced a significant increase of RMB32.9 million or 470.6%, from RMB7.0 million to RMB39.9 million as the full year rental revenue was recorded for Future International and Southland Garden. For Southland Garden, Chongqing Yingli recorded rental revenue from leasing to Shanghai Motel 168, a leading motel chain in China. Moreover, it adopted tighter management control and made significant reforms in the car park rental business, collecting increased car park rental income.

Cost of sales

In 2007, Chongqing Yingli's cost of sales increased by RMB16.9 million or 11.2% to RMB167.9 million from RMB151.0 million in 2006. The company has a comprehensive cost management strategy that includes: (a) analysis of the factors affecting the costs; (b) assignment of cost control responsibility; (c) establishment of planned cost and carry out the detailed analysis on the cost control target; (d) dynamic control and pre-alarm of project cost; and (e) cost calculation and cost analysis.

Gross profit margin

In 2007, Chongqing Yingli's gross profit increased by RMB0.4 million or 0.5% to RMB78.1 million from RMB77.6 million in 2006. Chongqing Yingli's gross margin for 2007 was 31.7% compared to 34.0% in 2006.

Reversal of depreciation of investment properties

In 2007, Chongqing Yingli had an expense relating to reversal of depreciation of investment properties amounting to RMB21.6 million. This is attributed to its change in accounting policy of investment property. Chongqing Yingli used IAS 40 cost method in 2005 and 2006, but changed to the fair value method from 1 January 2007. Chongqing Yingli believes that the fair value method is a more reflective presentation.

Selling expenses

Selling expenses decreased from 2.9% of sales in 2006 to 2.6% in 2007. It decreased by RMB0.2 million or 3.6%, from RMB6.5 million in 2006 to RMB6.3 million in 2007. Since 2006, Chongqing Yingli had a change in marketing strategy and employed third party agents and advertising agencies for the rental of its developed units, instead of using internal marketing force.

Administrative expenses

Employee benefit expenses continued to experience an increase of RMB1.1 million or 48.7% from RMB2.2 million in 2006 to RMB3.3 million in 2007. This is the result of an increase in staff salaries.

Administrative expenses experienced a wide fluctuation in 2007, as the company switched its accounting method for investment properties in 2007, choosing to adopt the fair value method instead of the cost method. By recording investment properties using the fair value method, Chongqing Yingli would have to reverse its depreciation on investment properties of RMB21.5 million.

Fair value gain

In 2007, Chongqing Yingli experienced a one-time fair value gain on investment properties of RMB813.2 million. This is attributed to its change in accounting policy of investment property. Chongqing Yingli used the IAS 40 cost method in 2005 and 2006, but changed to the fair value method from 1 January 2007. The fair value gain represents the difference between the present value of future rental income or capital gains or both on investment properties (please refer to the valuation report in Appendix D(II) of this Circular), and the book value cost of the investment properties.

Finance costs

In 2007, Chongqing Yingli's finance costs increased by RMB0.2 million or 251.3%, from RMB0.1 million in 2006 to RMB0.3 million in 2007.

Profit for the year attributable to shareholders

In 2007, Chongqing Yingli's profit attributable to shareholders increased from RMB26.9 million in 2006 to RMB680.1 million in 2007, representing an increase of RMB653.2 million or 2425.1%. This is largely attributable to the recognition of fair value gain on investment properties in 2007, as compared to 2006 and 2005 investment properties which are recorded at cost.

Taxation

Chongqing Yingli's tax expenses for 2007 increased by RMB196.1 million or 918.9% from RMB21.3 million in 2006 to RMB217.4 million in 2007. This is attributable to the huge increase in profit before tax, due to the change in accounting policy relating to investment properties. By attributing investment property using the fair value method, Chongqing Yingli recognises the fair value gain and losses on investment property under the income statement and creates deferred tax provision under IAS 12. In 2007, the deferred tax amounted to RMB203.3 million, comprising the bulk of the total taxation amount of RMB217.4 million.

B.5.3 Review Of Financial Position

Balance Sheet

	31 Dec 2007 RMB	31 Dec 2006 RMB	31 Dec 2005 RMB
ASSETS			
Non-current Asset			
Property, plant and equipment	3,291,142	1,858,122	1,975,600
Investment properties	1,330,407,000	488,658,581	131,833,830
Land for development	203,706,310	109,610,494	367,787,033
	1,537,404,452	**600,127,197**	**501,596,463**
Current Asset			
Development properties	31,599,710	166,120,211	26,462,217
Trade and other receivables	24,011,134	42,478,487	23,812,936
Amounts owing by a shareholder	75,654,564	–	–
Amounts owing by related parties	7,490,807	–	–
Cash at bank-restricted	12,091,948	12,346,492	10,874,487
Cash and cash equivalents	21,301,183	87,680,197	73,572,353
	172,149,346	**308,625,387**	**134,721,993**
Total assets	**1,709,553,798**	**908,752,584**	**636,318,456**
Equity and liabilities			
Capital and Reserves			
Capital contribution	25,025,720	25,025,720	25,025,720
Statutory common reserve	464,432	–	–
Retained profits	777,726,100	98,096,828	71,163,325
	803,216,252	**123,122,548**	**96,189,045**
Non-Current Liabilities			
Deferred taxation	203,290,746	–	–
Bank borrowings	213,140,000	131,000,000	136,900,000
	416,430,746	**131,000,000**	**136,900,000**
Current Liabilities			
Trade and other payables	178,918,305	353,418,398	243,646,045
Amounts owing to holding company	–	11,292,763	1,694,661
Amounts owing to related party	–	3,357,871	–
Provision for taxation	54,648,495	43,431,004	24,038,705
Bank borrowings	256,340,000	243,130,000	133,850,000
	489,906,800	**654,630,036**	**403,229,411**
Total equity and liabilities	**1,709,553,798**	**908,752,584**	**636,318,456**

Assets

2006 compared to 2005

Assets increased by RMB272.4 million or 42.8%, from RMB636.3 million in 2005 to RMB908.8 million in 2006. This is largely attributable to the increase in investment properties and development properties.

2007 compared to 2006

Assets increased by RMB800.8 million or 88.1%, from RMB908.8 million in 2006 to RMB1,709.6 million in 2007

Investment properties

2006 compared to 2005

Investment properties increased from RMB131.8 million in 2005 to RMB488.7 million in 2006, representing an increase of RMB356.8 million or 270.7%. This is mainly attributable to Future International investment property units that were completed in 2006, and subsequently rented out, leading to the addition in investment properties.

2007 compared to 2006

The company had no new projects completed in 2007. However, the fair value gain associated with investment properties is accounted for in the 2007 accounts, as compared to recognizing investment properties at cost in 2005 and 2006. Investment properties increased by RMB841.7 million or 172.3%, from RMB488.7 million in 2006 to RMB1,330.4 million in 2007. This is largely attributable to the fair value gain adjustment of RMB813.2 million in 2007.

Development properties and Land for development

2006 compared to 2005

In 2006, Chongqing Yingli completed the Future International and Bashu Cambridge projects, thus the costs from these two projects were transferred from land for development to investment properties and development properties. This resulted in land for development decreasing by RMB258.2 million or 70.2%, to RMB109.6 million in 2006, as compared to RMB367.8 million in 2005. Chongqing Yingli's development properties increased from RMB26.5 million in 2005 to RMB166.1 million in 2006 due to the completion of the Future International and Bashu Cambridge projects.

2007 compared to 2006

However, land for development increased by RMB94.1 million or 85.8%, from RMB109.6 million in 2006 to RMB203.7 million in 2007. Due to the sales of units in Future International and Bashu Cambridge in 2007, development properties faced a significant decrease of 81.0% in 2007, from RMB166.1 million in 2006 to RMB31.6 million in 2007.

B.5.4 Liquidity And Capital Resources

Cash flow statement (RMB)

	Year ended 31 Dec 2007 RMB	Year ended 31 Dec 2006 RMB	Year ended 31 Dec 2005 RMB
Cash Flows from Operating Activities			
Profit before taxation	897,499,919	48,270,646	13,507,085
Adjustments for			
Depreciation of property, plant and equipment	733,256	581,520	887,552
Depreciation of investment properties	–	17,007,054	4,545,995
Loss on disposal of property, plant and equipment	–	–	550,378
Transfer to income statement on adoption of fair value model	(21,553,048)	–	–
Fair value gain on investment properties	(813,162,988)	–	–
Interest expense	328,452	93,506	154,739
Operating profit before working capital changes	**63,845,591**	**65,952,726**	**19,645,749**
(Increase) in investment properties	(7,032,383)	(373,831,806)	–
Decrease in development properties	166,526,321	194,784,638	455,939,767
(Increase) in land for development	(94,095,816)	(50,858,403)	(367,787,034)
Decrease/(increase) in trade and other receivables	18,467,353	(18,665,551)	2,247,095
(Decrease)/Increase in trade and other payables	(177,857,964)	113,130,224	(82,306,009)
Cash (used in)/generated from operations	**(30,146,898)**	**(69,488,172)**	**27,739,568**
Interest paid	(32,334,272)	(25,501,195)	(15,090,138)
Income tax paid	(2,897,978)	(1,944,844)	(2,874,870)
Net cash (used in)/generated from operating activities	**(65,379,148)**	**(96,934,211)**	**9,774,560**
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	(2,166,276)	(464,042)	(18,049)
Net cash (used in) investing activities	**(2,166,276)**	**(464,042)**	**(18,049)**
Cash Flows from Financing Activities			
Bank guarantee subject to restriction	254,544	(1,472,005)	(10,874,487)
Bank loans obtained	95,350,000	109,280,000	77,550,000
Advance to holding company	(75,654,564)	–	–
Advance to related company	(7,527,467)	–	–
Advance from related company	36,660	–	–
Advance from holding company	–	9,598,102	1,694,661
Repayment to holding company	(11,292,763)	–	–
Repayment of bank loan	–	(5,900,000)	(38,850,000)
Net cash generated from financing activities	**1,166,410**	**111,506,097**	**29,520,174**
Net (decrease)/increase in cash and cash equivalents	(66,379,014)	14,107,844	39,276,685
Cash and cash equivalents at beginning of year	87,680,197	73,572,353	34,295,668
Cash and cash equivalents at end of year	**21,301,183**	**87,680,197**	**73,572,353**

Liquidity and capital resources

To date, Chongqing Yingli has financed its working capital, capital expenditures, and other capital requirements through its internally generated cash flows, bank borrowings and loans from shareholders.

Working capital

Chongqing Yingli's cash and bank balances as of 31 December 2005, 2006, 2007 were RMB73.6 million, RMB87.7 million, RMB21.3 million respectively. Chongqing Yingli believes that its current cash and anticipated cash flow from operations will be sufficient to meet its anticipated cash needs.

Chongqing Yingli may however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions it may decide to pursue. If its existing cash is insufficient to meet its requirements, it may seek to sell additional equity securities, debt securities or borrow from lending institutions. Incurrence of debt will increase its interest payments required to service its debt obligations and could result in operating and financial covenants that restrict its operations and its ability to pay dividends to its shareholders.

After taking into account property development seasonal fluctuations, Chongqing Yingli believes the company's cash flow reflects the company's healthy financial health.

Cash inflow/outflow

2006 compared to 2005

Chongqing Yingli usually has pre-sales starting a year prior to the completion of the projects. Future International and Bashu Cambridge projects were completed in 2006 and pre-sales were made. This resulted in an increase in accounts receivable. Chongqing Yingli faced a huge cash outflow attributable to the increase in investment properties of RMB373.8 million in 2006 from 2005. This relates to the completion of Future International, whereby the value of it attributing to development properties was transferred to investment properties.

The company also experienced an increase of RMB0.4 million in cash outflow attributing to acquisition of property, plant and equipment from RMB0.02 million in 2005 to RMB0.5 million in 2006. This relates to the company's expenditure incurred in constructing Future International and Bashu Cambridge. Moreover, the company obtained increased short term borrowings for Future International and Bashu Cambridge's construction and material costs. Its cash from financing comprises repayment of bank loans, advances from the holding company, and bank loans obtained.

2007 compared to 2006

In addition, since no new projects were completed in FY2007, there were no changes in the balance of property investment and no impact on cash flow. There was a decrease in operating payables in FY2007 due to the completion of the Future International and Bashu Cambridge projects, thus Chongqing Yingli had to settle its payments to materials suppliers for its construction costs.

Chongqing Yingli also experienced an increase of RMB1.7 million in cash outflow attributing to acquisition of property, plant and equipment from RMB0.5 million in 2006 to RMB2.2 million in 2007. This represents a significant yearly increase of 366.8%, relating to acquisitions of land rights and relocation expense for the International Financial Centre project. Most of the company's borrowings are project construction loans. To meet capacity expansion in terms of projects, Chongqing Yingli took on more loans.

As Chongqing Yingli repaid a loan from Chongqing Tiancheng, there was a cash outflow relating to the repayment of loan of RMB11.3 million in FY2007.

Please refer to Section B.8.1 entitled "Interested Person Transactions – Past Interested Person Transactions" of this Circular for more information on the outstanding amounts due from Chongqing Tiancheng and Chongqing Jingli to Chongqing Yingli as at the end of FY2007.

Amidst the series of tightening measures and consistent increase of interest rates by the central government in FY2007, Chongqing Yingli adjusted its bank loans structure. Furthermore, it took on an additional long-term borrowing from the China Construction Bank to raise capital for project development. As of 31 December 2007, the principal amount outstanding from Chongqing Yingli under such long-term borrowing was RMB188.14 million.

Borrowings

	As of 31 Dec 2007	As of 31 Dec 2006	As of 31 Dec 2005
Short term borrowings	256,340,000	243,130,000	133,850,000
Long term borrowings	213,140,000	131,000,000	136,900,000
Total borrowings	**469,480,000**	**374,130,000**	**270,750,000**

Chongqing Yingli endeavours to maintain its financial strength through prudent capital management. Chongqing Yingli's borrowings primarily relate to project specific construction loans, for the development of its large-scale property development projects. Chongqing Yingli's project construction loans are secured by mortgages over its investment properties.

Chongqing Yingli's long term borrowings have a range of maturities from less than one year to four years. Its bank loans bear fixed interest rates. The effective interest rates on bank loans ranged from 5.00% to 8.01% in 2007. For 2006, the effective rates on bank loans ranged from 5.76% to 7.96%. For 2005, the effective interest rates on bank loans ranged from 5.58% to 6.14%. In 2007, 54.6% of its total bank loans are short term in nature to match its funding requirements for its property development projects.

2006 compared to 2005

Chongqing Yingli's total borrowings in 2006 increased from RMB270.8 million in 2005 to RMB374.1 million in 2006, experiencing a year on year increase of RMB103.4 million or 38.2%. The company increased its short term borrowings in 2006 as the interest rates for short term borrowings were more favourable. Moreover, in view of the nearing completion of Future International and Bashu Cambridge in 2006, Chongqing Yingli replaced some of its long term borrowings with short term borrowings to take advantage of the favourable lower interest rates.

2007 compared to 2006

Chongqing Yingli's total borrowings in 2006 increased from RMB374.1 million to RMB469.5 million in 2007, representing an increase of RMB95.4 million or 25.5%. In 2007, the PRC government made several economic changes, thus the company adopted a more conservative approach to secure its project's funding and took up more long-term borrowings.

Trade and other payables

2006 compared to 2005

2006 trade and other payables amount to RMB353.4 million, as compared to 2005 trade and other payables of RMB243.6 million, representing a yearly increase of RMB109.8 million or 45.1%. This is attributable to the completion of Future International and Bashu Cambridge in the second half of 2006, thus we continue to have outstanding payables relating to these two projects in 2006.

2007 compared to 2006

2007 trade and other payables amount to RMB178.9 million, which is RMB174.5 million or 49.4% lower than 2006 amount of RMB353.4 million. The trade payables in 2007 was mostly attributable to the International Financial Centre's relocation expenses, and the repayment of the trade payables relating to Future International and Bashu Cambridge projects.

Provision for taxation

2006 compared to 2005

Provision for taxation increased by RMB19.4 million or 80.7%, from RMB24.0 million to RMB43.4 million. This is attributed to the increase in profit before tax in 2006.

2007 compared to 2006

Provision for taxation increased by RMB11.2 million or 25.8%, from RMB43.4 million in 2006 to RMB54.6 million in 2007 as the company experienced improvements in profit, which relates to increase in tax expenditures.

Deferred taxation

2007 compared to 2006

Chongqing Yingli recognises deferred tax provision of RMB203.3 million in 2007, due to the change in accounting policy on investment properties. Chongqing Yingli had previously adopted the cost method in 2005 and 2006, and switched to the fair value method to account for investment properties in 2007.

By recognizing revaluation gains on investment property, Chongqing Yingli has attributed a deferred tax provision which is equivalent to approximately 25% of the fair value gain attributable to investment properties under IAS 12. IAS 12 requires a deferred tax liability asset or liability to be created when there is a difference between the carrying amount of a revalued asset and its tax base. Chongqing Yingli is not required to pay taxes in PRC pertaining to the fair value gain attributable to investment properties, thus it believes that this is effectively a non-cash item.

B.5.5 Capital Expenditure

The major capital expenditure comprises mainly the acquisition of building, motor vehicles and vessels, as well as plant and machinery. The purchases of such assets are financed mainly by funds generated from operations, loans and borrowings and contributions from investors. The details for major capital expenditure for the last three financial years ended 31 December 2005, 2006 and 2007 were as follows:

RMB	FY2005	FY2006	FY2007
Acquisition of land	28,806,200	10,083,700	1,158,904
Office furniture and equipment	2,750	62,640	16,500
Vehicles	–	401,402	2,149,776
Computers	15,299	–	–
Construction	90,607,736	279,954,856	32,624,868
Relocation costs	15,629,866	91,318,016	81,602,648

B.5.6 Divestment

There were no major divestments for FY2005, FY2006 and FY2007.

B.5.7 Material commitments and contingencies

At the Latest Practicable Date, Chongqing Yingli has not entered into any definitive agreements for its land banks and has not incurred any contractual obligations and capital commitments.

Mortgage guarantees

	As of 31 Dec 2007	As of 31 Dec 2006	As of 31 Dec 2005
Cash at bank – restricted	12,091,948	12,346,492	10,874,487
Total mortgage guarantees	**12,091,948**	**12,346,492**	**10,874,487**

As part of Chongqing Yingli's guarantee obligations, it also provides cash deposits to purchasers' mortgagee banks of approximately 5% of the mortgaged amount. If a purchaser defaults in its payment obligations during the term of Chongqing Yingli's guarantee, the relevant bank may deduct the defaulted mortgage payment from Chongqing Yingli's deposit and require that it immediately replenish its deposit to the original amount.

Except as disclosed above, Chongqing Yingli does not have any outstanding exchangeable or convertible debt, bank overdrafts, liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase commitments, or guarantees or other material contingent liabilities outstanding as at the Latest Practicable Date that Chongqing Yingli believes are material.

Except as disclosed above, there are no outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency forward contracts that have or are reasonably likely to have a current or future effect on Chongqing Yingli's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that Chongqing Yingli believes are material to investors.

Material capital expenditure and divestments

From FY2005 up to the Latest Practicable Date, Chongqing Yingli has no key material capital expenditure and divestments that are not in the ordinary course of its business.

Market risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. As Chongqing Yingli's normal course of business is primarily in the PRC, it would not be materially subjected to market risk.

Credit Risk

As part of Chongqing Yingli's guarantee obligations, it provides cash deposits to purchasers' mortgagee banks of approximately 5% of the mortgaged amount. If a purchaser defaults in its payment obligations during the term of Chongqing Yingli's guarantee, the relevant bank may deduct the defaulted mortgage payment from its deposit and require that it immediately replenish its deposit to the original amount.

Interest Rate Risk

Chongqing Yingli is subject to market risks due to fluctuations in interest rates and refinancing of short-term debt. Its net profit is affected by changes in interest rates as a result of the impact such changes have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. In addition, an increase in interest rates would adversely affect its prospective customers' willingness and ability to purchase its properties, its ability to service loans that it has guaranteed and its ability to raise and service long-term debt and to finance its developments, all of which in turn would adversely affect its results of operations. Chongqing Yingli's indebtedness consists primarily of bank and other loans.

Commodities Risk

Chongqing Yingli consumes large quantities of building materials, including raw iron, steel and concrete, in its property development operations. The company typically enters into fixed or guaranteed maximum price construction contracts with independent construction companies, each of which covers the development of a significant part of our overall project. These contracts typically cover both the supply of the building materials and the construction of the facility, for a construction period of one to three years. If the price of building materials were to increase significantly prior to Chongqing Yingli entering into a fixed or guaranteed maximum price construction contract, it might be required to pay more to prospective contractors.

Inflation Risk

China has not experienced significant inflation or deflation in recent years. According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately 1.8% in 2005, 1.5% in 2006 and 4.8% in 2007[21]. Chongqing Yingli has not been materially affected by any such inflation.

Foreign Exchange Exposure

Chongqing Yingli carries out most of its business in the PRC where the transactions are denominated in RMB. Thus, the exposure to foreign exchange risk is minimal.

Dividends

Chongqing Yingli has not declared, approved and paid any dividend for FY2005, FY2006 and FY2007. Chongqing Yingli currently does not have a fixed dividend policy.

B.6 PROSPECTS, TRENDS AND FUTURE PLANS

B.6.1 Prospects

Chongqing Yingli's directors are positive on the prospects of Chongqing Yingli's business due to the following factors:

(1) It is a niche property developer that is well positioned to capitalize on the strong property market growth in Chongqing;

(2) It has the necessary leadership supported by an experienced management team; and

(3) It has a well established reputation with a proven track record, which Chongqing Yingli may capitalise on to access high quality land banks in prime locations.

B.6.2 Trend Information

Chongqing Yingli does not have an order book.

1) Strong fundamentals for the PRC property market

China's growing economy has led to a significant increase in demand for properties as well as growth in the overall PRC property market. The total GFA sold of commodity properties (including residential, office and retail properties) experienced a CAGR of 22.3% from 2000 to 2007.[22] As a property developer in China, Chongqing Yingli will stand to benefit from the strong business fundamentals of the PRC property market.

[21] Page D(I)-2 of the Market Research Report (under the PRC Economy)

[22] Page D(I)-3 of the Market Research Report (under the PRC Property Market Overview)

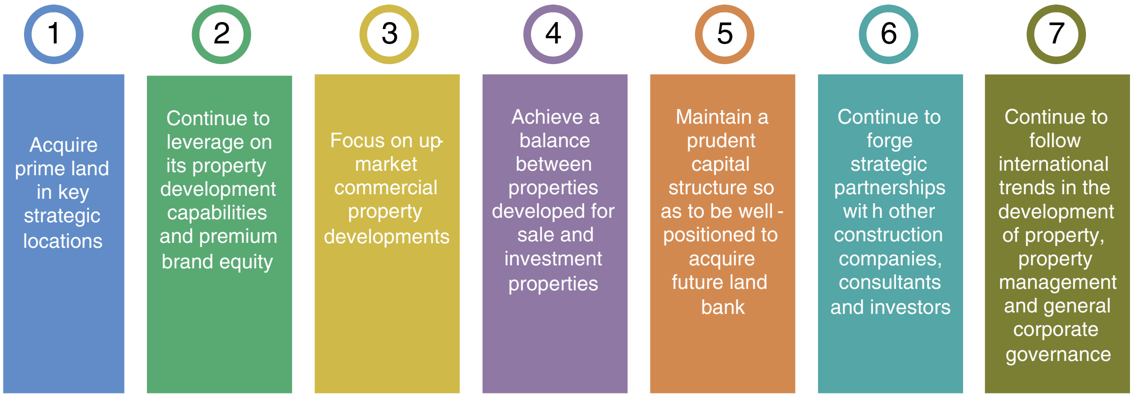
2) Strong growth potential in Chongqing property prices

Property land prices in Chongqing have been rising from RMB1,131 per sqm in 2004 to RMB2,755 per sqm in 2007.[23] Recent land prices transacted by property developers in Chongqing also indicates the strong sentiments on the growth potential of Chongqing's property price.[24] As a niche property player in Chongqing, Chongqing Yingli will stand to benefit from the strong growth potential of Chongqing's property prices.

3) Strong demand for properties in Chongqing

Chongqing which is the world's most populous city has enjoyed strong economic growth. This is evidenced by its strong average annual GDP growth of 11.4% from 2000 to 2007, which is higher than the national average of 10.0%.[25] As a result of this strong economic growth, the per capita disposable income of urban residents increased from RMB6,176 in 2000 to RMB13,715 in 2007, representing a CAGR of 12.1%.[26] This has helped to generate strong demand for properties in Chongqing, thus benefiting Chongqing Yingli.

B.6.3 Strategies And Future Plans



The goal of Chongqing Yingli is to build on the brand equity that it has already established in Chongqing and to grow its business by expanding into other cities and the commercial property segment. To achieve these business objectives, Chongqing Yingli plans to adopt the following strategies to drive its future growth and increase shareholder value.

Chongqing Yingli intends to continue to acquire prime land in key strategic locations

Chongqing Yingli intends to expand its initial land bank in Chongqing in the short term. However, in the medium to long term horizon, Chongqing Yingli would evaluate opportunities in other high growth PRC cities, particularly with geographical focus on Central and Western China. Chongqing Yingli believes this will help to reduce its exposure to market fluctuations in any particular regional market. The cities to be chosen for these projects will also be carefully selected, based on qualities such as economic growth, city positioning, location, availability of infrastructure, government relationships and profitability.

Chongqing Yingli will continue to acquire development sites in prime locations for future development at commercially viable prices, either through direct land acquisitions or through the acquisition of or joint ventures with other companies that own development sites so that it is able to maintain a land bank that is sufficient to support a development pipeline of three to five years on a rolling basis.

[23] Page D(I)-12 of the Market Research Report (under the Latest Land Transactions in Chongqing)
[24] Page D(I)-13 of the Market Research Report (under the Latest Land Transactions in Chongqing)
[25] Page D(I)-8 of the Market Research Report (under the GDP growth)
[26] Page D(I)-8 of the Market Research Report (under the Rising disposable incomes)

Chongqing Yingli intends to continue to leverage on its property development capabilities and premium brand equity

Chongqing Yingli believes that its property development capabilities rank alongside the premier property developers in the key economic regions of the PRC, especially in Chongqing. In addition, the Fortune Court Group is equipped with the requisite management abilities to undertake quality property developments. Leveraging on its reputation and brand name, Chongqing Yingli aims to continue to build and develop premium and high quality developments that will add value to its end users and may also enter into joint venture arrangements with companies that have expertise in a particular niche area of property development in order to broaden its expertise.

Chongqing Yingli intends to focus on up-market commercial property developments

Chongqing Yingli will maintain its core business focus on high-end commercial property market in the PRC and continue to build on its long-standing industry experience, market knowledge and brand equity.

Chongqing Yingli intends to achieve a balance between properties developed for sale and investment properties

An important part of Chongqing Yingli's long-term strategy is to achieve and maintain a diversified earnings base balance between development properties, which generates profit from selling completed properties versus investment properties which produces long term recurring income. This will enable Chongqing Yingli to enjoy capital appreciation opportunities in the future.

Chongqing Yingli intends to maintain a prudent capital structure so as to be well-positioned to acquire future land bank

One of the objectives for Chongqing Yingli is to continue to be financially stable and to possess the financial capital resources to capitalise on market opportunities. Adequate capital reserves will be maintained to fund the acquisition of development sites as and when suitable opportunities arise for Chongqing Yingli. It also intends to diversify its financing arrangements in the future by assessing the capital and debt markets where appropriate. It has a net gearing ratio[27] of 0.13 times as at 31 March 2008.

Chongqing Yingli intends to continue to forge strategic partnerships with other construction companies, consultants and investors

Chongqing Yingli intends to forge strategic partnerships with suppliers, property management and property sales so as to build strategic alliances with these business partners. As part of the Pre-RTO Investment, CMIA, through LFH, invested S$85 million in Fortune Court. CMIA's interest and involvement in Chongqing Yingli may pave the way for future collaborations or joint ventures for large development projects.

Chongqing Yingli intends to continue to follow international trends in the development of property, property management and general corporate governance

It intends to cultivate and foster a strong corporate culture and to further develop the skill sets of its employees through training and management programmes so as to increase their knowledge of the industry and to keep up with trends and developments. Chongqing Yingli also intends to actively engage its institutional investors, designers, suppliers, tenants and other professional advisers to understand the latest demands and expectations in the industry to better provide its services and build on its future designs and projects.

[27] Gearing is defined as Net Debt to Asset ratio. Calculations are based on Chongqing Yingli's 2007 audited financials.

Future Plans

The management of Chongqing Yingli intends to embark on the following projects (including the payment of land premiums, relocation fees and development costs):

(a) the International Financial Centre;

(b) the Lu Zu Temple Project;

(c) the Jingong Restaurant Project; and

(d) the Yubei Project.

Chongqing Yingli is also participating in discussions with the Chongqing municipal government on the redevelopment of certain areas in Chongqing's central business district, in particular the creation of a financial services hub with the development of several prime commercial buildings along a main street. Although these discussions are at a very preliminary stage, Chongqing Yingli's management is optimistic that Chongqing Yingli will be able to participate in these redevelopment plans.

Following the Sichuan earthquake that occurred on 12 May 2008, Chongqing Yingli intends to donate RMB10 million towards the construction of a primary school in Chongqing, to be funded from Chongqing Yingli's earnings for 2008.

B.7 DIRECTORS, KEY EXECUTIVE OFFICERS AND EMPLOYEES OF THE FORTUNE COURT GROUP

B.7.1 Directors And Key Executive Officers of the Fortune Court Group

Please refer to Section 13 entitled "Proposed Directors and Executive Officers" of this Circular for the particulars of the proposed directors and key executive officers of the Enlarged Group.

Please see below for details on the existing Directors and Key Executive Officers of the Fortune Court Group as at the Latest Practicable Date. Their past working experiences, areas of responsibility, qualifications and directorships held outside the Fortune Court Group for the past five years are set out below:

Mr Fang Ming has been a director of the Fortune Court Group since November 1996 and is the Chairman and the General Manager of Chongqing Yingli. He is responsible for the overall management of Chongqing Yingli's business. Prior to joining Chongqing Yingli, he was a sales manager at Chongqing Yunji Business Co., Ltd. from 1986 to 1992. He was a general manager of Chongqing Tiancheng from 1992 to 1997. He has also been the Executive Chairman of Chongqing Tiancheng since 1993. At the same time, in 1994, Mr Fang became the Chairman and general manager of Chongqing Yingli and was involved in the property business of the Company. In addition, he is, amongst others, the president of the Chongqing Yuzhong District Small Business Finance Improvement Association and the vice-president of the Real Estate Chamber of the Chongqing Federation of Industry and Commerce and a member of the Federation of Industry and Commerce. Mr Fang graduated from the Chongqing Broadcasting University, Management School, with a Bachelor of Science in 1987.

Mr Xie Xin has been a director of the Fortune Court Group since March 2008 and is the Senior Vice President, Corporate Finance and Investments, of Chongqing Yingli and Advisor to the Chairman of Chongqing Yingli. His Corporate Finance and Investments portfolio focuses on the external affairs of the Fortune Court Group. He is involved in the capital investments and corporate finance advisory work of Chongqing Yingli. Prior to joining Chongqing Yingli, he was a Business Director with Guotaijunan Securities Co., Ltd. from 2006 to 2007. He has worked as an assistant manager of the assurance and advisory team in KPMG from 2004 to 2006 and in Ernst & Young from 2000 to 2003. Mr Xie is a certified public accountant with the Chinese Institute of Certified Public Accountants. He graduated from Wuhan University with a Bachelor of Arts in Auditing in 2000.

Ms Xu Li has been a director of the Fortune Court Group since March 2008 and is the Senior Vice President, Finance and Accounting, of Chongqing Yingli and Advisor to the Chairman of Chongqing Yingli, and is responsible for the internal financial affairs and accounting functions of the Fortune Court Group. The Chief Financial Officer will report to her in her position as Finance Director of the Fortune Court Group. All payments and fees of the Fortune Court Group and all other financial decisions will ultimately be approved by Ms Xu Li jointly with Mr Fang Ming. Prior to joining Chongqing Yingli, Ms Xu was the assistant to the Chairman of Tongren Health Industry Group between 2004 and 2006. Prior to that, she was an assistant manager at KPMG in 2004 and a senior auditor at Ernst & Young from 2000 to 2003. Ms Xu is a certified public accountant with the Chinese Institute of Certified Public Accountants. She graduated from China Renmin University with a Bachelor of Accounting in 2000, and obtained a Masters in Accounting from the University of Illinois at Urbana-Champaign in 2008.

Mr Lee Chong Min has been a director of the Fortune Court Group since March 2008 and is the founder and Managing Partner of CMIA Capital Partners. Before setting up CMIA in 2003, he was the Business Head for Asia-Pacific Equities for Cargill Financial Services Pte. Ltd. ("**Cargill**") from 2001 to 2002 and from 1994 to 1998. From 1998 to 2000, Mr Lee was an active investor and held appointments in various businesses in the Internet & Communications Technology industry – Mr Lee was the Chief Executive Officer of Aretae Pte Ltd from 2001 to 2002 and an executive director at Pinnz Pte Ltd from 1999 to 2000. Prior to Cargill, from 1993 to 1994, Mr Lee was a fund manager at Commercial Union Asset Management Pte Ltd and responsible for Asian equity and fixed income investments. Prior to this, he was the Head of Equity & Equity Derivative Operations at J.P. Morgan Securities Asia Pte Ltd from 1992 to 1993. From 1991 to 1992, Mr Lee was a Manager of Regional Foreign Exchange & Money Market Operations at the Singapore branch of Morgan Guaranty Trust Company of New York Limited. Mr Lee has also co-founded several other private equity firms such as CMIA China Fund II Limited and WL Asia Capital Partners Limited. Mr Lee graduated with a Bachelor of Science degree from the National University of Singapore in 1991.

Mr He Zhao Ju @ Danny Ho has been a director of the Fortune Court Group since March 2008 and is a partner and Managing Director of CMIA Chongqing. Prior to joining CMIA, he was the Vice-President of GIC Special Investments from 2000 to 2006. From 1998 to 2000, he was in charge of the mergers and acquisitions business for China at Crosby Corporate Advisory. From 1997 to 1998, he was an Assistant Manager (Corporate Finance) at Rabobank International. Prior to this, Mr Ho was a Supervisor (Corporate Finance) at Price Waterhouse from 1996 to 1997. From 1994 to 1996 Mr Ho was an Investment Analyst at Brieley Investments. Mr Ho is also a Chartered Financial Analyst and a member of the Association for Investment Management and Research. He graduated from Otago University, New Zealand with a Bachelor of Commerce (double majors in Finance and Economics) in 1994.

Mr Gao Ying has been a director of the Fortune Court Group since January 2008 and the Finance Manager of Chongqing Yingli since 2006. From 2005 to 2006, he was the Finance Manager at Chongqing Zhonghong Real Estate Development Co., Ltd. He was a Finance Manager at Chongqing Honghua Real Estate Development Co., Ltd. from 2002 to 2005. From 1998 to 2002, Mr Gao was the Finance Manager at the Macau (Zhongshan) Mingjia Group. Prior to this, he was also the Financial Supervisor in the Chongqing Beyond Group from 1997 to 1998. He was previously an accountancy lecturer at the Chongqing No. 2 Light Industry School from 1993 to 1997. Mr Gao is a qualified accountant with the Ministry of Finance of the PRC. Mr Gao graduated from the Southwestern University of Finance and Economics with a degree in Accountancy in 1992.

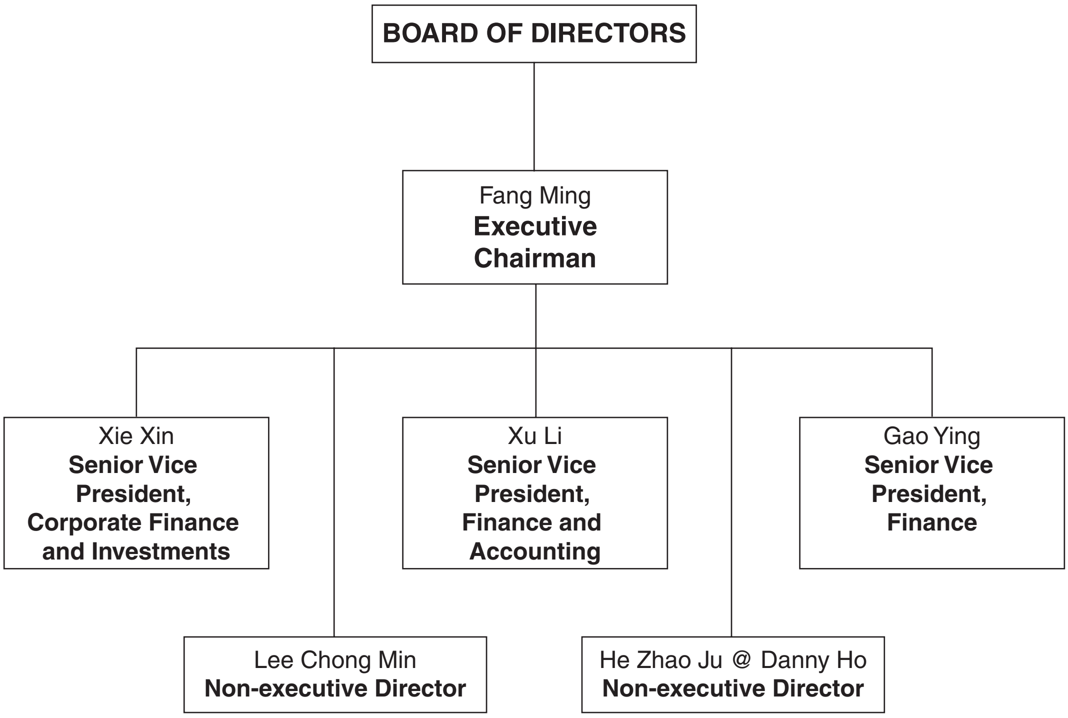
The present and past directorships of each of Fortune Court's directors and key executive officers (excluding directorships held in Fortune Court) are set out below:

Name	Present directorships	Past directorships
Fang Ming	Group Companies Chongqing Yingli	Group Companies Nil
	Other Companies Chongqing Tiancheng	Other Companies Nil
Xie Xin	Group Companies Nil	Group Companies Nil
	Other Companies Nil	Other Companies Nil
Xu Li	Group Companies Nil	Group Companies Nil
	Other Companies Nil	Other Companies Nil
Lee Chong Min	Group Companies Nil	Group Companies Nil
	Other Companies Ace Results Investments Limited Angsana Capital Partners Pte Ltd Arcasia Capital Partners Pte. Ltd. Becheliv Inc. Broad Cosmos Investments Ltd Century Energy Pte Ltd Changshu Everbright Material Technology China Luck Limited China Matrix Group Limited China Minzhong Holdings Limited China Minzhong Organic Food Corporation Pte. Ltd. CM Financial Services Limited CM Investment Advisers (Shanghai) Co Ltd CM Investment Management Limited CM IPO Ventures I Limited CM Mustard Seed Ventures Limited CM SG 15 Limited CM Strategic Holdings Limited CM Technology Ventures Limited CMIA Capital Partners Pte. Ltd. CMIA Capital Partners (Cayman) Limited CMIA CCF3 LIMITED CMIA China Fund II Limited CMIA Healthcare Pte. Ltd. CMIA Partners Equity Limited CMIA Sichuan Gift 2008 Limited CNMC Capital Pte. Ltd. Cody Sky Investments Limited Cosmos Galaxy Group Limited Darby Park Inc Donghaian Pte. Ltd. Dragon Point Limited	Other Companies Acelevel Group Limited Diraja Investments Limited Future Strategy Holdings Limited Just Communication Technologies (M) Sdn. Bhd NTAsia Discovery Fund Opentech Corporation Pte. Ltd. Radius-ED Pte. Ltd. Sino-Environment Technology Group Limited Twin Well Group Limited WAU Limited WestDelta Profits Limited

Name	Present directorships	Past directorships
	Eight-Eight Times Limited Everswift Holdings Limited Extra Right Investments Limited ForSuccess Holdings Limited FTZ Pte Ltd Good Speed International Limited Global Well Group Limited Green Lead Pte Ltd Haiyang Holdings Pte Ltd Harbour Full International Limited High Focus International Limited Huge Big Group Limited Justcom Technologies Pte. Ltd. Kelai Geothermal Holdings Pte Ltd Leap Forward Holdings Ltd Mega Bond International Limited Midsouth Holdings Limited New Oscar Limited Noble High Limited Ponte & Partners Pte. Ltd. RightLevel Investments Limited Right Treasure Limited Sino Run Group Limited Snowy River Limited Solitaire Capital Management Limited Speedy Gain International Limited Special Result Limited Stable International Limited Superb Team Limited Three Circles Pte Ltd WL Asia Capital Absolute Returns Fund WL Asia Capital Management (BVI) Limited WL Asia Capital Partners Pte. Ltd. WL Asia Capital Partners Limited (BVI) WL Asia Capital Partners Limited (Hong Kong) WL Asia Infrastructure Fund WL Asia IPO Ventures I Limited WL Asia IPO Ventures II Limited WLCM Mezzanine Ventures I Limited YTC Networks Pte. Ltd. Zhongkang Holdings Pte. Ltd. Zhong Nan Holdings Limited Zinglabs Pte. Ltd.	
He Zhao Ju @ Danny Ho	Group Companies Nil Other Companies Leap Forward Holdings Ltd Chongqing Zhong Kang Pte Ltd CMIA Healthcare Pte Ltd DH Investments Pte Ltd	Group Companies Nil Other Companies Nil
Gao Ying	Group Companies Nil Other Companies Nil	Group Companies Nil Other Companies Nil

B.7.2 Management Reporting Structure Of The Fortune Court Group

The following chart shows the Fortune Court Group's management reporting structure as at the Latest Practicable Date:



B.7.3 Remuneration

The compensation paid or payable to each of Fortune Court's directors and key executive officers for services rendered in their respective capacities for FY2006, FY2007 and estimated for FY2008, in bands of S$250,000 per annum, are set out as follows:

	FY2006	FY2007	FY2008 (estimated)
Fortune Court Directors			
Fang Ming	N/A	N/A	Band II
Gao Ying	N/A	N/A	Band I
Xie Xin	N/A	N/A	Band I
Xu Li	N/A	N/A	Band I
Lee Chong Min	N/A	N/A	Band I
He Zhao Ju @ Danny Ho	N/A	N/A	Band I

Notes:

Band I : Compensation of between S$1 to S$250,000 per annum
Band II : Compensation of between S$250,001 to S$500,000 per annum
N/A : Not applicable

B.7.4 Staff

The functional distribution of full-time employees of the Fortune Court Group over the last three financial years and the financial period ended 30 June 2008 was as follows:

	FY2005	FY2006	FY2007	As at 30 June 2008
Management[1]	7	7	7	9
Administrative	11	12	13	13
Technical	35	36	38	38
Production and Development	5	5	5	5
Sales	8	10	9	9
Total	66	70	72	74

Notes:

(1) Directors and key executive officers of Fortune Court are classified under "Management".

As at 30 June 2008, Fortune Court Group had 74 full-time employees and does not employ workers on a temporary basis. However, from time to time, when the need arises, contract workers may be employed to help handle an increased workload.

The employees of the Fortune Court Group participate in labour unions which represent the employees of the company. The relationship between the management of the Fortune Court Group and employees is good and there have been no industrial disputes with the employees since the Fortune Court Group commenced operations.

B.8 INTERESTED PERSON TRANSACTIONS

In general, transactions between the Fortune Court Group, its subsidiaries or its associated companies and any of its interested persons (namely, the Fortune Court Group's directors, key executive officers, Controlling Shareholders and/or their associates) are known as interested person transactions.

The following discussion sets out the material interested person transactions for the last two financial years ended 31 December 2006 and 2007 and the period from 1 January 2008 up to the Latest Practicable Date based on Fortune Court's transactions with interested persons as construed accordingly.

INTERESTED PERSONS

Mr Fang Ming

Mr Fang Ming is the Chairman and General Manager of Chongqing Yingli. He is also a Director and substantial shareholder of Fortune Court. Mr Fang Ming is also a director of Chongqing Tiancheng.

Chongqing Tiancheng Industrial (Group) Co., Ltd (重庆天成实业（集团）有限公司)

Chongqing Tiancheng is a company incorporated on 27 September 1996 in the PRC and is an investment holding company. Mr Fang Ming is the deemed Controlling Shareholder of Chongqing Tiancheng. He is also one of its directors and its legal representative.

Chongqing Jingli Property Development Co., Ltd. (重庆市靖立物业发展有限责任公司)

Chongqing Jingli is a company incorporated on 16 October 1996 in the PRC and is primarily engaged in property management services. The registered capital of Chongqing Jingli is contributed by three companies and four individuals, each contributing no more than 23.33% of the total registered capital. One of its directors is Mr Yang Fang Heng, who is also its legal representative. As at the end of FY2007, Mr Fang Ming controlled Chongqing Jingli through the respective companies that held interest in the registered capital in Chongqing Jingli and the various natural persons who are his relatives. However, as at the Latest Practicable Date, the portion of interest in the registered capital controlled by Mr Fang Ming in Chongqing Jingli has been transferred to an independent third party.

Save as disclosed in this Circular, none of Fortune Court's directors, key executive officers, Controlling Shareholders and/or their associates thereof was or is interested, whether directly or indirectly, in any material transaction undertaken by Fortune Court within the last three financial years ended 31 December 2005, 2006 and 2007 and for the period from 1 January 2008 up to the Latest Practicable Date.

B.8.1 Past Interested Person Transactions

Shareholder loans due from Chongqing Tiancheng, Chongqing Jingli and Baijiang to Chongqing Yingli

As part of the business and working capital requirements of Chongqing Yingli as a property development company, Chongqing Yingli and Chongqing Tiancheng and Baijiang, companies managed by Mr Fang Ming, make and receive advances from each other. Similarly, Chongqing Yingli and Chongqing Jingli, both companies in which Mr Fang Ming is the controlling shareholder as at the end of FY2007, also make and receive advances from each other as part of the working capital requirements for Chongqing Yingli. Such advances constitute rent collected on behalf of Chongqing Yingli and held by Chongqing Jingli.

As at the Latest Practicable Date, the portion of interest in the registered capital controlled by Mr Fang Ming in Chongqing Jingli has been transferred to an independent third party. Thus, Chongqing Jingli is no longer an interested person or an associate of an interested person within the meaning of the Listing Manual. Baijiang, a subsidiary of Chongqing Tiancheng, is also currently undergoing liquidation. Please see Section B.9 "Conflicts of Interest" of this Circular for further details.

As at the Latest Practicable Date, the remaining amounts that have yet to be repaid by Chongqing Tiancheng, Chongqing Jingli and Baijiang to Chongqing Yingli were RMB17,105,887.38, RMB7,388,757.80 and RMB1,250,614.38 respectively. The loans were unsecured, interest-free and repayable on demand. The transaction was between related entities and not on an arm's length basis. The largest amount outstanding during the last three financial years ended 31 December 2005, 2006 and 2007 and from 1 January 2008 up to the Latest Practicable Date was RMB17,105,887.38.

As at the Latest Practicable Date, the total remaining amount owing by Chongqing Tiancheng, Chongqing Jingli and Baijiang was approximately RMB25,745,259.56 and shall be repaid by Mr Fang Ming in cash prior to the completion of the Acquisition.

Chongqing Yingli does not intend to receive or make any advances to Chongqing Tiancheng, Chongqing Jingli or Baijiang in the future.

Property management services provided by Chongqing Jingli

Since 1996, Chongqing Jingli has been providing property management services in respect of properties developed by Chongqing Yingli. Management fees are typically charged to owners/tenants of units in those properties although they may be charged to Chongqing Yingli where the units have not been sold or rented out. However, for FY2005, FY2006, FY2007 and between 1 January 2008 and the Latest Practicable Date, Chongqing Jingli has not charged any fees to Chongqing Yingli in respect of property management services. Upon completion of the Acquisition, Chongqing Yingli may continue procuring property management services from Chongqing Jingli and will be charged the usual property management fees by Chongqing Jingli at an arm's length and based on market practice.

As at the Latest Practicable Date, the portion of the interest the registered capital controlled by Mr Fang Ming in Chongqing Jingli has been transferred to an independent third party. The transfer is based on privately agreed commercial terms and the third party transferee is a PRC natural person that is unrelated whatsoever in any way to Mr Fang Ming or any companies to which he controls. Thus, Chongqing Jingli is no longer an interested person or an associate of an interested person within the meaning of the Listing Manual.

B.8.2 Present And On-Going Interested Person Transactions

Loan due from Fortune Court to Mr Fang Ming

As part of the financing for Fortune Court's investments in its subsidiaries, Chongqing Yingli and Baijiang (currently undergoing liquidation. Please refer to Section B.9 entitled "Conflicts of Interest" of this Circular for further details.), Mr Fang Ming extended approximately US$1.73 million in aggregate to Fortune Court as a shareholder's loan. As at the Latest Practicable Date, the loan has yet to be repaid by Fortune Court. This loan was unsecured, interest-free and repayable on demand. The transaction was between related entities and not on an arm's length basis.

Mr Fang Ming has undertaken not to seek repayment of the above loan for the period commencing from the date of completion of the RTO to the date falling 12 months after the RTO and has agreed that thereafter, any repayment will be subject to the approval of the Audit Committee, according to the cashflow and operating requirements of the Company and its subsidiaries.

Guarantee provided by the Fortune Court Group's Controlling Shareholder and Director, Mr Fang Ming for loans to Chongqing Yingli

In 2006, Chongqing Yingli entered into four separate loan contracts with the Chongqing Commercial Bank, pursuant to which the Chongqing Commercial Bank granted loans of an aggregate of RMB180,000,000 to Chongqing Yingli. The loans under two of the contracts, which matured on 28 February 2008 and 27 March 2008 respectively and amount to an aggregate of RMB95 million, have since been repaid. The interest rate on these loans was 0.71175% per month. The parties subsequently entered into loan extension contracts in respect of the remaining two loans on 29 September 2007 to extend the repayment period of the loans for another year.

The loans were on an arm's length basis and were taken by Chongqing Yingli in the ordinary course of its business for the Future International Building project. The loans were secured by a mortgage over property, a corporate guarantee provided by Chongqing Yingli and a personal guarantee provided by Mr Fang Ming. The interest rate on the loans still outstanding was 7.956% per annum for the period 22 September 2006 to 29 September 2007 and 7.8975% per month for the subsequent period from 29 September 2007 to 29 August 2008.

The largest amount outstanding is approximately RMB159,880,000 for the last three financial years ended 31 December 2005, 2006 and 2007 and for the period 1 January 2008 up to the Latest Practicable Date. As at the Latest Practicable Date, the amount still outstanding was RMB85,000,000 and this will be fully repaid by 29 August 2008 when the loans mature.

B.9 CONFLICTS OF INTEREST

Save as disclosed below and in Section B.8 entitled "Interested Person Transactions" of this Circular, none of Fortune Court's directors, controlling shareholders, key executive officers and/or any of their associates has any material interest, whether direct or indirect, in:

(i) any material transactions to which Fortune Court was or is a party;

(ii) any corporation which carries on the same business or deals in similar products as the existing business of Fortune Court; and

(iii) any enterprise or company that is Fortune Court's customer or supplier of goods or services.

Baijiang is a company incorporated on 8 October 1998 in the PRC and is primarily engaged in property development. Its shareholders are Chongqing Tiancheng (75%) and Fortune Court (25%), which are companies controlled by Mr Fang Ming, the Executive Chairman of Chongqing Yingli, who is also the legal representative of Baijiang. Mr Fang Ming has undertaken to procure the liquidation of Baijiang and has, as at 11 June 2008, initiated the process of liquidation, which is expected to be completed in a few months. The directors of Fortune Court are of the opinion that there would be no conflict of interest in respect of Baijiang upon the completion of its liquidation.

B.10 FORTUNE COURT DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the directors of Fortune Court, and they collectively and individually accept full responsibility to the Company and the Shareholders and the Company's advisors for the truth and accuracy of the information contained in the "Letter to Shareholders from the Board of Directors of Fortune Court", Sections 2 and 3 entitled "Material Contracts of the Fortune Court Group" and "Material Litigation of the Fortune Court Group" in Appendix A of this Circular and all information given in this Circular in respect of the Acquisition, Fortune Court, the Fortune Court Group and the Enlarged Group.

The directors of Fortune Court also confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading and that this Circular constitutes full and true disclosure of all material facts in relation to the Acquisition, Fortune Court, Chongqing Yingli, the Fortune Court Group and the Enlarged Group.

B.11 OTHER INFORMATION

Please see Appendix A for more information on the material contracts entered by the Company, the material contracts entered into by the Fortune Court Group and the material litigation of the Fortune Court Group.

Yours faithfully
For and on behalf of the board of directors of Fortune Court

Fang Ming
Executive Chairman

1. MATERIAL CONTRACTS OF THE COMPANY

The following contracts, not being contracts entered into in the ordinary course of business of the Company and its subsidiaries (as the case may be), have been entered into by the Company and its subsidiaries (as the case may be) within the two years preceding the Latest Practicable Date and are or may be material:

(a) the investment agreement dated 8 August 2007 entered into between the Company, the Other PRC Cos and Fortune Court, and Chongqing Yingli;

(b) the option agreement dated 8 August 2007 entered into between the Company, Mr Fang Ming and Chongqing Tiancheng, Chongqing Tiancheng Passenger Motor Co., Ltd. and Chongqing Jingli Property Development Co., Ltd.;

(c) the investment supplemental agreement dated 29 August 2007 entered into between the Company, the Other PRC Cos and Fortune Court, and Chongqing Yingli;

(d) the option supplemental agreement dated 30 August 2007 entered into between the Company, Mr Fang Ming and the Other PRC Cos;

(e) the S&P Agreement dated 7 July 2008 entered into between the Company and the Vendors; and

(f) the Business Transfer Agreement dated 7 July 2008 entered into between the Company and Showy Pte. Ltd.

2. MATERIAL CONTRACTS OF THE FORTUNE COURT GROUP

The following contracts, not being contracts entered into in the ordinary course of business of Fortune Court and its subsidiaries (as the case may be), have been entered into by Fortune Court and its subsidiaries (as the case may be) within the two years preceding the Latest Practicable Date and are or may be material:

(a) the Redeemable Loan Stock Subscription Agreement dated 3 January 2008 entered into between Fortune Court and LFH;

(b) the Redeemable Loan Stock Subscription Agreement dated 6 January 2008 entered into between Fortune Court and the Tan Brothers; and

(c) the Redeemable Loan Stock Supplemental Agreements dated 26 May 2008 and 7 July 2008 entered into between Fortune Court and LFH, and between Fortune Court and the Tan Brothers.

3. MATERIAL LITIGATION OF THE FORTUNE COURT GROUP

Save as disclosed below, the Fortune Court Group has not, in the past 12 months before the date of this Circular, been engaged in any litigation either as plaintiff or defendant in respect of any claims or amounts which are material in the context of the Acquisition, and the directors of Fortune Court have no knowledge of any proceedings pending or threatened against any of the companies in the Fortune Court Group or any facts likely to give rise to any litigation, claims or proceedings which might have a material effect on the financial position or profitability of the Fortune Court Group.

4. MISCELLANEOUS

(a) There have been no public takeovers by third parties in respect of the Company's Shares or by the Company in respect of other companies' shares or units of a business trust which have occurred from 1 January 2008 to the Latest Practicable Date.

(b) No expert is engaged on a contingent basis by the Company or its subsidiaries, or has a material interest, whether direct or indirect, in the Company's Shares, the shares of its subsidiaries or has a material economic interest whether direct or indirect, in the Company, including an interest in the success of the RTO.

(c) Except as disclosed in this Circular, no event has occurred from 1 January 2008 to the Latest Practicable Date which may have a material effect on the financial position and results of the Enlarged Group.

(d) No significant trading suspension has occurred on the SGX-ST or other overseas securities exchange during the three years immediately preceding the Latest Practicable Date.

5. CONSENTS

(a) Foo Kon Tan Grant Thornton has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the Chongqing Yingli Real Estate Development Co Ltd Audited Financial Statements for the Financial Years Ended 31 December 2005, 2006 and 2007 referred to in Appendix B(I) of this Circular and the Chongqing Yingli Real Estate Development Co Ltd Unaudited Interim Financial Statement for the Period 1 January 2008 to 31 March 2008 referred to in Appendix B(II) of this Circular in the form and context in which they appear in this Circular and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

(b) EYCF has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the Independent Financial Adviser's advice in respect of the Interested Person Transactions and the Whitewash Waiver and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

(c) Jones Lang LaSalle Sallmanns has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the Market Research Report and the Valuation Report and references to its name in the form and context in which it appears in this Circular and to act in such capacity in relation to this Circular.

(d) The Financial Adviser, the Share Registrar and Share Transfer Office, the Auditors and Reporting Accountants to Chongqing Yingli, the Legal Adviser to the Company in respect of the Acquisition, the Legal Adviser to the Company in respect of PRC laws, the Legal Adviser to the Company in respect of Hong Kong laws, the Legal Adviser to J.P. Morgan, the Legal Adviser to J.P. Morgan in respect of PRC laws, the Independent Financial Adviser in respect of the Interested Person Transactions and the Whitewash Resolution, the Valuer and the Principal Bankers to the Company have each given and have not withdrawn their respective written consents to the issue of this Circular with the inclusion herein of their respective names and references to their respective names in the forms and context in which they respectively appear in this Circular and to act in such respective capacities in relation to this Circular.

5. DOCUMENTS FOR INSPECTION

The following documents may be inspected at the registered office of Showy International Limited at No. 35 Sungei Kadut Street 4, Singapore 729057 during normal business hours for a period of six months from the date of this Circular:

(a) The Memorandum and Articles of Association of Fortune Court;

(b) The S&P Agreement;

(c) The Business Transfer Agreement;

(d) The audited financial statements of Chongqing Yingli for the financial years ended 31 December 2005, 2006 and 2007;

(e) The unaudited interim financial statement of Chongqing Yingli for the period 1 January 2008 to 31 March 2008;

(f) The report on examination of unaudited pro forma consolidated financial statements of the Enlarged Group for the financial year ended 31 December 2007;

(g) The letters of consent referred to in section 5 of Appendix A to this Circular;

(h) The letter from EYCF included in Appendix C to this Circular;

(i) The market research report included in Appendix D(I) to this Circular; and

(j) The valuation report included in Appendix D(II) to this Circular.

Financial Statements

Chongqing Yingli Real Estate Development Co., Ltd.

For the years ended 31 December 2005, 2006 and 2007
(Prepared under International Financial Reporting Standards)

Contents

Statement by directors

In the opinion of the directors,

(a) the accompanying financial statements of the Company, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2005, 31 December 2006 and 31 December 2007 and of the results of the business, changes in equity and cash flows of the Company for the financial years ended 31 December 2005, 31 December 2006 and 31 December 2007; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

Fang Ming

Xie Xin

Dated: 4 September 2008

Independent auditors' report to the members of
Chongqing Yingli Real Estate Development Co., Ltd.

We have audited the accompanying financial statements of Chongqing Yingli Real Estate Development Co., Ltd. which comprise the balance sheet as at 31 December 2005, 2006 and 2007 the income statement, statement of changes in equity and cash flow statement for the years then ended, and a summary of significant accounting policies and other explanatory notes.

These financial statements have been prepared for the inclusion in the circular to the shareholders of Showy International Limited ("Showy") in connection with the proposed acquistion of the entire issued and paid-up share capital of the Company for a purchase consideration of S$545,395,762 to be satisfied by the allotment of and issue of 1,652,714,429 ordinary shares of S$0.33 each in the capital of Showy. This report is made solely to you, as a body, and no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

<u>Management's Responsibility for the Financial Statements</u>

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

<u>Auditors' Responsibility</u>

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report to the members of
Chongqing Yingli Real Estate Development Co., Ltd. (cont'd)

Opinion

In our opinion, the financial statements are properly drawn up in accordance International Financial Reporting Standards so as to present fairly the state of affairs of the company as at 31 December 2005, 2006 and 2007 and the results, changes in equity and cash flows of the company for the year ended on that date.

Foo Kon Tan Grant Thornton
Certified Public Accountants
Singapore

Chin Sin Beng
Partner in charge of the audit

Dated: 4 September 2008

Balance sheet

	Note	**31 December 2007 RMB**	31 December 2006 RMB	31 December 2005 RMB
ASSETS				
Non-Current Assets				
Property, plant and equipment	5	**3,291,142**	1,858,122	1,975,600
Investment properties	6	**1,330,407,000**	488,658,581	131,833,830
Land for development	7	**203,706,310**	109,610,494	367,787,033
		1,537,404,452	600,127,197	501,596,463
Current Assets				
Development properties	8	**31,599,710**	166,120,211	26,462,217
Trade and other receivables	9	**24,011,134**	42,478,487	23,812,936
Amounts owing by a shareholder	10	**75,654,564**	–	–
Amounts owing by related parties	11	**7,490,807**	–	–
Cash at bank - restricted	12	**12,091,948**	12,346,492	10,874,487
Cash and cash equivalents	13	**21,301,183**	87,680,197	73,572,353
		172,149,346	308,625,387	134,721,993
Total assets		**1,709,553,798**	908,752,584	636,318,456
EQUITY AND LIABILITIES				
Capital and Reserves				
Capital contribution	14	**25,025,720**	25,025,720	25,025,720
Statutory common reserve		**464,432**	–	–
Retained profits		**777,726,100**	98,096,828	71,163,325
		803,216,252	123,122,548	96,189,045
Non-Current Liabilities				
Deferred taxation	21	**203,290,746**	–	–
Bank borrowings	18	**213,140,000**	131,000,000	136,900,000
		416,430,746	131,000,000	136,900,000
Current Liabilities				
Trade and other payables	17	**178,918,305**	353,418,398	243,646,045
Amounts owing to holding company	15	–	11,292,763	1,694,661
Amounts owing to related party	16	–	3,357,871	–
Provision for taxation		**54,648,495**	43,431,004	24,038,705
Bank borrowings	18	**256,340,000**	243,130,000	133,850,000
		489,906,800	654,630,036	403,229,411
Total equity and liabilities		**1,709,553,798**	908,752,584	636,318,456

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Income statement

	Note	**Year ended 31 December 2007 RMB**	Year ended 31 December 2006 RMB	Year ended 31 December 2005 RMB
Revenue	4	**245,929,899**	228,596,790	98,131,289
Cost of sales		**(167,879,166)**	(150,959,163)	(71,512,761)
Gross profit		**78,050,733**	77,637,627	26,618,528
Other income		**13,133**	–	–
Reversal of depreciation of investment properties	6	**21,553,048**	–	–
Selling expenses		**(6,311,531)**	(6,546,775)	(3,860,539)
Administrative expenses		**(8,640,000)**	(22,726,700)	(9,096,165)
Fair value gain on investment properties	6	**813,162,988**	–	–
Finance costs	19	**(328,452)**	(93,506)	(154,739)
Profit before taxation	20	**897,499,919**	48,270,646	13,507,085
Taxation	21	**(217,406,215)**	(21,337,143)	(5,957,516)
Profit for the year attributable to shareholders		**680,093,704**	26,933,503	7,549,569

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Statement of changes in equity

	Capital contribution RMB	Common reserve RMB	Retained profits RMB	Total RMB
Balance as at 1 January 2005	25,025,720	–	63,613,756	88,639,476
Net profit for the year	–	–	7,549,569	7,549,569
Balance as at 31 December 2005	25,025,720	–	71,163,325	96,189,045
Net profit for the year	–	–	26,933,503	26,933,503
Balance as at 31 December 2006	**25,025,720**	**–**	**98,096,828**	**123,122,548**
Transfer to common reserve	–	**464,432**	**(464,432)**	**–**
Net profit for the year	–	**–**	**680,093,704**	**680,093,704**
Balance as at 31 December 2007	**25,025,720**	**464,432**	**777,726,100**	**803,216,252**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Cash flow statement

	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Year ended 31 December 2005 RMB
Cash Flows from Operating Activities			
Profit before taxation	**897,499,919**	48,270,646	13,507,085
Adjustments for:			
Depreciation of property, plant and equipment	**733,256**	581,520	887,552
Depreciation of investment properties	**–**	17,007,054	4,545,995
Loss on disposal of property, plant and equipment	**–**	–	550,378
Transfer to income statement on adoption of fair value model	**(21,553,048)**	–	–
Fair value gain on investment properties	**(813,162,988)**	–	–
Interest expense	**328,452**	93,506	154,739
Operating profit before working capital changes	**63,845,591**	65,952,726	19,645,749
(Increase) in investment properties	**(7,032,383)**	(373,831,806)	–
Decrease in development properties	**166,526,321**	194,784,638	455,939,767
(Increase) in land for development	**(94,095,816)**	(50,858,403)	(367,787,034)
Decrease/(Increase) in trade and other receivables	**18,467,353**	(18,665,551)	2,247,095
(Decrease)/Increase in trade and other payables	**(177,857,964)**	113,130,224	(82,306,009)
Cash (used in)/generated from operations	**(30,146,898)**	(69,488,172)	27,739,568
Interest paid	**(32,334,272)**	(25,501,195)	(15,090,138)
Income tax paid	**(2,897,978)**	(1,944,844)	(2,874,870)
Net cash (used in)/generated from operating activities	**(65,379,148)**	(96,934,211)	9,774,560
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	**(2,166,276)**	(464,042)	(18,049)
Net cash (used in) investing activities	**(2,166,276)**	(464,042)	(18,049)
Cash Flows from Financing Activities			
Bank guarantee subject to restriction	**254,544**	(1,472,005)	(10,874,487)
Bank loans obtained	**95,350,000**	109,280,000	77,550,000
Advance to holding company	**(75,654,564)**	–	–
Advance to related company	**(7,527,467)**	–	–
Advance from related company	**36,660**	–	–
Advance from holding company	**–**	9,598,102	1,694,661
Repayment to holding company	**(11,292,763)**	–	–
Repayment of bank loan	**–**	(5,900,000)	(38,850,000)
Net cash generated from financing activities	**1,166,410**	111,506,097	29,520,174
Net (decrease)/increase in cash and cash equivalents	**(66,379,014)**	14,107,844	39,276,685
Cash and cash equivalents at beginning of year	**87,680,197**	73,572,353	34,295,668
Cash and cash equivalents at end of year (Note 13)	**21,301,183**	87,680,197	73,572,353

During the financial year ended 31.12.2007 the company acquired property, plant and equipment with an aggregate cost of RMB2,166,276 (2006 - RMB464,042 and 2005 - RMB18,049). Cash payments of RMB2,166,276 (2006 - RMB464,042 and 2005 - RMB18,049) were made to purchase property, plant and equipment.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the financial statements

1 General information

The registered office is located at Chong Qing Yu Zhong District Min Sheng Road No.181A Storey 4, People's Republic of China ("PRC").

The company was incorporated as a limited liability company and domiciled in the PRC. The company was incorporated on 3 November 1993.

The immediate and ultimate holding company is Chongqing Tiancheng Industrial (Group) Co., Ltd, a company incorporated in the PRC.

The principal activity of the company is development of residential and commercial properties.

2(a) Basis of preparation

The company maintains its accounting records and prepares statutory financial statements in accordance with accounting standards and regulations of the PRC GAAP.

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates, if any, are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and area involving a high degree of judgements are described below:

Critical assumptions used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be approximately 5 years. The carrying amount of the company's property, plant and equipment as at 31 December 2007 is RMB3,291,142 (2006 RMB1,858,122 and 2005 RMB1,975,600), Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

2(a) Basis of preparation (cont'd)

Income tax

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Land appreciation tax

All income from sale of properties in the PRC is subject to Land Appreciation Tax ("LAT") at progressive rates under PRC tax laws and regulations. The management estimates and provides for LAT in accordance with the PRC tax laws and regulations.

Critical judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, which are described in Note 3, management had made the following judgement that have the most significant effect on the amounts recognised in the financial statements:

Impairment of plant and equipment

The company assesses annually whether plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Carrying value of development properties

Significant judgement is required in assessing the recoverability of the carrying value of development properties. Analysis has been carried out based on assumptions regarding the selling price and costs of residential properties. Barring unforeseen circumstances, the carrying amount of the development properties as reflected in the balance sheet will be recoverable.

Valuation of investment properties

As disclosed in Note 6 to the financial statements, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based this on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the method of valuation is reflective of current market conditions.

2(b) Interpretations and amendments to published standards effective in 2007

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements - Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the company's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the company's financial statements.

2(b) Interpretations and amendments to published standards effective in 2007 (cont'd)

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the company's financial statements.

IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'; and IFRIC 9, 'Reassessment of embedded derivative'. The standard does not have any impact on the company's financial statements.

2(c) IFRS not effective

1) *The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods, but the Company has not adopted early:*

IAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company will apply IAS 23 (Revised) from 1 January 2009.

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company will apply IFRS 8 from 1 January 2009, but it is not expected to have a significant impact on the Company's financial statements.

IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Company's financial statements.

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). This will result in changes to the presentation of the Company's financial statements as the format currently adopted for the statement of changes in equity will no longer be permitted. Instead the Company will present a statement of comprehensive income combining the existing income statement with other income and expenses currently presented as part of The Statement of Changes in Equity. In addition, the Company will present separate statement of Changes in Equity showing owner in Equity.

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). IFRS 3 replaces the previous IFRS 3 (2004). The new IFRS prescribes methods of accounting for business combination and measurement of non-controlling interest, goodwill on acquisition and the loss of control of subsidiaries. The Company will apply IFRS 3 from 1 January 2009.

2) *The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Company's operations:*

2(c) IFRS not effective (cont'd)

IFRIC 11, 'IFRS 2 - Group and treasury share transactions' (effective from 1 January 2008), provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent and group companies. This interpretation does not have any impact on the Company's financial statements.

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Company's operations because the company does not provide for public sector services.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the company's operations because the company does not operate any loyalty programmes.

2(d) Effects of changes in accounting policy

During the financial years 2005 and 2006 the company reflected its investment property at cost less accumulated depreciation as per IAS 40 cost method. However, from 1 January 2007 the company has changed its accounting policy to fair value model by replacing the cost model. The directors believe that the change from cost model to fair value model results in a more appropriate presentation.

From 1 January 2007 the fair value gain and losses on investment property is recognised in the income statement as disclosed in note 20.

According to IAS 40 - Investment Property, the fair value of the investment property represent the present value of future rental income or capital gains or both.

According to IAS 12 - since this revaluation does not effect the taxable profit of the current period, the tax base of the asset is not adjusted. Nevertheless, the future recovery of the carrying amount will result in a taxable flow of economic benefits to the entity and the amount that will be deductible for tax purposes will differ from the amount of those economic benefits. The difference between the carrying amount of a revalued asset and its tax base is a temporary difference and gives rise to a deferred tax liability or asset. This is true even if:

(a) the entity does not intend to dispose of the asset. In such cases, the revalued carrying amount of the asset will be recovered through use and this will generate taxable income which exceeds the depreciation that will be allowable for tax purposes in future periods; or

(b) tax on capital gains is deferred if the proceeds of the disposal of the asset are invested in similar assets. In such cases, the tax will ultimately become payable on sale or use of the similar assets.

The company has made a deferred tax provision of RMB 203,290,746 at 25% (PRC enterprise tax rate) on revaluation gains of investment property amounting to RMB 813,162,988 as at 31.12.2007. Had there been no deferred tax provision, the financial effects are as follows:

2(d) Effects of changes in accounting policy (cont'd)

	As stated after provision for deferred tax RMB	(Decrease)/ Increase RMB	Without considering the deferred tax provision in 2007 RMB
Income statement			
Taxation	(217,406,215)	203,290,746	(14,115,469)
Profit attributable to shareholders	680,093,704	203,290,746	883,384,450
Balance Sheet			
Deferred taxation	203,290,746	(203,290,746)	–
Retained profits	777,726,100	203,290,746	981,016,846
Net tangible assets	803,216,252	203,290,746	1,006,506,998

3 Summary of significant accounting policies

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Office furniture & equipment	5 years
Motor vehicles	5 years
Computer	5 years

The residual values and useful lives of properties, plant and equipment are reviewed, and adjusted as appropriate at each balance sheet date. The useful life and depreciation method are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of properties, plant and equipment.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Company and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month after acquisition and to the month of disposal respectively.

Fully depreciated property, plant and equipment, if any, are retained in the books of accounts until they are no longer in use.

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both is classified as investment property.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers. Changes in fair values are recognised in the income statement.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to the income statement. The cost of maintenance, repairs and minor improvement is charged to the income statement when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the income statement.

Land for development

Land for development are mainly land pending for development, which are stated at cost less provision for impairment in value made by directors, embrace all land acquired pending any definite intention whether to develop it for long term retention or for sale. When the intention is clear and action initiated, land to be developed for long term retention is reclassified as investment properties whereas land to be developed for sale and expected to be realized in the normal course of the company's property development cycle is reclassified as development properties under current assets.

Development properties

Development properties held for sale are recorded as current assets and are stated at specifically identified cost, including capitalised borrowing costs directly attributable to the development of the properties, aggregate cost of development, materials and supplies, wages and other direct expenses, less any allowance considered necessary by the directors. Development properties held for sale are stated at the lower of cost and their estimated net realisable value. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate is determined by reference to the actual rate payable on borrowings for development property, weighted as applicable.

Financial assets

Financial assets, other than hedging instruments, if any, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit and loss is not revocable.

All financial assets are recognised on their trade date - the date on which the company commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets (cont'd)

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The company does not have any investments and accordingly, there are no investments to be designated as assets held-to-maturity and available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets, if any.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less provision for impairment. Any change in their value is recognised in income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the income statement.

Receivables are provided against when objective evidence is received that the company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loans and receivables include trade and other receivables, and related-party balances.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with a short maturity of three months or less.

Related parties

Related parties are entities with one or more common direct/indirect shareholders and/or directors and in which one party has the ability to control or exercise significant influence over the other party in financial and operating decision making.

Financial liabilities

The company's financial liabilities include bank borrowings, trade and other payables and related party balances.Financial liabilities are recognised when the company becomes a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance costs" in the income statement.

Bank borrowings are raised for support of long-term funding of the company's operations. They are recognised at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables are recognised at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Borrowing costs

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method except for those costs that are directly attributable to borrowings acquired specifically for the construction or development of properties. The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investments of these borrowings, are capitalised in the cost of the property under development.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date. Borrowings to be settled within the Company's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

Employee benefits

Pension obligations

The company participates in the defined contribution national pension and other welfare schemes as provided by the laws in PRC. The contributions to these schemes are charged to the income statement in the period to which the contributions relate.

Key management

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and general managers are considered key management personnel.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income taxes

The liability method of tax effect accounting is adopted by the company. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from rental is recognised upon the acceptance of the tenancy.

Revenue and profit from sale of development properties is recognised on the completion of construction method.

Impairment of non-financial assets

The carrying amounts of the company's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is defined as the higher of value in use and net selling price.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include intangible assets, if any, with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

Any impairment loss is charged to the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Functional currency

Items included in the financial statements of the company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the company ("the functional currency"). The financial statements of the company are presented in RMB, which is also the functional currency of the company.

Conversion of foreign currencies

Monetary items

Foreign currency monetary items measured at fair value are translated into the functional currency at rates of exchange closely approximating those ruling at balance sheet date.Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Except for the situation described below, exchange differences arising from such transactions are recorded in the income statement in the period in which they arise.

Non-monetary items

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognized in the income statement, such as equity investments held at fair value through profit or loss or investment properties carried at fair value, are reported as part of the fair value gains or losses in "other gains/losses - net".

Changes in the fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analysed into currency translation differences on the amortised cost of the securities, and other changes. Currency translation differences on the amortised cost are recognised in the income statement, and other changes are recognised in fair value reserve within equity.

Currency translation differences on other non-monetary items whereby the gains or losses are recognised directly in equity, such as property, plant and equipment are included in the asset revaluation reserve. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 24.

4 Revenue

Revenue represents the sale and rental of properties as follows:

	2007	2006	2005
	RMB	RMB	RMB
Sales of properties	**205,960,505**	221,597,010	97,565,297
Rental	**39,969,394**	6,999,780	565,992
	245,929,899	228,596,790	98,131,289

5 Property, plant and equipment

	Office furniture and equipment RMB	Motor vehicles RMB	Computer RMB	Total RMB
Cost				
At 1 January 2005	525,928	5,657,296	357,717	6,540,941
Additions	2,750	–	15,299	18,049
Disposals	–	(1,642,789)	–	(1,642,789)
At 31 December 2005	528,678	4,014,507	373,016	4,916,201
Additions	62,640	401,402	–	464,042
At 31 December 2006	591,318	4,415,909	373,016	5,380,243
Additions	16,500	2,149,776	–	2,166,276
At 31 December 2007	607,818	6,565,685	373,016	7,546,519
Accumulated depreciation				
At 1 January 2005	412,534	2,540,706	192,221	3,145,461
Depreciation for the year	54,628	801,285	31,639	887,552
Disposal	–	(1,092,412)	–	(1,092,412)
At 31 December 2005	467,162	2,249,579	223,860	2,940,601
Depreciation for the year	5,518	545,774	30,228	581,520
At 31 December 2006	472,680	2,795,353	254,088	3,522,121
Depreciation for the year	15,996	689,458	27,802	733,256
At 31 December 2007	488,676	3,484,811	281,890	4,255,377
Net book value				
At 31 December 2007	**119,142**	**3,080,874**	**91,126**	**3,291,142**
At 31 December 2006	118,638	1,620,556	118,928	1,858,122
At 31 December 2005	61,516	1,764,928	149,156	1,975,600

	2007 RMB	2006 RMB	2005 RMB
Depreciation expense charged to:			
Cost of sales	**108,843**	109,378	159,194

6 Investment properties

	2007 **RMB**	2006 RMB	2005 RMB
Investment properties at cost	**510,211,629**	136,379,824	136,379,824
Addition	**7,032,383**	373,831,805	–
Fair value gain transfer to income statement	**813,162,988**	–	–
Carrying amount at 31 December	**1,330,407,000**	510,211,629	136,379,824
Less: Accumulated depreciation			
As at 1 January	**21,553,048**	4,545,994	–
Depreciation charged for the year	**–**	17,007,054	4,545,994
Transfer to income statement on adoption of fair value model as per FRS 40	**(21,553,048)**	–	–
As at 31 December	**–**	21,553,048	4,545,994
Net carrying amount at 31 December	**1,330,407,000**	488,658,581	131,833,830

The investment properties were revalued at RMB1,330,407,000 by Jones Lang Lasalle Sallmanns Limited, a firm of independent qualified professional valuers, and was based on the income approach by capitalising the net rental income derived from the existing tenancy with due allowance for the reversionary value of the property as at 31 December 2007.

6 Investment properties (cont'd)

The following investment properties are mortgaged to secure the term loans as disclosed under Note 18:

Description and location	Gross Area pledge (approximately)	Use	Encumbrance	Lease terms
Southland Garden 南国丽景 渝中区沧白路 46号、48号、50号、 52号,负六层至负三层, 第4层第1层1-1,35层, 34,层, 3.4.5号房,32层, 6.7号房,28层4.5号房, 负一层，负二层	15,263.95	Office,commercial, non residential, carpark	Mortgaged for banking facilities	The land use rights of the property have been granted for a term of 40 and 50 years expiring on 22 November 2042 and 22 November 2052 for commercial and residential uses respectively
New York New York 纽约纽约 渝中区八一路100号 民族路169号.171号, 第38.39.40.41.42.43层, 第28层,第13.14.15.16层	7,936.03	Office	Mortgaged for banking facilities	The land use rights of the property have been granted for a term of 40 years expiring on 16 January 2042 for commercial use.
Min Sheng Mansion 民生商厦 渝中区民生路181号, 第13.14层, B幢第4层, 第10层部分，B幢负2层车 库,第11层, A幢第2层, A幢第3层	8,818.18	Office and carpark	Mortgaged for banking facilities	The land use rights of the property have been granted for a term of 40 and 50 years expiring on 28 September 2033 and 28 September 2043 for commercial and residential uses respectively.
Future International 江北未来国际 观音桥街道渝北二村一支 路6号, 名义层第2层, 负 4层, 物理层第6层1号, 名义层负3层, 名义层负 1层,第4层, 名义层第 3层, 名义层负1层, 负 3层, 负5层	62,838.81	Non residential, office, commercial, carpark	Mortgaged for banking facilities	The land use rights of the property have been granted for a term of 40 years expiring on 31 March 2045 for commercial use.
Zou Rong Plaza 邹容广场 渝中区临江路37号--69号 (单号), 邹容路141- 155号(单号), 第2层, 平 街第1层部分，负一层/负 二层车库	5,228.71	Office, carpark	Mortgaged for banking facilities	The land use rights of the property have been granted for a term of 50 years expiring on 3 January 2046 for compositive construction use.

The investment properties amounting to RMB972,637,569 are mortgaged to secure borrowings (Note 18).

7 Land for development

	2007	2006	2005
	RMB	RMB	RMB
At cost:			
Land for development (Non-current assets)	**203,706,310**	109,610,494	367,787,033

The land for development included leasehold interest in land located in the PRC with expiry terms as follows:

		Lease terms expiring on
		Commercial
Lu Zu Temple Project	鲁祖庙	23/01/2048
Financial Centre Project	国际开发金融大厦	20/12/2044

8 Development properties

	2007	2006	2005
	RMB	RMB	RMB
At cost:			
Development properties (Current assets)	**31,599,710**	166,120,211	26,462,217

The development properties included leasehold interest in land located in the PRC with expiry terms as follows:

		Lease terms expiring on	
		Commercial	Residential
Southland Garden	南国丽景	25/11/2042	25/11/2052
Bashu Cambridge	巴蜀剑桥	21/09/2044	21/09/2054
Future International	未来国际	31/03/2045	31/03/2055

9 Trade and other receivables

	2007	2006	2005
	RMB	RMB	RMB
Trade receivables	**14,432,276**	29,769,558	14,498,724
Provision for impairment of trade receivables	**–**	–	–
Net trade receivables	**14,432,276**	29,769,558	14,498,724
Advances to suppliers	**–**	4,570,561	5,411,594
Staff loans and allowances	**1,229,559**	3,594,893	418,860
Deposits	**–**	1,994,000	1,000,000
Other receivables	**8,349,299**	2,549,475	2,483,758
	24,011,134	42,478,487	23,812,936

All receivables are denominated in RMB.

9 Trade and other receivables (cont'd)

The ageing analysis of trade receivables is as follows:

	2007	2006	2005
	RMB	RMB	RMB
Not past due:			
Past due 0 to 3 months but not impaired	**24,011,134**	42,277,073	23,812,936
Past due 3 to 6 months but not impaired	**–**	–	–
Past due over 6 months but not impaired	**–**	201,414	–
	24,011,134	42,478,487	23,812,936

10 Amounts owing by a shareholder

	2007	2006	2005
	RMB	RMB	RMB
The amounts owing comprise:			
Non-trade	**75,654,564**	–	–

The non-trade amounts owing mainly represent rental receivable in RMB currency collected on behalf which are interest-free and are repayable on demand. The fair value of the trade amounts owing are not individually determined as the carrying amounts are a reasonable approximate to fair value.

The shareholder has executed a deed of undertaking to settle the amounts before the reverse takeover exercise (Note 27) is completed.

11 Amounts owing by related parties

	2007	2006	2005
	RMB	RMB	RMB
The amounts owing comprise:			
Non-trade	**7,490,807**	**–**	**–**

The non-trade amounts owing represent rental receivable in RMB currency which are interest-free and are repayable on demand. The fair value of the trade amounts owing are not individually determined as the carrying amounts are a reasonable approximation to fair value.

The shareholder has executed a deed of undertaking to settle the amounts before the reverse takeover exercise (Note 27) is completed.

12 Cash at bank - restricted

This relates to the monies restricted by the banks from withdrawals in case of default payment by customers.

	2007	2006	2005
	RMB	RMB	RMB
Cash at bank – restricted	**12,091,948**	12,346,492	10,874,487

13 Cash and cash equivalents

	2007 RMB	2006 RMB	2005 RMB
Bank balances	**21,301,183**	87,680,197	73,572,353

All cash and cash equivalents are denominated in RMB.

14 Capital contribution

	2007 RMB	2006 RMB	2005 RMB
Contributions in cash of US$3m	**25,025,720**	25,025,720	25,025,720

15 Amounts owing to holding company

	2007 RMB	2006 RMB	2005 RMB
The amounts owing comprise:			
Non-trade	**–**	11,292,763	1,694,661

The non-trade amounts owing represent unsecured advances in RMB currency which are interest-free and are repayable on demand. The fair value of the non-trade amounts owing are not individually determined as the carrying amounts are a reasonable approximate to fair value.

16 Amounts owing to related party

	2007 RMB	2006 RMB	2005 RMB
The amounts owing comprise:			
Non-trade	**–**	3,357,871	–

The non-trade amounts owing represent unsecured advances in RMB currency which are interest-free and are repayable on demand. The fair value of the non-trade amounts owing are not individually determined as the carrying amounts are a reasonable approximate to fair value.

17 Trade and other payables

	2007 **RMB**	2006 RMB	2005 RMB
Trade payables	**84,425,855**	182,900,188	123,967,045
Accrued costs	**–**	21,682,156	4,539,696
Notes payables	**550,000**	55,500,000	78,730,000
Advances received from customers	**38,367,677**	45,882,564	3,846,944
Taxes payables	**7,624,621**	5,104,536	3,534,942
LAT tax payables	**21,172,730**	21,015,872	10,727,418
Rental and option deposits	**26,777,422**	21,333,082	18,300,000
	178,918,305	353,418,398	243,646,045

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheet to be reasonable approximation of their fair value.

All trade and other payables are denominated in RMB.

18 Bank borrowings

	2007 **RMB**	2006 RMB	2005 RMB
Bank loans (current)	**256,340,000**	243,130,000	133,850,000
Bank loans (non-current)	**213,140,000**	131,000,000	136,900,000
	469,480,000	374,130,000	270,750,000

The bank loans are secured by legal mortgage of the Company's investment properties in Note 6.

Bank loans have an effective interest rate ranging from 5.0% to 8.0% (2006 from 5.8% to 8.0% and 2005 from 5.6% to 6.1%).

Interest rates are repriced every 12 months.

Current bank loans are repayable in 12 months and non-current bank loans are repayable in 24 to 48 months.

All bank borrowings are denominated in RMB.

19 Finance costs

	2007 **RMB**	2006 RMB	2005 RMB
Bank charges	**328,452**	93,506	154,739

20 Profit before taxation

	Note	**2007** **RMB**	2006 RMB	2005 RMB
Profit before taxation has been arrived at after charging:				
Depreciation of property, plant and equipment	5	**733,256**	581,520	887,552
Depreciation of investment properties	6	**–**	17,007,054	4,545,994
Profit before taxation has been arrived at after crediting:				
Fair value gain on investment property	6	**813,162,988**	–	–
Reversal of depreciation on investment property	6	**21,553,048**	–	–

21 Taxation

	2007 **RMB**	2006 RMB	2005 RMB
Current taxation	**14,115,469**	21,337,143	5,957,516
Deferred taxation	**203,290,746**	–	–
	217,406,215	21,337,143	5,957,516

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the PRC's statutory rate of income tax on company's profit as a result of the following:

	2007	2006	2005
Profit before taxation	**897,499,919**	48,270,646	13,507,085
Tax at statutory rate of 33%	**296,174,973**	15,929,313	4,457,338
Tax effect on non-taxable income	**(8,177,572)**	–	–
Tax effect on deferred tax taken at 25%	**(65,053,040)**	–	–
Tax exempt	**–**	5,407,830	1,500,178
Others	**(5,538,146)**	–	–
	217,406,215	21,337,143	5,957,516

22 Employee benefit expenses

	2007	2006	2005
	RMB	RMB	RMB
Director's remuneration			
- salaries and related costs	**1,240,000**	1,000,000	800,000
- defined contributions	**566,000**	460,000	364,000
Key management personnel			
- salaries and related costs	**720,000**	400,000	650,000
- defined contributions	**330,000**	180,000	301,000
Other than director and key management personnel			
- salaries and related costs	**265,160**	100,656	101,037
- defined contributions	**142,785**	54,202	54,407
	3,263,945	2,194,858	2,270,444

23 Retirement benefit plans

The eligible employees of the company, who are citizens of the PRC, are members of a state-managed retirement benefit scheme operated by the local government. The company is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the company with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the income statement for the year ended 31 December 2007 was RMB1,038,785 (2006 - RMB 694,202 and 2005 - RMB719,407) representing defined contribution national pension plan.

24 Financial risk management objectives and policies

The company's financial instruments carried on the balance sheet include cash and cash equivalents, all receivables, payables and bank borrowings.

The company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

24.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company carries out most of its business in the PRC where the transactions are denominated in RMB. Accordingly, the exposure to foreign exchange risk is minimal.

24.2 Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows the company's financial instruments will fluctuate because of changes in market interest rates.

The company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 12 months (2006 - less than 12 months) from the balance sheet date.

Sensitivity analysis for interest rate risk:

The following carrying amounts of interest-bearing borrowings of the company that are exposed to interest rate risk:

	2007	2006	2005
	RMB	RMB	RMB
Bank borrowings			
- Fixed rate	**–**	38,000,000	43,900,000
- Floating rate	**469,480,000**	336,130,000	226,850,000
	469,480,000	374,130,000	270,750,000

At the balance sheet date, if PRC interest rates had been 100 (2006 - 100) basis points lower/higher with all other variables held constant, the Company's profit net of tax at 25% (2006 - 33%) would have been RMB37,605,348 (2006 - RMB2,252,071) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings.

24.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Management has a credit control policy in place. Credit evaluations are performed on all customers requiring credit over a certain amount. Transactions are conducted with customers with appropriate credit histories. The credit risk and amount outstanding is monitored on an ongoing basis. With this credit evaluation processes, credit control policies and collection procedures in place, the credit risk is mitigated substantially. The company does not require collateral in respect of financial assets.

The company performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade and other receivables.

24.4 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows.

24.4 Liquidity risk (cont'd)

	Less than 1 year RMB	Between 2 and 5 years RMB	Over 5 years RMB	Total RMB
At 31.12.2007				
Trade and other payables	**178,918,305**	**–**	**–**	**178,918,305**
Borrowings	**256,340,000**	**69,640,000**	**143,500,000**	**469,480,000**
	435,258,305	**69,640,000**	**143,500,000**	**648,398,305**
At 31.12.2006				
Trade and other payables	353,418,398	–	–	353,418,398
Borrowings	243,130,000	131,000,000	–	374,130,000
	596,548,398	131,000,000	–	727,548,398
At 31.12.2005				
Trade and other payables	243,646,045	–	–	243,646,045
Borrowings	133,850,000	136,900,000	–	270,750,000
	377,496,045	136,900,000	–	514,396,045

The company ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Finance Division aims at maintaining flexibility in funding by keeping committed credit facilities available.

25 Financial instruments

Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

The company does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

26 Capital management

The company's objectives when managing capital are:

(a) To safeguard the company's ability to continue as a going concern;

(b) To support the company's stability and growth; and

(c) To provide capital for the purpose of strengthening the company's risk management capability.

The company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The company currently does not adopt any formal dividend policy.

27 Subsequent events

On 7 July 2008, Showy International Limited ("Showy") entered into a conditional sale and purchase agreement (the "Original S&P Agreement") with the shareholders of the Company (the "Vendors") for the acquisition by Showy (the "Proposed Acquisition") of the Vendors' interest in the entire issued and paid-up share capital of the Company, for a purchase consideration of S$545,395,762 to be satisfied in full by the allotment and issue of new ordinary shares in the capital of Showy at S$0.33 per share (the "Consideration Shares"), which would result in a reverse take over (the "RTO") of Showy by the Vendors.

4 September 2008

The Board of Directors
Chongqing Yingli Real Estate Development Co., Ltd
Yu Zhong District Min Sheng Road No.181A Storey 4
Chong Qing
People's Republic of China ("PRC")

Dear Sirs

Introduction

We have reviewed the accompanying financial statements of Chongqing Yingli Real Estate Development Co., Ltd as at 31 March 2008 and for the financial period then ended. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2400, "Engagement to Interim Financial Information." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For the purpose of this report, the comparative figures for the corresponding 3 months ended 31 March 2007 were extracted from the unaudited management financial information and we have not carried out a review of those financial information. The unaudited management financial information is the responsibility of the directors of the Company.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the financial position of the company as at 31 March 2008, and of its financial performance, changes in equity and cash flows for the three-month period.

This report has been prepared for inclusion in the circular to the shareholders of Showy International Limited ("Showy") in connection with the proposed acquisition of the entire issued and paid up share capital of the company for a purchase consideration of S$545,395,762 to be satisfied by the allotment of and issue of 1,652,714,429 ordinary shares of S$0.33 each in the capital of showy.

Yours faithfully

Foo Kon Tan Grant Thornton
Certified Public Accountants
Chin Sin Beng
Partner in charge of the review

Statement by directors

In the opinion of the directors,

(a) the accompanying financial statements of the Company, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2008 and of the results of the business, changes in equity and cash flows of the Company for the period ended 31 March 2008; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

Fang Ming

Xie Xin

Dated: 4 September 2008

Balance sheet

	Note	31 March 2008 RMB	31 December 2007 RMB
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**3,084,069**	3,291,142
Investment properties	6	**1,330,407,000**	1,330,407,000
Land for development	7	**246,147,837**	203,706,310
		1,579,638,906	1,537,404,452
Current Assets			
Development properties	8	**29,543,661**	31,599,710
Trade and other receivables	9	**37,472,637**	24,011,134
Amounts owing by a shareholder	10	**75,755,517**	75,654,564
Amounts owing by related parties	11	**9,120,532**	7,490,807
Cash at bank - restricted	12	**11,359,221**	12,091,948
Cash and cash equivalents	13	**150,092,508**	21,301,183
		313,344,076	172,149,346
Total assets		**1,892,982,982**	1,709,553,798
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital contribution	14	**242,115,548**	25,025,720
Statutory common reserve		**464,432**	464,432
Retained profits		**791,113,915**	777,726,100
		1,033,693,895	803,216,252
Non-Current Liabilities			
Deferred taxation	15	**203,290,746**	203,290,746
Bank borrowings	17	**211,710,002**	213,140,000
		415,000,748	416,430,746
Current Liabilities			
Trade and other payables	16	**200,855,410**	178,918,305
Provision for taxation		**58,835,429**	54,648,495
Bank borrowings	17	**184,597,500**	256,340,000
		444,288,339	489,906,800
Total equity and liabilities		**1,892,982,982**	1,709,553,798

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Income statement

	Note	**1 January to 31 March 2008 RMB**	1 January to 31 March 2007 RMB
Revenue	4.1	**21,496,817**	155,296,659
Cost of sales		**(9,127,104)**	(120,603,568)
Gross profit		**12,369,713**	34,693,091
Other income	4.2	**12,500,000**	–
Selling expenses		**(1,376,595)**	(1,619,601)
Administrative expenses		**(5,622,453)**	(2,201,716)
Finance costs	18	**(20,245)**	(32,790)
Profit before taxation	19	**17,850,420**	30,838,984
Taxation	20	**(4,462,605)**	(10,176,864)
Profit for the period attributable to shareholders		**13,387,815**	20,662,120

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Statement of changes in equity

	Capital contribution RMB	Common reserve RMB	Retained profits RMB	Total RMB
Balance as at 1 January 2006	25,025,720	–	71,163,325	96,189,045
Net profit for the year	–	–	26,933,503	26,933,503
Balance as at 31 December 2006	25,025,720	–	98,096,828	123,122,548
Transfer to common reserve	–	464,432	(464,432)	–
Net profit for the year	–	–	680,093,704	680,093,704
Balance as at 31 December 2007	**25,025,720**	**464,432**	**777,726,100**	**803,216,252**
Issue of shares	**217,089,828**	**–**	**–**	**217,089,828**
Net profit for the period	**–**	**–**	**13,387,815**	**13,387,815**
Balance as at 31 March 2008	**242,115,548**	**464,432**	**791,113,915**	**1,033,693,895**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Cash flow statement

	1 January to 31 March 2008 RMB	1 January to 31 March 2007 RMB
Cash Flows from Operating Activities		
Profit before taxation	**17,850,420**	30,838,984
Adjustments for:		
Depreciation of property, plant and equipment	**231,673**	336,083
Interest expense	**20,245**	32,790
Operating profit before working capital changes	**18,102,338**	31,207,857
(Increase) in investment properties	**–**	(7,032,383)
Decrease in development properties	**2,056,049**	93,673,144
(Increase) in land for development	**(42,441,527)**	(15,609,659)
(Increase) in trade and other receivables	**(19,707,432)**	(30,399,933)
Increase/(decrease) in trade and other payables	**34,990,981**	(38,662,532)
Cash (used in)/generated from operations	**(6,999,591)**	33,176,494
Interest paid	**(10,661,451)**	(7,121,664)
Income tax paid	**(275,671)**	(1,945,138)
Net cash (used in)/generated from operating activities	**(17,936,713)**	24,109,692
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	**(24,600)**	(16,500)
Net cash used in investing activities	**(24,600)**	(16,500)
Cash Flows from Financing Activities		
New capital invested	**217,089,828**	–
Bank guarantee subject to restriction	**739,813**	(900,868)
Repayment of bank loan	**(73,172,498)**	(18,000,000)
Net cash generated from/(used in) financing activities	**144,657,143**	(18,900,868)
Net increase in cash and cash equivalents	**126,695,830**	5,192,324
Cash and cash equivalents at beginning of period	**21,294,096**	87,680,197
Exchange differences on translation of cash and bank balances at beginning	**2,102,582**	–
Cash and cash equivalents at end of period (Note 13)	**150,092,508**	92,872,521

During the financial period ended 31.03.2008 the company acquired property, plant and equipment with an aggregate cost of RMB24,600. Cash payments of RMB24,600 were made to purchase property, plant and equipment.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the financial statements

1 General information

The registered office is located at Chong Qing Yu Zhong District Min Sheng Road No.181A Storey 4, People's Republic of China ("PRC").

The company was incorporated as a limited liability company and domiciled in the PRC. The company was incorporated on 3 November 1993.

The immediate and ultimate holding company is Chongqing Tiancheng Industrial (Group) Co., Ltd, a company incorporated in the PRC.

The principal activity of the company is development of residential and commercial properties.

2(a) Basis of preparation

The company maintains its accounting records and prepares statutory financial statements in accordance with accounting standards and regulations of the PRC GAAP.

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial period. Although these estimates, if any, are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and area involving a high degree of judgements are described below:

Critical assumptions used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be approximately 5 years. The carrying amount of the company's property, plant and equipment as at 31 March 2008 is RMB3,084,069. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

2(a) Basis of preparation (cont'd)

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

Income tax

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognizes liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Land appreciation tax

All income from sale of properties in the PRC is subject to Land Appreciation Tax ("LAT") at progressive rates under PRC tax laws and regulations. The management estimates and provides for LAT in accordance with the PRC tax laws and regulations.

Critical judgments and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, which are described in Note 3, management had made the following judgment that have the most significant effect on the amounts recognised in the financial statements:

Impairment of plant and equipment

The company assesses annually whether plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgment and estimates.

Carrying value of development properties

Significant judgment is required in assessing the recoverability of the carrying value of development properties. Analysis has been carried out based on assumptions regarding the selling price and costs of residential properties. Barring unforeseen circumstances, the carrying amount of the development properties as reflected in the balance sheet will be recoverable.

Valuation of investment properties

As disclosed in Note 6 to the financial statements, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based this on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the method of valuation is reflective of current market conditions.

2(b) Interpretations and amendments to published standards effective in 2008

IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Company's financial statements.

IFRIC 11, 'IFRS 2 - Group and treasury share transactions' (effective from 1 January 2008), provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent and group companies. This interpretation does not have any impact on the Company's financial statements.

IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Company's operations because the company does not provide for public sector services.

2(c) IFRS not effective

1) *The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2008 or later periods, but the Company has not adopted early:*

IAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company will apply IAS 23 (Revised) from 1 January 2009.

IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company will apply IFRS 8 from 1 January 2009, but it is not expected to have a significant impact on the Company's financial statements.

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). This will result in changes to the presentation of the Company's financial statements as the format currently adopted for the statement of changes in equity will no longer be permitted. Instead the Company will present a statement of Comprehensive Income combining the existing Income Statement with other income and expenses currently presented as part of the Statement of Changes in Equity. In addition, the Company will present a separate Statement of Changes in Equity showing owner in Equity.

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). IFRS 3 replaces the previous IFRS 3 (2004). The new IFRS prescribes methods of accounting for business combination and measurement of non-controlling interest, goodwill on acquisition and the loss of control of subsidiaries. The Company will apply IFRS 3 From 1 January 2009.

2(c) IFRS not effective (cont'd)

2) *The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2008 or later periods but are not relevant for the Company's operations:*

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the company's operations because the company does not operate any loyalty programmes.

3 Summary of significant accounting policies

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Office furniture & equipment	5 years
Motor vehicles	5 years
Computer	5 years

The residual values and useful lives of properties, plant and equipment are reviewed, and adjusted as appropriate at each balance sheet date. The useful life and depreciation method are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of properties, plant and equipment.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Company and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial period in which it is incurred.

For acquisitions and disposals during the financial period, depreciation is provided from the month after acquisition and to the month of disposal respectively.

Fully depreciated property, plant and equipment, if any, are retained in the books of accounts until they are no longer in use.

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both is classified as investment property.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers. Changes in fair values are recognised in the income statement.

Investment properties (cont'd)

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to the income statement. The cost of maintenance, repairs and minor improvement is charged to the income statement when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the income statement.

Land for development

Land for development are mainly land pending for development, which are stated at cost less provision for impairment in value made by directors, embrace all land acquired pending any definite intention whether to develop it for long term retention or for sale. When the intention is clear and action initiated, land to be developed for long term retention is reclassified as investment properties whereas land to be developed for sale and expected to be realized in the normal course of the company's property development cycle is reclassified as development properties under current assets.

Development properties

Development properties held for sale are recorded as current assets and are stated at specifically identified cost, including capitalised borrowing costs directly attributable to the development of the properties, aggregate cost of development, materials and supplies, wages and other direct expenses, less any allowance considered necessary by the directors. Development properties held for sale are stated at the lower of cost and their estimated net realisable value. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate is determined by reference to the actual rate payable on borrowings for development property, weighted as applicable.

Financial assets

Financial assets, other than hedging instruments, if any, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit and loss is not revocable.

All financial assets are recognised on their trade date - the date on which the company commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The company does not have any investments and accordingly, there are no investments to be designated as assets held-to-maturity and available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets, if any.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less provision for impairment. Any change in their value is recognised in income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the income statement.

Receivables are provided against when objective evidence is received that the company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loans and receivables include trade and other receivables, and related-party balances.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with a short maturity of three months or less.

Related parties

Related parties are entities with one or more common direct/indirect shareholders and/or directors and in which one party has the ability to control or exercise significant influence over the other party in financial and operating decision making.

Financial liabilities

The company's financial liabilities include bank borrowings, trade and other payables and related party balances. Financial liabilities are recognised when the company becomes a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance costs" in the income statement.

Bank borrowings are raised for support of long-term funding of the company's operations. They are recognised at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables are recognised at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Borrowing costs

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method except for those costs that are directly attributable to borrowings acquired specifically for the construction or development of properties. The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investments of these borrowings, are capitalised in the cost of the property under development.

Borrowing costs (cont'd)

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date. Borrowings to be settled within the Company's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

Employee benefits

Pension obligations

The company participates in the defined contribution national pension and other welfare schemes as provided by the laws in PRC. The contributions to these schemes are charged to the income statement in the period to which the contributions relate.

Key management

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and general managers are considered key management personnel.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income taxes

The liability method of tax effect accounting is adopted by the company. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from rental is recognised upon the acceptance of the tenancy.

Revenue and profit from sale of development properties is recognised on the completion of construction method.

Impairment of non-financial assets

The carrying amounts of the company's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is defined as the higher of value in use and net selling price.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include intangible assets, if any, with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

Any impairment loss is charged to the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Functional currency

Items included in the financial statements of the company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the company ("the functional currency"). The financial statements of the company are presented in RMB, which is also the functional currency of the company.

Conversion of foreign currencies

Monetary items

Foreign currency monetary items measured at fair value are translated into the functional currency at rates of exchange closely approximating those ruling at balance sheet date.Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Except for the situation described below, exchange differences arising from such transactions are recorded in the income statement in the period in which they arise.

Conversion of foreign currencies (cont'd)

Non-monetary items

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognized in the income statement, such as equity investments held at fair value through profit or loss or investment properties carried at fair value, are reported as part of the fair value gains or losses in "other gains/losses - net".

Changes in the fair value of monetary securities denominated in foreign currencies classified as available-for-sale are analysed into currency translation differences on the amortised cost of the securities, and other changes. Currency translation differences on the amortised cost are recognised in the income statement, and other changes are recognised in fair value reserve within equity.

Currency translation differences on other non-monetary items whereby the gains or losses are recognised directly in equity, such as property, plant and equipment are included in the asset revaluation reserve. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 23.

4 Revenue

4.1 Revenue represents the sale and rental of properties as follows:

	31.03.2008 RMB	31.03.2007 RMB
Sales of properties	**10,872,744**	145,694,793
Rental	**10,624,073**	9,601,866
	21,496,817	155,296,659

4.2 Other Income

	31.03.2008 RMB	31.03.2007 RMB
Other income	**12,500,000**	–

Other income relate to consultancy fee earned by the company during the current financial period.

5 Property, plant and equipment

	Office furniture and equipment RMB	Motor vehicles RMB	Computer RMB	Total RMB
Cost				
At 1 January 2007	591,318	4,415,909	373,016	5,380,243
Additions	16,500	2,149,776	–	2,166,276
At 31 December 2007	607,818	6,565,685	373,016	7,546,519
Additions	–	–	24,600	24,600
At 31 March 2008	607,818	6,565,685	397,616	7,571,119
Accumulated depreciation				
At 1 January 2007	472,680	2,795,353	254,088	3,522,121
Depreciation for the year	15,996	689,458	27,802	733,256
At 31 December 2007	488,676	3,484,811	281,890	4,255,377
Depreciation for the period	4,043	220,734	6,896	231,673
At 31 March 2008	492,719	3,705,545	288,786	4,487,050
Net book value				
At 31 March 2008	**115,099**	**2,860,140**	**108,830**	**3,084,069**
At 31 December 2007	119,142	3,080,874	91,126	3,291,142

	31.03.2008 RMB	31.12.2007 RMB
Depreciation expense charged to:		
Cost of sales	**12,857**	108,843

6 Investment properties

	31.03.2008 RMB	31.12.2007 RMB
Investment properties at beginning of the year	**1,330,407,000**	510,211,629
Addition	**–**	7,032,383
Fair value gain transfer to income statement	**–**	813,162,988
Carrying amount at period ended	**1,330,407,000**	1,330,407,000
Less: Accumulated depreciation		
As at 1 January	**–**	21,553,048
Transfer to income statement on adoption of fair value model as per FRS 40	**–**	(21,553,048)
As at period ended	**–**	–
Net carrying amount at period ended	**1,330,407,000**	1,330,407,000

6 Investment properties (cont'd)

The investment properties were revalued at RMB1,330,407,000 by Jones Lang Lasalle Sallmanns Limited, a firm of independent qualified professional valuers , and was based on the income approach by capitalising the net rental income derived from the existing tenancy with due allowance for the reversionary value of the property as at 31 December 2007. The directors believe the fair value of the investment property is not significantly different from the value as at 31 December 2007.

The following investment properties are mortgaged to secure the term loans as disclosed under Note 17:

Description and location	Gross Area pledge (approximately)	Use	Encumbrance	Lease terms
Southland Garden 南国丽景 渝中区沧白路 46号、48号、50号、 52号,负六层至负三层, 第4层第1层1-1,35层, 34,层， 3.4.5号房,32层, 6.7号房,28层4.5号房, 负一层，负二层	15,263.95	Office, commercial, non residential, carpark	Mortgaged for banking facilities	The land use rights of the property have been granted for a term of 40 and 50 years expiring on 22 November 2042 and 22 November 2052 for commercial and residential uses respectively.
New York New York 纽约纽约 渝中区八一路100号 民族路169号.171号, 第38.39.40.41.42.43层, 第28层,第13.14.15.16层	7,936.03	Office	Mortgaged for banking facilities	The land use rights of the property have been granted for a term of 40 years expiring on 16 January 2042 for commercial use.
Min Sheng Mansion 民生商厦 渝中区民生路181号, 第13.14层， B幢第4层， 第10层部分,B幢负2层车 库,第11层， A幢第2层, A幢第3层	8,818.18	Office and carpark	Mortgaged for banking facilities	The land use rights of the property have been granted for a term of 40 and 50 years expiring on 28 September 2033 and 28 September 2043 for commercial and residential uses respectively.
Future International 江北未来国际 观音桥街道渝北二村一支 路6号， 名义层第2层， 负 4层， 物理层第6层1号， 名义层负3层， 名义层负 1层,第4层， 名义层第 3层， 名义层负1层， 负 3层， 负5层	62,838.81	Non residential, office, commercial, carpark	Mortgaged for banking facilities	The land use rights of the property have been granted for a term of 40 years expiring on 31 March 2045 for commercial use.

6 Investment properties (cont'd)

Description and location	Gross Area pledge (approximately)	Use	Encumbrance	Lease terms
Zou Rong Plaza 邹容广场 渝中区临江路37号--69号(单号)，邹容路141-155号(单号)，第2层，平街第1层部分，负一层/负二层车库	5,228.71	Office, carpark	Mortgaged for banking facilities	The land use rights of the property have been granted for a term of 50 years expiring on 3 January 2046 for compositive construction use.

7 Land for development

	31.03.2008 RMB	31.12.2007 RMB
At cost:		
Land for development (Non-current assets)	**246,147,837**	203,706,310

The land for development included leasehold interest in land located in the PRC with expiry terms as follows:

		Lease terms expiring Commercial
Lu Zu Temple Project	鲁祖庙	23/01/2048
Financial Centre Project	国际开发金融大厦	20/12/2044

8 Development properties

	31.03.2008 RMB	31.12.2007 RMB
At cost:		
Development properties (Current assets)	**29,543,661**	31,599,710

The development properties included leasehold interest in land located in the PRC with expiry terms as follows:

		Lease terms expiring on Commercial	Residential
Southland Garden	南国丽景	25/11/2042	25/11/2052
Bashu Cambridge	巴蜀剑桥	21/09/2044	21/09/2054
Future International	未来国际	31/03/2045	31/03/2055

9 Trade and other receivables

	31.03.2008	31.12.2007
	RMB	RMB
Trade receivables	**11,279,010**	14,432,276
Staff loans and allowances	**387,215**	1,229,559
Refundable Tender deposit	**19,050,000**	–
Refundable deposit	**1,000,000**	–
Reimbursable expenses	**1,318,875**	878,255
Advances to sub-contractors	**4,437,537**	7,471,044
	37,472,637	24,011,134

All receivables are denominated in RMB.

The ageing analysis of trade receivables not impaired is as follows:

	31.03.2008	31.12.2007
	RMB	RMB
Not past due:		
Past due 0 to 3 months but not impaired	**37,472,637**	24,011,134
Past due 3 to 6 months but not impaired	**–**	–
Past due over 6 months but not impaired	**–**	–
	37,472,637	24,011,134

10 Amounts owing by a shareholder

	31.03.2008	31.12.2007
	RMB	RMB
The amounts owing comprise:		
Non-trade	**75,755,517**	75,654,564

The non-trade amounts owing mainly represent rental received in RMB currency collected by the shareholder on behalf of the company which are interest-free and are repayable on demand. The fair value of the trade amounts owing are not individually determined as the carrying amounts are a reasonable approximate to fair value.

The shareholder has executed a deed of undertaking to settle the amounts before the reverse takeover exercise (Note 26) is completed.

11 Amounts owing by related parties

	31.03.2008	31.12.2007
	RMB	RMB
The amount owing by Chongqing Jingli Property Development Co., Ltd	**7,388,758**	5,918,763
The amount owing by Baijiang Industrial Development Co., Ltd	**1,731,774**	1,572,044
	9,120,532	7,490,807

The non-trade amounts owing represent rental received in RMB currency collected by the related party on behalf of the company which are interest-free and are repayable on demand. The fair value of the trade amounts owing are not individually determined as the carrying amounts are a reasonable approximation to fair value.

The shareholder has executed a deed of undertaking to settle the amounts before the reverse takeover exercise (Note 26) is completed.

12 Cash at bank - restricted

This relates to the monies restricted by the banks from withdrawals in case of default payment by customers.

	31.03.2008 RMB	31.12.2007 RMB
Cash at bank – restricted	**11,359,221**	12,091,948

13 Cash and cash equivalents

	31.03.2008 RMB	31.12.2007 RMB
Bank balances	**150,092,508**	21,301,183

All cash and cash equivalents are denominated in RMB.

14 Capital contribution

	31.03.2008 RMB	31.12.2007 RMB
Balance at beginning of period/year	**25,025,720**	25,025,720
Issue of shares	**217,089,828**	–
Balance at end of period/year	**242,115,548**	25,025,720

15 Deferred taxation

	31.03.2008 RMB	31.12.2007 RMB
Balance at beginning and end	**203,290,746**	203,290,746

The deferred taxation arose from the fair value gains from the investment properties.

16 Trade and other payables

	31.03.2008 RMB	31.12.2007 RMB
Trade payables	**22,991,732**	26,755,517
Provision for construction cost	**46,595,543**	57,670,338
Notes payables	**–**	550,000
Advances received from customers	**75,873,921**	38,367,677
LAT taxes payables	**20,350,066**	21,172,730
Other taxes payables	**8,975,873**	7,624,622
Rental and option deposits	**26,068,275**	26,777,421
	200,855,410	178,918,305

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the balance sheet to be reasonable approximation of their fair value.

All trade and other payables are denominated in RMB.

17 Bank borrowings

	31.03.2008 **RMB**	31.12.2007 RMB
Bank loans (current)	**184,597,500**	256,340,000
Bank loans (non-current)	**211,710,002**	213,140,000
	396,307,502	469,480,000

The bank loans are secured by legal mortgage of the Company's investment properties in Note 6.

Bank loans have an effective interest rate ranging from 6.6% to 8.2%.

Interest rates are repriced every 12 months.

Current bank loans are repayable in 12 months and non-current bank loans are repayable in 24 to 48 months.

All bank borrowings are denominated in RMB.

18 Finance costs

	31.03.2008 **RMB**	31.03.2007 RMB
Bank charges	**20,245**	32,790

19 Profit before taxation

	Note	**31.03.2008** **RMB**	31.03.2007 RMB
Profit before taxation has been arrived at after charging:			
Depreciation of property, plant and equipment	5	**231,673**	365,600
Exchange loss		**2,102,582**	–

20 Taxation

	31.03.2008 **RMB**	31.03.2007 RMB
Current taxation	**4,462,605**	10,176,864

The tax expense on the results of the financial period by applying the PRC's statutory rate of income tax on company's profit is as follows:

Profit before taxation	**17,850,420**	30,838,984
Tax at statutory rate of 25% (2007-33%)	**4,462,605**	10,176,864
	4,462,605	10,176,864

21 Employee benefit expenses

	31.03.2008 RMB	31.03.2007 RMB
Director's remuneration		
- salaries and related costs	**500,000**	475,000
- defined contributions	**141,500**	141,500
Key management personnel		
- salaries and related costs	**240,000**	225,000
- defined contributions	**82,500**	82,500
Other than director and key management personnel		
- salaries and related costs	**136,060**	126,956
- defined contributions	**38,293**	35,696
	1,138,353	1,086,652

22 Retirement benefit plans

The eligible employees of the company, who are citizens of the PRC, are members of a state-managed retirement benefit scheme operated by the local government. The company is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the company with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the income statement for the period ended 31 March 2008 was RMB 262,293 representing defined contribution national pension plan.

23 Financial risk management objectives and policies

The company's financial instruments carried on the balance sheet include cash and cash equivalents, all receivables, payables and bank borrowings.

The company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

23.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company carries out most of its business in the PRC where the transactions are denominated in RMB. Accordingly, the exposure to foreign exchange risk is minimal.

23.2 Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the company's financial instruments will fluctuate because of changes in market interest rates.

The company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 12 months (2007 - less than 12 months) from the balance sheet date.

Sensitivity analysis for interest rate risk:

23.2 Cash flow and fair value interest rate risk (cont'd)

The following carrying amounts of interest-bearing borrowings of the company that are exposed to interest rate risk:

	31.03.2008 **RMB**	31.12.2007 RMB
Bank borrowings		
- Floating rate	**396,307,502**	469,480,000
	396,307,502	469,480,000

There is no sensitivity due to interest rate fluctuations since all floating rate loan interest would be capitalized to a development property under construction which would not be sold in the current financial period.

23.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Management has a credit control policy in place. Credit evaluations are performed on all customers requiring credit over a certain amount. Transactions are conducted with customers with appropriate credit histories. The credit risk and amount outstanding is monitored on an ongoing basis. With this credit evaluation processes, credit control policies and collection procedures in place, the credit risk is mitigated substantially. The company does not require collateral in respect of financial assets.

The company performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade and other receivables.

23.4 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

23.4 Liquidity risk (cont'd)

The table below analyses the maturity profile of the Company's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year RMB	Between 2 and 5 years RMB	Over 5 years RMB	Total RMB
At 31.03.2008				
Trade and other payables	**200,855,410**	**–**	**–**	**200,855,410**
Borrowings	**184,597,500**	**68,210,002**	**143,500,000**	**396,307,502**
	385,452,910	**68,210,002**	**143,500,000**	**597,162,912**
At 31.12.2007				
Trade and other payables	178,918,305	–	–	178,918,305
Borrowings	256,340,000	69,640,000	143,500,000	469,480,000
	435,258,305	69,640,000	143,500,000	648,398,305

The company ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Finance Division aims at maintaining flexibility in funding by keeping committed credit facilities available.

24 Financial instruments

Fair values

The carrying amount of financial assets and liabilities with a maturity of less than one year is assumed to approximate their fair values.

The company does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

25 Capital management

The company's objectives when managing capital are:

(a) To safeguard the company's ability to continue as a going concern;

(b) To support the company's stability and growth; and

(c) To provide capital for the purpose of strengthening the company's risk management capability.

The company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The company currently does not adopt any formal dividend policy.

26 Subsequent events

On 7 July 2008, Showy International Limited ("Showy") entered into a conditional sale and purchase agreement (the "Original S&P Agreement") with the shareholders of the Company(the "Vendors") for the acquisition by Showy (the "Proposed Acquisition") of the Vendors' interest in the entire issued and paid-up share capital of the Company, for a purchase consideration of S$545,395,762 to be satisfied in full by the allotment and issue of new ordinary shares in the capital of Showy at S$0.33 per share (the "Consideration Shares"), which would result in a reverse take over (the "RTO") of Showy by the Vendors.

With reference to Note 10 to the financial statement, on 7 August 2008, the company received a cash payment of RMB 58,649,630 as partial payment for the amount owing by a shareholder – Chongqing Tiancheng Industrial (Group) Co., Ltd.

With reference to Note 11 to the financial statement, on 7 August 2008, the company received a cash payment of RMB 481,160 owing by a related party – Chongqing Baijiang Industrial Development Co., Ltd.

With reference to Note 11 to the financial statement, on 7 April 2008, Mr Fang Ming who is a director of the company has already transferred his ownership in Chongqing Jingli Property Development Co., Ltd ("Jingli") to a thrid party shareholder who is not related to the company. Due to this share transfer, Jingli is no longer considered a related party and the balance of RMB 7,388,758 owing by Jingli is reclassified to trade receivables subsequent to the period.

4 September 2008

To the Independent Directors of Showy International Limited

Dear Sirs:

ACQUISITION OF THE ENTIRE SHARE CAPITAL OF FORTUNE COURT HOLDINGS LIMITED ("FORTUNE COURT") FOR A CONSIDERATION OF S$545,395,762 (THE "PURCHASE CONSIDERATION") AS A VERY SUBSTANTIAL ACQUISITION AND AN INTERESTED PERSON TRANSACTION (THE "ACQUISITION");

ALLOTMENT AND ISSUANCE OF 1,652,714,429 NEW ORDINARY SHARES IN THE CAPITAL OF SHOWY INTERNATIONAL LIMITED ("SHOWY" OR THE "COMPANY") (THE "CONSIDERATION SHARES") AT AN ISSUE PRICE OF S$0.33 (THE "ISSUE PRICE") EACH TO NEWEST LUCK HOLDINGS LIMITED ("NEWEST LUCK"), LEAP FORWARD HOLDINGS LIMITED ("LFH"), MR TAN FUH GIH AND MR TAN HOO LANG (TOGETHER, THE "TAN BROTHERS") (COLLECTIVELY, BEING THE LEGAL AND BENEFICIAL OWNERS OF THE ENTIRE SHARE CAPITAL OF FORTUNE COURT AS AT THE LATEST PRACTICABLE DATE) AND/OR THEIR NOMINEES (COLLECTIVELY, THE "VENDORS"), CREDITED AS FULLY PAID-UP, IN SATISFACTION OF THE CONSIDERATION OF S$545,395,762 PAYABLE BY THE COMPANY FOR THE ACQUISITION OF THE ENTIRE SHARE CAPITAL OF FORTUNE COURT;

DISPOSAL OF THE EXISTING BUSINESS OF THE COMPANY IN ITS ENTIRETY TO SHOWY PTE LTD AS A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION (THE "DISPOSAL"); AND

WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY OFFER FROM NEWEST LUCK AND ITS CONCERT PARTIES FOR ALL THE SHARES IN ISSUE NOT ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY NEWEST LUCK AND ITS CONCERT PARTIES (THE "WHITEWASH RESOLUTION")

(TOGETHER, THE "PROPOSED TRANSACTIONS")

1 INTRODUCTION

This letter has been prepared for the use of the directors of the Company (the "**Directors**") who are considered independent for the purposes of the Proposed Transactions (the "**Independent Directors**"), to be incorporated into the circular to Shareholders of the Company dated 4 September 2008 (the "**Circular**") which provides, *inter alia*, the details, consideration, methods of payment, and the other principal terms and conditions of the Acquisition, the Disposal, and the Whitewash Resolution. Unless otherwise defined, all terms in the Circular have the same meaning in this letter.

On 7 July 2008 (the "**Date of Announcement**"), the Board of Directors announced that on 7 July 2008, the Company had entered into a sale and purchase agreement (the "**S&P Agreement**") with the Vendors to acquire the entire issued share capital of Fortune Court, comprising 381,428,846 ordinary shares of nominal value HK$0.00004 each (the "**Sale Shares**") from the Vendors, for a consideration of S$545,395,762, to be satisfied by the allotment and issuance of a total of 1,652,714,429 Consideration Shares to the Vendors (or their nominees).

In order to (a) maintain the minimum float requirements under Rule 723 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual (the "**Listing Manual**") which requires the Company to ensure that at least 10.0% of its securities are held by the public in order for the Company's Shares to continue to trade on Catalist and/or the Mainboard of the SGX-ST; and (b) to comply with Rule 1015(3)(c) read with Rule 210(1)(a) of the Listing Manual which requires a 15.0% public float for Mainboard listings, as well as to raise funds for general working capital purposes and capital expenditure if necessary, it is anticipated that there will be an offering of up to 272,728,000 new Shares (which may include an offering to members of the public), and if agreed to by the Company and J.P. Morgan (S.E.A) Limited (the "**Placement Agent**"), include a sale of all or part of the Consideration Shares held by the Vendors (together, the "**Compliance Offering**"), in each case, on such terms as may be determined by the Board as it deems fit, including without limitation, the timing of the Compliance Offering, if and when it occurs, taking into account various factors, including without limitation, market conditions and pricing. Subject to the approval of the Shareholders at the EGM being obtained, the price of each Share to be offered under the Compliance Offering shall be determined by the Board, but in any event, shall not be less than S$0.20 per Share. Shareholders should note that the details of the Compliance Offering will be released in due course.

In conjunction with the Acquisition, the Board of Directors further announced on 7 July 2008 that the Company also proposed to dispose of its existing business (including its shareholding interest in Showy Overseas Pte Ltd, a company incorporated in Singapore ("**Showy Overseas**")) in its entirety to Showy Pte Ltd. The Company has, in this connection, entered into the business transfer agreement dated 7 July 2008 with Showy Pte Ltd, a company wholly-owned by Mr Lim Hong Ching and Mdm Yeo Sock Kon, both of whom are currently directors and controlling shareholders (as defined in the Listing Manual) of the Company (the "**Business Transfer Agreement**") to effect the Disposal, subject to certain conditions precedent to be satisfied.

Ernst & Young Corporate Finance Pte Ltd ("**EYCF**") has been appointed to advise the Independent Directors on whether:

(1) the financial terms of the Acquisition and Disposal are on normal commercial terms and are not prejudicial to the interests of the Company and the Shareholders who are considered independent for the purposes of the Acquisition and Disposal (the "**Independent Shareholders**"); and

(2) the Whitewash Resolution is not prejudicial to the interests of the Company and the Independent Shareholders.

2 TERMS OF REFERENCE

The objective of this letter is to provide an independent opinion on whether: (1) the financial terms of the Acquisition and Disposal are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders and (2) the Whitewash Resolution is not prejudicial to the interests of the Company and the Independent Shareholders.

In our opinion, we have taken 'normal commercial terms' to mean fair and reasonable from a financial point of view, and our opinion does not include an assessment of the commercial merits and/or risks of the Proposed Transactions.

EYCF's views as set forth in this letter are based on the prevailing market conditions, economic conditions, and financial conditions, and our analysis of the information provided in the Circular as well as information provided to us by the Company, as of the Latest Practicable Date. Accordingly, this opinion shall not take into account any event or condition which occurs after the Latest Practicable Date. Shareholders should take note of any announcement and/or event relevant to their consideration of the Proposed Transactions which may be released by the Company after the Latest Practicable Date. For purposes of our analyses, the share prices and other market information used in this letter are as at 8 August 2008 (the "**Latest Computation Date**").

EYCF is not and was not involved in any aspect of the discussions and negotiations pertaining to the Proposed Transactions, nor were we involved in the deliberations leading up to the decisions by the Board in connection with the Proposed Transactions. We have confined our evaluation and analysis of the Proposed Transactions to the financial terms thereof. It is not within our terms of reference to evaluate or comment on the rationale for, strategic or commercial merits and/or risks of the Proposed Transactions, and to comment on the financial merits and/or risks of the Proposed Transactions where the assessment of such financial merits and/or risks involves our reviewing of non-publicly available information of the companies involved to which we have no access and with which we have not been furnished. It is also not within our terms of reference to compare the relative merits of the Proposed Transactions vis-à-vis any alternative transactions that the Company may consider in the future, and as such, we do not express an opinion thereon. The assessment of the commercial and financial merits and/or risks of the Proposed Transactions are solely the responsibility of the Board, although we may draw upon their views in arriving at our opinion.

The scope of our appointment does not require us to express, and we do not express, a view on the future prospects of the Company. We are, therefore, not expressing any view herein as to the prices at which the shares of the Company may trade or on the future financial performance of the Company upon completion of the Proposed Transactions. No financial or profit forecasts, business plans or management accounts of the Company have been specifically prepared for the purpose of evaluating the Proposed Transactions. Accordingly, we will not be able to comment on the expected future performance or prospects of the Company.

In the course of our evaluation of the Proposed Transactions, we have held discussions with the Directors and senior management of the Company. We have also examined and relied on publicly available information in respect of the Company collated by us as well as information provided to us by the Company, including information in the Circular. We have not independently verified such information furnished by the senior management of the Company or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors have confirmed to us that to the best of their knowledge and belief, the information contained herein and in the Circular constitutes a full and true disclosure, in all material respects, of all material facts relating to the Proposed Transactions, and there is no material information the omission of which would make any of the information contained herein or in the Circular inaccurate, incomplete or misleading in any material respect.

We have also made reasonable enquiries and exercised reasonable judgement in assessing such information and have found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. We have not made an independent valuation or appraisal of the assets and liabilities of the Company, and we have not been furnished with any such evaluation or appraisal. We have not conducted a comprehensive review of the business, operations and financial condition of the Company, or the transactions described in the Circular.

Our opinion is addressed solely for the use and benefit of the Independent Directors in connection with and for the purpose of their consideration of the Proposed Transactions, and the recommendations made by them to the Shareholders shall remain the responsibility of the Independent Directors.

Our opinion should be considered in the context of the entirety of this letter and the Circular.

In preparing this letter, we have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

3 THE ACQUISITION AS A VERY SUBSTANTIAL ACQUISITION AND AN INTERESTED PERSON TRANSACTION

The terms of the Acquisition are set out in Section 2 entitled "The Acquisition" of the Circular. Salient information on the Acquisition are presented in this letter.

3.1 The S&P Agreement and the Purchase Consideration

Pursuant to the S&P Agreement, the Company will acquire the entire issued and paid-up share capital of Fortune Court, comprising 381,428,846 Sale Shares from the Vendors, for a consideration of S$545,395,762, to be satisfied by the allotment and issuance of a total of 1,652,714,429 Consideration Shares, being 1,083,239,014 Consideration Shares, 509,530,634 Consideration Shares, and 59,944,781 Consideration Shares to Newest Luck, LFH, and the Tan Brothers, respectively, credited as fully-paid at the issue price of S$0.33 each, representing not less than 60.87%, 28.63%, and 3.36% respectively, of the issued and paid-up share capital of the Company immediately following the Acquisition, and 52.78%, 24.83%, and 2.92% respectively, of the issued share capital of the Company following the Acquisition and the Compliance Offering (assumes the Compliance Offering of 272,728,000 new Shares and that such Compliance Offering is fully subscribed, and that none of the Vendors sell any of their Consideration Shares during the Compliance Offering). On completion of the Acquisition, but prior to the Compliance Offering, the Vendors (and/or their nominees) will own approximately 92.86% of the issued and paid-up share capital of the Company. The aggregate number of Consideration Shares to be allotted and issued to the Vendors collectively will represent approximately 80.53% of the enlarged share capital of the Company on a fully diluted basis immediately after completion of the Acquisition and the Compliance Offering.

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis, and was derived from the property valuations of property interests owned by Chongqing Yingli Real Estate Development Co., Ltd ("**Chongqing Yingli**") or its subsidiary, Chongqing San Ya Wan Aquatic Products Integrative Trading Market Development Co., Ltd ("**Chongqing San Ya Wan**") as of 30 June 2008 provided by Jones Lang LaSalle Sallmanns Limited and the cash and debt levels of Fortune Court, its subsidiary Chongqing Yingli and Chongqing Yingli's subsidiary Chongqing San Ya Wan (together, the "**Fortune Court Group**") as at 31 March 2008.

LFH and the Tan Brothers previously held in aggregate S$95.0 million in principal amount of redeemable loan stock issued by Fortune Court (the "**Redeemable Loan Stock**"). Pursuant to the terms of the redeemable loan stock subscription agreement dated 3 January 2008 entered into between Fortune Court and LFH, and the redeemable loan stock subscription agreement dated 6 January 2008 entered into between Fortune Court and the Tan Brothers (together, the "**Redeemable Loan Stock Subscription Agreements**"), as amended by the supplemental agreement dated 26 May 2008 entered into between Fortune Court and LFH in accordance to which certain terms in the redeemable loan stock agreement dated 3 January 2008 were amended and the supplemental agreement dated 7 July 2008 entered into between Fortune Court and the Tan Brothers in accordance to which certain terms in the redeemable loan stock subscription agreement dated 6 January 2008 were amended (together, the "**Redeemable Loan Stock Supplemental Agreements**"), Fortune Court has redeemed such Redeemable Loan Stock. Pursuant to such redemption, LFH and the Tan Brothers were allotted and issued shares in Fortune Court, resulting in them holding an aggregate of 34.46% of the issued share capital of Fortune Court immediately following such allotment and issuance. Fortune Court is a limited liability company incorporated under the laws of Hong Kong and is the holding company of Chongqing Yingli, an equity joint venture company established in the PRC on 3 November 1993 and principally engaged in real estate development in Chongqing, the PRC.

The Sale Shares are to be acquired (a) free from all encumbrances and (b) together with all rights, dividends, entitlements and benefits attaching to the Sale Shares as at and from the date on which completion of the Acquisition is to take place (the "**Completion Date**").

3.2 The Acquisition as a Reverse Takeover

Immediately following the allotment and issuance of the Consideration Shares and prior to the allotment and issuance of the new Shares and, if relevant, the sale of the Consideration Shares by the Vendors pursuant to the Compliance Offering, the Vendors (and/or their nominees) will collectively hold at least 92.86% of the issued and paid-up capital of the Company, based on the Company's issued share capital of 1,779,714,429 Shares immediately following the allotment and issuance of the Consideration Shares, thereby resulting in a change of control of the Company.

Pursuant to Chapter 10 of the Listing Manual, as one or more of the relative figures as computed on the bases set out in Rule 1006 exceeds 100.0% and there is a change in control of the Company, the Acquisition is classified as a "very substantial acquisition" or "reverse takeover" and as such, the Acquisition shall be conditional upon the approval of the Shareholders at the extraordinary general meeting ("**EGM**") and the approval of the SGX-ST.

3.3 The Acquisition as an Interested Person Transactions

Prior to the Acquisition, Fortune Court entered into a Redeemable Loan Stock Subscription Agreement dated 6 January 2008 with the Tan Brothers for the subscription of S$10.0 million in principal amount of Redeemable Loan Stock issued by Fortune Court, as amended, supplemented and modified. Pursuant to the terms of the Redeemable Loan Stock Subscription Agreements, following the redemption of the Redeemable Loan Stock held by the Tan Brothers and the allotment and issuance of 13,834,616 shares in Fortune Court to the Tan Brothers, the Tan Brothers hold approximately 3.62% in aggregate of the issued share capital in Fortune Court. Pursuant to the Acquisition, the Company will acquire all the shares in Fortune Court held by the Tan Brothers and in consideration for such Acquisition, allot and issue 59,944,781 Consideration Shares to the Tan Brothers. As the Tan Brothers, being brothers of a controlling shareholder (as defined in the Listing Manual) of the Company, Mr Tan Kim Seng, would be regarded as "associates" in accordance with the definitions as set out in the Listing Manual, the Acquisition would thus constitute an interested person transaction pursuant to Chapter 9 of the Listing Manual.

As the value of the Acquisition is above S$100,000 and is equal to or exceeds 5.0% of the Company's latest audited net tangible assets ("**NTA**"), Shareholders' approval is required in order for the Company to acquire the shares in Fortune Court held by the Tan Brothers.

3.4 Information on the Fortune Court Group

The information on Fortune Court and the Fortune Court Group are set out in Section 2.7 entitled "The Acquisition – Information on the Fortune Court Group" of the Circular and the letter to the Shareholders from the board of directors of Fortune Court which is included in the Circular. Salient information on Fortune Court and the Fortune Court Group are presented in this letter.

Fortune Court is a limited liability company incorporated under the laws of Hong Kong and is the holding company of Chongqing Yingli. Fortune Court currently holds 93.99% of the paid-up capital of Chongqing Yingli.

Chongqing Yingli was incorporated in 1993 as an equity joint venture company in the PRC, principally engaged in real estate development in Chongqing, the PRC. The other shareholders of Chongqing Ying are Chongqing Tiancheng Industrial (Group) Co., Ltd (holding 4.76% of the paid-up capital as at the Latest Practicable Date), Chongqing Tiancheng Passenger Motor Co Ltd (holding 0.65% of the paid-up capital as at the Latest Practicable Date), and Chongqing Jingli Property Development Co Ltd (holding 0.60% of the paid-up capital as at the Latest Practicable Date).

Since its establishment, Chongqing Yingli has successfully developed several real estate projects such as New York New York, Zou Rong Plaza, and Future International, which are major commercial buildings in Chongqing. Chongqing Yingli's focus is to develop commercial and office buildings. Situated in the central business district of Chongqing, the tenants of these real estate projects of Chongqing Yingli include major local and multinational companies.

Mr Fang Ming, the founder of Chongqing Yingli, has been instrumental in managing the business of the Fortune Court Group since inception and has successfully developed and managed all the real estate development projects of Chongqing Yingli. Under the leadership of Mr Fang Ming, the Fortune Court Group has received numerous awards and accreditations.

The sale and rental of all the properties developed by Chongqing Yingli, together with a team of experienced sales personnel familiar with the local market, form an integral and important part of Chongqing Yingli's business. Generally, the proceeds from the sale and rental of Chongqing Yingli's properties are utilised by it for future development projects after setting aside reserves for working capital and other company requirements.

In addition, Chongqing Yingli's focus on the area of urban renewal has also enabled it to build up a specialised field of property development, combining design and high quality construction in its contribution to modernising the landscape of the city centre of Chongqing.

As at 30 June 2008, the total gross floor area ("**GFA**") of completed properties held for investment by Chongqing Yingli is approximately 132,253.04 sq m, comprising commercial area of 76,837.42 sq m, office area of 16,969.27 sq m, and car park space of 38,446.35 sq m. In addition, the total estimated GFA of land bank held by Chongqing Yingli and Chongqing San Ya Wan as at 30 June 2008 is 714,388.25 sq m. Chongqing Yingli also engages third parties to assist in the project management of its properties and to provide it with project consultancy services.

As at the Latest Practicable Date, Chongqing Yingli owns a subsidiary, Chongqing San Ya Wan, through the acquisition of a 69.0% interest in the said company for approximately RMB65,300,000, pursuant to share transfer agreements executed in April and May 2008 between Chongqing Yingli as purchaser, and Chongqing Pu Hui Real Estate Development Co Ltd and Chongqing Da He Aquatic Products Limited Liability Co as vendors. The acquisition was completed on 14 May 2008 We note that the vendors are not related to the directors or controlling shareholders of Chongqing Yingli. Chongqing San Ya Wan is a project company that holds the land use rights to the Yubei Project, one of the land banks which is being developed by the Fortune Court Group. The remaining 31.0% interest in Chongqing San Ya Wan is held by two natural persons who are not related to the directors or controlling shareholders of Chongqing Yingli. Chongqing Yingli is currently in the process of acquiring another approximately 12.0% interest in Chongqing San Ya Wan, and this is expected to be completed around October 2008. Chongqing San Ya Wan has recently implemented accounting and internal control systems that are consistent with those at Chongqing Yingli. However, as these systems have been recently implemented, the auditors and reporting accountants to Chongqing San Ya Wan have not had the opportunity to perform tests to check the effectiveness of these accounting and internal control systems.

3.5 Conditions Precedent of the Acquisition and Other Salient Terms of the S&P Agreement

The Acquisition is conditional upon, *inter alia,* the satisfaction of all conditions precedent set out in Section 2.4 entitled "The Acquisition – Conditions Precedent" of the Circular, and is subject to the other salient terms of the S&P Agreement as set out in Section 2.5 entitled "The Acquisition – Other Salient Terms of the S&P Agreement" of the Circular.

4 THE WHITEWASH RESOLUTION

As at the Latest Practicable Date, Newest Luck and its concert parties do not hold any Shares or instruments convertible into and options in respect of the Shares. On 22 May 2008, Newest Luck issued a letter of confirmation to the Securities Industry Council ("**SIC**") declaring that it had not acquired and will not acquire any shares or instruments convertible into and options in respect of the Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which will be disclosed in the Circular (a) during the period between the targeted date of announcement of the Acquisition and the date Shareholders' approval is obtained for the Whitewash Resolution; and (b) in the six (6) months prior to the targeted date of announcement of the Acquisition but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Company in relation to the issue of the

Consideration Shares. Upon completion of the Acquisition, but before the Compliance Offering, Newest Luck will hold 1,083,239,014 new Shares, representing 60.87% of the then issued share capital of the Company.

Pursuant to Rule 14 of The Singapore Code on Take-overs and Mergers (the "**Code**") and section 139 of the Securities and Futures Act (Chapter 289) ("**SFA**"), Newest Luck and/or its concert parties will be required to make a mandatory unconditional general offer for all the remaining issued Shares not owned, controlled or agreed to be acquired by Newest Luck and/or its concert parties at the highest price paid or agreed to be paid by Newest Luck and/or its concert parties for the Shares in the past six months from the date of the Consideration Shares are issued to Newest Luck, unless such obligation is waived by the SIC.

The interests of each of the other Vendors, namely LFH and the Tan Brothers, does not exceed 30.0% and as such, each of the other Vendors will not be required to make a mandatory unconditional general offer for all the remaining issued Shares not owned, controlled or agreed to be acquired by them. Further, for the purpose of Rule 14 of the Code, LFH and the Tan Brothers may not be viewed as concert parties of Newest Luck for, *inter alia,* the following reasons: (i) LFH is an investment holding company managed by CMIA Capital Partners Pte Ltd ("**CMIA**"), a China-focused private equity firm incorporated in Singapore in 2003, and does not have any voting arrangement with Newest Luck (nor its shareholders) with regards to how it would vote its shares in the Company; and (ii) the Tan Brothers are investing in Fortune Court and subsequently holding shares in the Company as minority investors, and they do not have any voting arrangements with Newest Luck (nor its shareholders) or LFH with regards to how they would vote their shares in the Company.

The SIC had on, 17 July 2008, waived the requirement for Newest Luck and its concert parties to make a general offer for the remaining issued Shares not owned, controlled or agreed to be acquired by Newest Luck and its concert parties, subject to, among other things, the conditions set out in Section 4.2 entitled "Waiver of Right to Receive a General Offer – Conditional Waiver of the General Offer Requirement by the SIC" of the Circular.

Independent Shareholders should note that the Whitewash Resolution is a condition precedent in the S&P Agreement, and hence the Acquisition will not be completed in the event that the Whitewash Resolution is not approved.

Shareholders should also note that by voting in favour of the Whitewash Resolution, they will be giving up their rights to receive a general offer for all the issued Shares which Newest Luck and its concert parties would otherwise be obliged to make at the highest price paid or agreed to be paid by Newest Luck and its concert parties for any Share in the past six months from the date the Consideration Shares are issued to Newest Luck, in accordance with Rule 14 of the Code and section 139 of the SFA.

Pursuant to obtaining Shareholders' approval for the Whitewash Resolution and upon completion of the Acquisition, Newest Luck will hold in excess of 50.0% of the issued Share capital of the Company immediately after the allotment and issuance of the Consideration Shares. Independent Shareholders should note that by voting for the Whitewash Resolution, they will be waiving their rights to a general offer from Newest Luck at the highest price paid by Newest Luck and parties acting in concert with it for Shares in the Company in the past six (6) months preceding the commencement of the offer, and under Rule 14 of the Code, Newest Luck and its concert parties could thereafter acquire additional new Shares in the Company without incurring a mandatory unconditional general offer obligation insofar as their aggregate equity interests remain in excess of 50.0% in the Share capital of the Company.

Independent Shareholders should also note that the resolutions to approve the Acquisition, the issue of the Consideration Shares, the Disposal and the Compliance Offering are each conditional upon the approval of the Whitewash Resolution by the Independent

Shareholders. If the Whitewash Resolution is not approved by the Independent Shareholders, the Acquisition will not be completed and neither the Disposal nor the Compliance Offering will take place.

5 EVALUATION OF THE ACQUISITION AND THE WHITEWASH RESOLUTION

In our analysis and evaluation of the Acquisition and the Whitewash Resolution, and our recommendations thereon, we have taken into consideration the following factors:

(a) the rationale of the Acquisition;

(b) the Purchase Consideration;

(c) the Consideration Shares and the Issue Price;

(d) the market quotation and trading activity of the Shares;

(e) comparison of the valuation ratios of Fortune Court against selected comparable listed companies;

(f) comparison with the implied valuation statistics from selected acquisitions of comparable listed companies;

(g) precedent very substantial acquisitions or reverse takeover transactions;

(h) the financial condition and performance of Fortune Court, including the proforma financial effects of the Acquisition (as explained in section 8.2 of this letter); and

(i) other relevant factors (as explained in section 8 of this letter).

5.1 Rationale of the Acquisition

It is important for the Independent Shareholders to understand the rationale of the Company and the Directors in undertaking the Acquisition. The full text of the Company's rationale for the Acquisition is set out in Section 6 entitled "Rationale for the Acquisition and the Disposal" of the Circular. We note that the Directors are of the view that the Acquisition is in the interests of Shareholders for the following principal reasons:

(a) The Acquisition will provide the Company with the opportunity to enter the rapidly growing property development industry in the PRC, with focus in Chongqing.

The Acquisition represents an opportunity to revive the Company and enable the Company and Fortune Court Group after completion of the Acquisition (the "**Enlarged Group**") to penetrate the rapidly growing property development industry in Chongqing. Upon completion of the Acquisition, the Enlarged Group will be the first listed property company in Singapore that focuses primarily on property development and investment in Chongqing.

The Board notes that the real estate industry in the PRC, particularly in Chongqing, is a growth industry. Being designated a Special Economic Zone, Chongqing enjoys favourable governmental support, including preferential corporate tax rates of 15.0% and various other policies that encourage investments. The Board is optimistic that the local government's favourable policies that encourage investments in Chongqing will spur economic growth further and fuel the growth of property values in Chongqing.

(b) The Acquisition will allow the Company to capitalise on Chongqing Yingli's established business and proven track record.

The Directors are of the view that the Acquisition would mean that an established business with a proven track record is injected into the Company. Fortune Court's subsidiary, Chongqing Yingli, is a premier property developer in Chongqing with a unique track record in undertaking development projects involving urban renewal, which involves working with local authorities to revamp the landscape of the city of Chongqing, and has since developed several major commercial buildings, such as Fortune International and New York New York. In addition, Chongqing Yingli has earned numerous accolades and awards such as the leading brand in Chongqing construction in 2007 and Chongqing's top 50 real estate development enterprises in 2001, 2003, 2005 and 2007.

With its track record and focus on the commercial property development sector, the Directors believe that Chongqing Yingli will be in a good position to capitalise on the growing commercial property sector in the PRC, with a particular focus in Chongqing. The Acquisition will offer the Company an opportunity to become a major player in the Chongqing real estate market.

(c) The Acquisition will allow the Company to capitalise on Chongqing Yingli's experienced management with an in-depth knowledge of the property market.

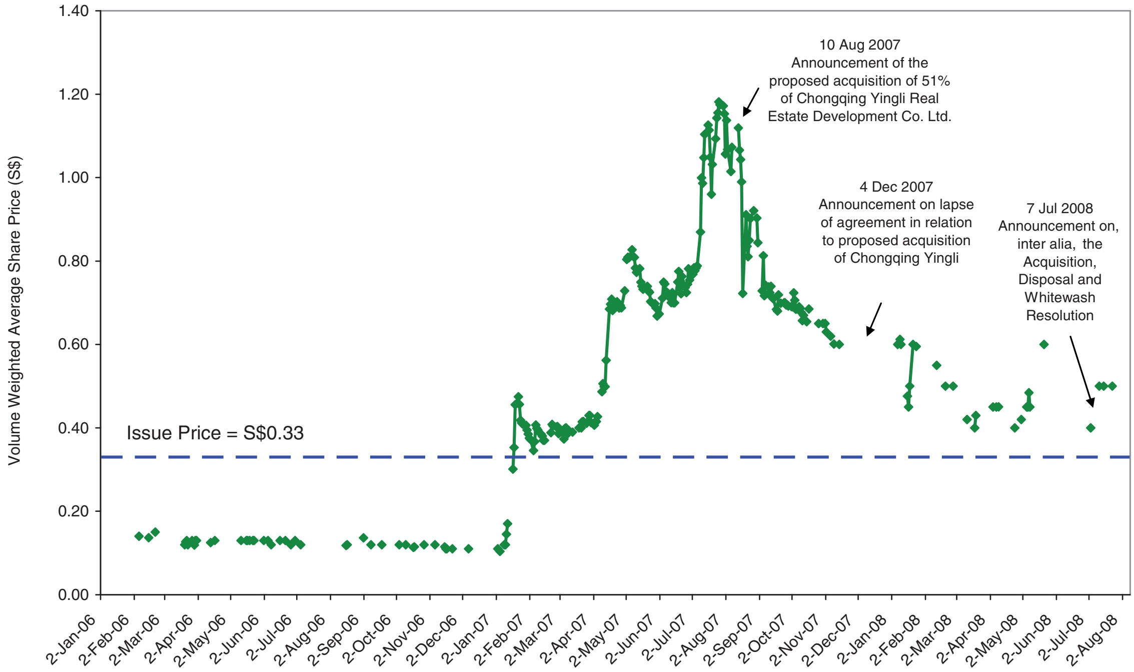
The proposed management team of the Enlarged Group as described in Section 13 entitled "Proposed Directors and Executive Officers" of the Circular is experienced in real estate development in Chongqing and has an in-depth knowledge of the Chongqing real estate sector. Mr Fang Ming, a proposed Director of the Enlarged Group, who is also the Chairman and General Manager of Chongqing Yingli, has more than 15 years of experience in the PRC property sector. In addition, the key members of the management team have an average of more than 10 years of experience in the PRC property sector which has enabled Chongqing Yingli to identify and source quality projects. In view of the Fortune Court Group's expertise and good relationships with local government authorities and business communities in Chongqing, we believe that the Acquisition would be a good opportunity to invest in a growing business, with a strong management team and a proven track record.

5.2 Market Quotations and Trading Activity of the Shares

The Purchase Consideration will be satisfied by the allotment and issuance of the 1,652,714,429 Consideration Shares at the Issue Price of S$0.33 per Share to the Vendors. In assessing the reasonableness of the Issue Price, it would be relevant to examine the price performance and trading volume of the Shares over a reasonably current period, during which the market price of the Shares may ordinarily have reflected investors' valuation of the Shares based on all recent publicly available information relating to the Company.

We set out below a chart which shows the daily volume weighted average price ("**VWAP**") for the Shares from 2 January 2006 up to the Latest Computation Date.

Volume Weighted Average Price of the Shares
for the Period from 2 January 2006 up to the Latest Computation Date



Source: Bloomberg

Based on the graph set out above, we have analysed the premium/discount implied by the Issue Price of S$0.33 over the VWAP of the Shares for varying periods preceding the Latest Computation Date, and have tabulated them as follows:

	VWAP (S$)	Premium/(Discount) of Issue Price over/to VWAP
Period Prior to the Date of Announcement		
12-Month High – 26 Jul 2007	1.18	(72.0)%
12-Month Low – 3 Jul 2008	0.40	(17.5)%
Last VWAP prior to the Date of Announcement (on 3 Jul 2008)	0.40	(17.5)%
VWAP prior to the Date of Announcement:		
- For the last three (3) months	0.46	(28.3)%
- For the last six (6) months	0.48	(31.3)%
- For the last nine (9) months	0.55	(40.0)%
- For the last twelve (12) months	0.76	(56.6)%
Period from the Date of Announcement up to the Latest Computation Date	0.50	(34.0)%
Last VWAP prior to the Latest Computation Date	0.50	(34.0)%

Source: Bloomberg

For the 12-month period prior to the Date of Announcement, we note that the Issue Price represents a discount of approximately 17.5% to the lowest VWAP of S$0.40 on 3 July 2008, and a discount of approximately 72.0% to the highest VWAP of S$1.18 on 26 July 2007.

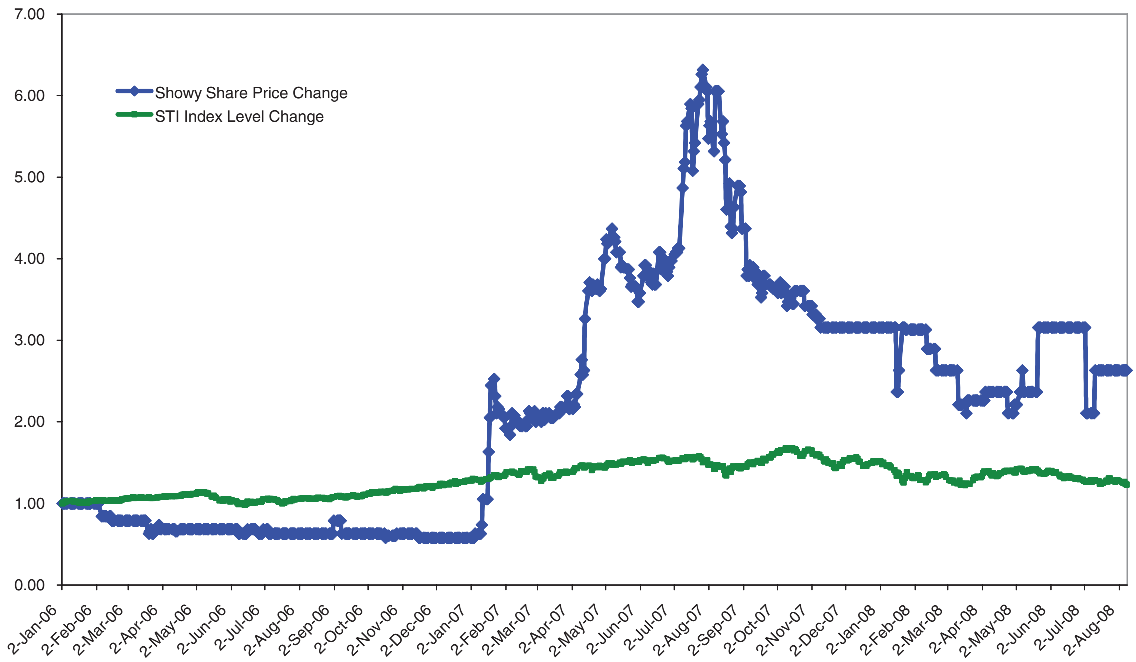
We also note that the Issue Price represents a discount of approximately 17.5% to the last VWAP prior to the Date of Announcement of S$0.40, and discounts ranging from approximately 28.3% to 40.0% to the 3-month, 6-month, and 9-month VWAPs prior to the Date of Announcement. We further note that the Issue Price represents a discount of approximately 56.6% for the 12-month VWAP prior to the Date of Announcement.

In relation to the Company's previous announcements in relation to the proposed acquisition of 51.0% of Chongqing Yingli, the Issue Price represents a discount of approximately 69.2% to the VWAP of S$1.07 on the date of the announcement of the acquisition (being 10 August 2007) and a discount of approximately 45.0% to the VWAP of S$0.60 on 5 December 2007, being the trading date following the Company's announcement on the lapse of agreement in relation to the proposed acquisition.

We note that the Company's share price has traded above the Issue Price of S$0.33 since January 2007, and that the Issue Price represents a discount of 34.0% to the VWAP of S$0.50 prior to the Latest Computation Date.

We have also examined the price performance of the Shares relative to the STI Index for the period from 2 January 2006 up to the Latest Computation Date. The Showy Share price and STI Index level changes are relative to the price/level as at 2 January 2006.

Relative Price Performance between the Company and the STI Index for the period from 2 January 2006 up to the Latest Computation Date

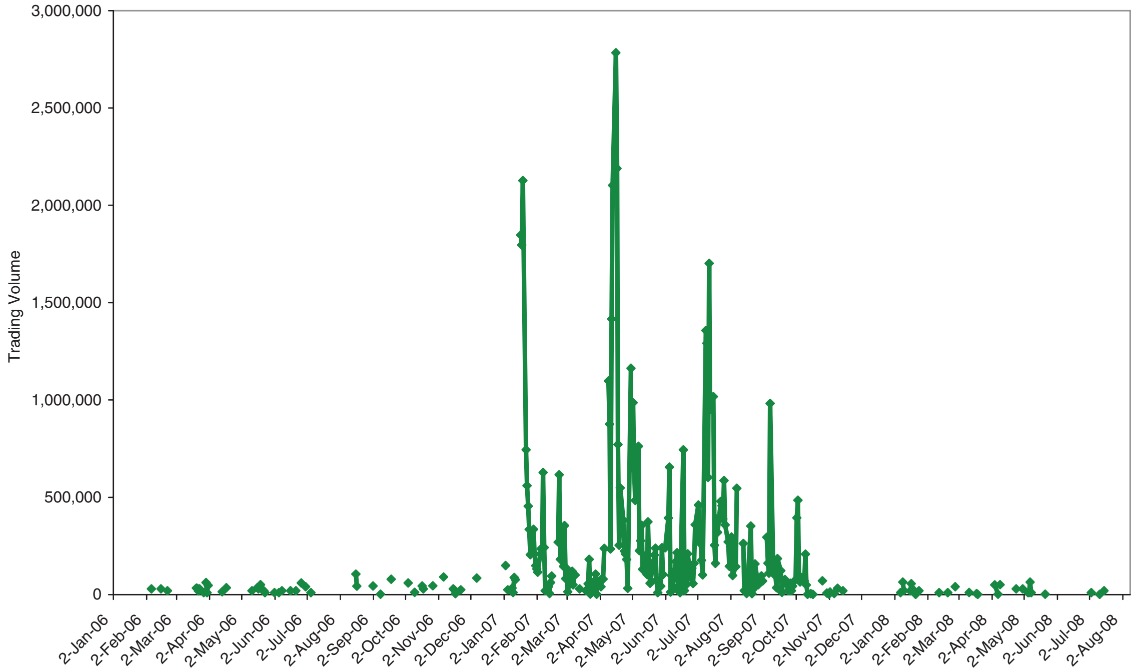


Source: Bloomberg

We note that the Company's share price has relatively out-performed the STI Index since January 2007 up to the Latest Computation Date.

We have also considered the trading volume of the Shares for the period from 2 January 2006 up to the Latest Computation Date, and set out below is the chart which illustrates the average volume of Shares traded on a daily basis for the said period.

Average Trading Volume of the Shares for the Period from 2 January 2006 to the Latest Computation Date



Source: Bloomberg

Based on the graph set out above and other data gathered on the Shares' trading volume, we note that for the period from 12 months prior to the Date of Announcement, the Shares were traded on 97 market days out of the total 251 market days, or for approximately 38.6% of the total market days. We also note that the aggregate trading volume of the Shares for the given period was approximately 18.0 million Shares, representing approximately 14.2% of the total number of outstanding Shares issued. Further, the average trading volume of the Shares during the period (defined as the aggregate trading volume divided by the total number of market days) was approximately 71,892 Shares, representing approximately 0.06% of the total number of outstanding Shares issued.

For the period from 12 months prior to the Date of Announcement, we note that the Shares are fairly illiquid with thin average daily trading volumes. We also note that the number of market days where no trades were transacted accounted for approximately 61.4% of the total number of trading market days during the period, which implies that market interest in the Shares prior to the Date of Announcement is fairly low.

As previously noted, the last traded date prior to the Date of Announcement was on 3 July 2008 with a VWAP of S$0.40. We note that since the Date of Announcement up to the Latest Computation Date, the Shares were traded on three (3) market days out of the total 24 market days or for approximately 12.5% of the total market days, which implies that market interest in the Shares remains fairly low following the announcement of the Proposed Transactions.

5.3 Comparable Companies

Based on our discussions with the management of the Company and a search for comparable listed companies on Bloomberg, we recognise that there is no particular listed company that we may consider to be directly comparable to Fortune Court and Chongqing Yingli in terms of the composition of the business activities, company size, types of properties, customer base, risk profile, geographical spread, accounting standards and policies used, and such other relevant criteria. However, after discussions with the management of the Company, we have selected companies which we believe are broad proxies to the core businesses of Fortune Court and Chongqing Yingli of real estate development in Chongqing, PRC (the "**Comparable Companies**").

The Independent Directors and Shareholders should note that any comparisons made with respect to the Comparable Companies are for illustrative purposes only as there is no one company with the exact scope of business and using the exact accounting policies and standards as those of Fortune Court and Chongqing Yingli. The conclusions drawn from such comparisons, therefore, may not necessarily reflect the perceived or implied valuation of Fortune Court and Chongqing Yingli as at the Latest Computation Date. In addition, we wish to highlight that the list of Comparable Companies is by no means exhaustive.

Accordingly, for the purposes of our evaluation, we have considered the following Comparable Companies whose business activities, in our view (and as explained above), are broadly comparable to those of Fortune Court and Chongqing Yingli:

Comparable Company / Country of Listing	**Business Activity**	**Financial Year-end**
Centraland Ltd ("**Centraland**") *Singapore*	Develops and sells residential and commercial properties.	31 December
China Yuanbang Property Holdings Ltd ("**China Yuanbang**") *Singapore*	Develops residential and commercial properties in China.	30 June
Pan Hong Property Group Limited ("**Pan Hong Property**") *Singapore*	Develops residential and commercial properties in China.	31 December
Sunshine Holdings Ltd ("**Sunshine Holdings**") *Singapore*	Develops cluster estate, mass residential, and commercial properties. Operates in cities in Henan, China.	31 December
Yanlord Land Group Ltd ("**Yanlord Land**") *Singapore*	Develops high-end residential property projects in the Peoples Republic of China.	31 December
Beijing Capital Land Limited ("**Beijing Capital**") *Hong Kong*	Develops quality/high-end office buildings and commercial properties, and medium to high-end residential properties in Beijing, China.	31 December
C C Land Holdings Limited ("**C C Land**") *Hong Kong*	Develops and invests in properties in Western China. Also manufactures and trades packaging products and luggage, and invests in treasuries as well.	31 December
China Resources Land Ltd ("**China Resources**") *Hong Kong*	Develops and invests in properties. Also provides corporate financing and electrical engineering services.	31 December
Franshion Properties China Limited ("**Franshion Properties**") *Hong Kong*	Invests in and develops real estate projects in China.	31 December

Comparable Company / Country of Listing	Business Activity	Financial Year-end
KWG Property Holding Ltd (“**KWG Property**”) *Hong Kong*	Develops real estate, including medium- to high-end residential properties, office buildings, and hotels.	31 December
Neo-China Land Group (Holdings) Limited (“**Neo-China Land**”) *Hong Kong*	Develops and invests in properties.	30 April
Shui On Land Limited (“**Shui On Land**”) *Hong Kong*	Engages principally in the development, sale, leasing, management and ownership of residential, office, retail, entertainment and cultural properties in China	31 December

Source: Bloomberg

The following price-to-book value per share ratios (“**Price/Book Value Ratios**”) of the Comparable Companies are based on their respective VWAP as at the Latest Computation Date or, in case there was no trade on the Latest Computation Date, the VWAP on the last traded market day prior to the Latest Computation Date, and on the information on their respective latest financial year results.

Valuation Indicators of the Comparable Companies in Comparison with the Implied Valuation Indicator of Fortune Court based on the Purchase Consideration

Comparable Companies	Currency	Market Capitalisation(1) as at the Latest Computation Date (in thousands)	Book Value Per Share	Price/Book Value Ratio(2) (times)
Centraland	SGD	901,467	0.56(3)	0.88
China Yuangbang	SGD	126,441	0.17	1.18
Pan Hong Property	SGD	201,733	0.29	1.41
Sunshine Holdings	SGD	87,360	0.20	0.53
Yanlord Holdings	SGD	3,508,149	0.84	2.30
Beijing Capital	HKD	3,313,078	2.41	0.68
C C Land	HKD	8,551,524	4.55	0.87
China Resources	HKD	34,463,030	5.50	1.55
Franshion Properties	HKD	15,312,030	1.75	1.78
KWG Property	HKD	10,863,144	3.52	1.19
Neo-China Land	HKD	10,019,657	2.88	1.79
Shui On Land	HKD	25,768,628	4.05	1.52
High				**2.30**
Low				**0.53**
Average				**1.31**
Median				**1.30**
Fortune Court Group (Implied)	SGD	**545,396**	**533,386**(4)	**1.02**(5)

Source: Bloomberg and company annual reports

Notes:

(1) Market capitalisation for the Comparable Companies is based on the outstanding number of shares and the VWAP as at the Latest Computation Date as obtained from Bloomberg. Market capitalisation of Fortune Court is assumed to be equivalent to the Purchase Consideration of S$545.4 million.

(2) Price/Book Value Ratio is the ratio of the share price as at the Latest Computation Date divided by the historical book value per share. Book values per share of the Comparable Companies are obtained from Bloomberg and based on their latest financial year results.

(3) The Book Value per share of Centraland has been adjusted to reflect the estimated net surplus from valuation amounting to RMB4,097,899,000 and net proceeds from the issue of new shares amounting to RMB585,425,000 as reflected on page 76 of its prospectus dated 22 January 2008.

(4) The Book Value of the Fortune Court Group was calculated based on the unaudited proforma financial effects as set out in Section 9 entitled "Financial Effects of the Acquisition, the Disposal, the Compliance Offering and the Capital Injection" of the Circular and taking into account the 93.99% paid-up capital interest of Fortune Court in Chongqing Yingli.

(5) The implied Price/Book Value Ratio of the Fortune Court Group of 1.02 times was calculated based on the Purchase Consideration for the Acquisition divided by the unaudited proforma financial effects as set out in Section 9 entitled "Financial Effects of the Acquisition, the Disposal, the Compliance Offering and the Capital Injection" of the Circular and taking into account the 93.99% paid-up capital interest of Fortune Court in Chongqing Yingli.

Comparison of Price/Book Value Ratios

The Price/Book Value approach is an asset-based relative valuation methodology which takes into consideration the book value or NTA backing of a company. We note that, as at the Latest Computation Date, the range of Price/Book Value ratios among the Comparable Companies is between 0.53 times and 2.30 times. We also note that the average and the median Price/Book Value ratio of the Comparable Companies as at the Latest Computation Date are 1.31 times and 1.30 times respectively.

We note that the implied Price/Book Value ratio of the Fortune Court Group in respect of the Purchase Consideration of 1.02 times is within the range of the Price/Book Value ratios of the Comparable Companies, and is below the average and median Price/Book Value ratios of the Comparable Companies. We note further that the Purchase Consideration represents a slight premium of 2.0% to the unaudited book value of the Fortune Court Group.

5.4 Comparable Transactions

We have tabulated the ratios of the purchase considerations to the market values of recently announced, approved or completed land and/or property purchases or acquisitions of interests in property companies by certain companies which are broadly comparable to Fortune Court and/or Chongqing Yingli (the "**Comparable Transactions**"). We note that there are no similar precedent transactions in the Asia Pacific region in the past two years in which the target company has similar businesses to the Fortune Court Group. Our analysis of the Comparable Transactions is to illustrate the premiums/discounts represented by each of the respective purchase consideration to the market value of such Comparable Transactions.

The Independent Directors and Shareholders should note that due to the differences in, inter alia, business activities, type of property, geographical spread, track record and future prospects, accounting standards and policies, any comparison made with respect to the Comparable Transactions are for illustrative purposes only. The Comparable Transactions are not directly comparable to the Acquisition. The premium any offeror is prepared to pay for in any particular transaction depends on various factors, including the existing level of control in the target company, the level of control required, potential synergy, prevailing market conditions, size of consideration, and general economic and business risks. The conclusions drawn from such comparisons, therefore, may not necessarily reflect the perceived or implied market valuation for the Acquisition. In addition, we wish to highlight that the list of Comparable Transactions is by no means exhaustive.

Company	Description	Date of Announcement
Allgreen Properties Limited ("**Allgreen Properties**") *Singapore*	Acquisition of 31.0% interest in Tianjin Kerry Real Estate Development Co., Ltd., a joint venture company whose principal asset is its interest in the land situated at Hedong District, Tianjin City, China.	7 Aug 2006
Neo-China Land *Hong Kong*	(i) Acquisition of 100.0% equity interest in One Alliance Investment Limited, with 100.0% equity interest in the property project situated in Song Jiang District Gui Dao Jiao Tong Jiu Ting Zhen No. 1, Shanghai, China.	3 Apr 2007
	(ii) Acquisition of 100.0% equity interest in Zhuhai City Qi Zhou Island Movie Town Company Limited, the owner of one parcel of land located in Chi Ling Mountain Group Area, Zhuhai City, Guangdong Province, China.	8 Oct 2007
Shui On Land *Hong Kong*	(i) Acquisition of further interest in Profitstock Holdings Limited, the ultimate owner of the development at Taipingqiao Area, Lu Wan District in Shanghai, China.	31 Jul 2007
	(ii) Acquisition of land in Chancheng District, Foshan City, Guangdong Province, China.	30 Nov 2007
	(iii) Acquisition of 100.0% equity interest in Silomax, the indirect owner of the project company holding Shanghai Rui Hong Xin Cheng Phase I (integrated residential development project in Hong Kou District, Shanghai, China).	26 Feb 2008
Yoma Strategic Holdings Ltd ("**Yoma Strategic**") *Singapore*	Acquisition of 27.0% interest in Winner Sight Investments Limited shares, the owner of Zhong Bei Building, a mixed-use property in the Dalian Economic & Technological Development Zone.	5 Mar 2007
Zhongguo Powerplus Industries Limited ("**Zhongguo Powerplus**") *Singapore*	Acquisition of land use rights and buildings located at Linyi Industry & Trade Development Zone, Shandong Province, China.	2 Jun 2006

Sources: Bloomberg, and company news, announcements and circulars.

List of Comparable Companies that have Recently Acquired Land, Property and/or Property Business

Companies	Currency	Purchase Consideration (in millions)	Announced Market Value (in millions)	Purchase Consideration/ Market Value Ratios(1) (times)
Allgreen Properties	RMB	229.55	383.78	0.60
Neo-China Land – (i)	HKD	505.00	487.70	1.04
Neo-China Land – (ii)	RMB	3,100.00	5,500.00	0.56
Shui On Land – (i)	RMB	884.00	971.00	0.91
Shui On Land – (ii)	RMB	7,510.00	7,563.00	0.99
Shui On Land – (iii)	HKD	152.70	100.24	1.52
Yoma Strategic	RMB	84.18	125.82	0.67
Zhongguo Powerplus	HKD	85.23	121.78	0.70
High				**1.52**
Low				**0.56**
Average				**0.87**
Median				**0.81**
Fortune Court Group (Implied)	SGD	**545.40**	**533.39**	**1.02**

Source: Bloomberg

Note:

(1) Purchase Consideration / Market Value Ratios for the above table measures the purchase consideration paid by the companies against the market value based on the valuation report prepared for the transaction. The announced market value for the Fortune Court Group is assumed to be equivalent to the book value of the Fortune Court Group based on the unaudited proforma financial effects as set out in Section 9 entitled "Financial Effects of the Acquisition, the Disposal, the Compliance Offering and the Capital Injection" of the Circular and taking into account the 93.99% paid-up capital interest of Fortune Court in Chongqing Yingli.

We note that, as at the Latest Computation Date, the range of Purchase Consideration/Market Value ratios among the Comparable Transactions is between 0.56 times and 1.52 times. We also note that the average ratio of the Comparable Transactions and the median ratio of the Purchase Consideration/Market Value as at the Latest Computation Date are 0.87 times and 0.81 times, respectively.

We note that the implied ratio of Fortune Court in respect of the Purchase Consideration is within the range of the Purchase Consideration/Market Value ratios of the Comparable Transactions, but is above the average and median ratios of the Comparable Transactions. The variations in the Purchase Consideration/Market Value ratios between the Comparable Transactions and Fortune Court could be due to the differences in the types or classes of asset mix being acquired as well as differences in the locations of the properties in the PRC.

5.5 Precedent Transactions

We have examined recent similar transactions by listed companies on the SGX-ST involving very substantial acquisitions (as defined under Chapter 10 of the Listing Manual) with the purchase considerations having been satisfied with the allotment and issuance of new shares, and with or without cash payment/s by such companies (the "**Precedent Transactions**"). Our analysis of the Precedent Transactions is to illustrate the premiums/discounts represented by each of the respective issue price to the latest traded price prior to the announcements of such Precedent Transactions.

The Independent Directors and Shareholders should note that due to the differences in, inter alia, business activities, scale of operations, geographical spread of activities, track record and future prospects, accounting standards and policies, any comparison made with respect to the Precedent Transactions are for illustrative purposes only. The Precedent

Transactions are not directly comparable to the Proposed Acquisition and/or the Company. The premium any offeror is prepared to pay for in any particular very substantial transaction (as defined under Chapter 10 of the SGX-ST Listing Manual) depends on various factors, including the existing level of control in the target company, the level of control required, potential synergy, prevailing market conditions, size of consideration, and general economic and business risks. The conclusions drawn from such comparisons, therefore, may not necessarily reflect the perceived or implied market valuation for the Company. In addition, we wish to highlight that the list of Precedent Transactions is by no means exhaustive.

Company	**Date of Announcement**	**Issue Price (S$)**	**VWAP on the Last Day Prior to the Date of Announcement (S$)**	**Premium / (Discount) of the Issue Price over/ to the VWAP on the Last Day Prior to the Date of Announcement (%)**
China Entertainment Sports Ltd[(1)]	11 Mar 2006	0.0029	0.0150	(80.7)%
China Transcom Technologies Limited[(2)]	26 Jan 2007	0.1000	0.1279	(21.8)%
CityAxis Holdings Limited[(3)]	23 Aug 2006	0.0393	0.1103	(64.3)%
Ezyhealth Asia Pacific Ltd[(4)]	23 Dec 2005	0.0600	0.0400	50.0%
Falcon Energy Limited[(5)]	4 Apr 2007	0.3700	0.5084	(27.2)%
Twinwood Engineering Ltd[(6)]	29 May 2006	0.0295	0.0300	(1.7)%
High				**50.0%**
Low				**(80.7)%**
Average				**(24.3)%**
Median				**(24.5)%**
Showy	7 Jul 2008	**0.3300**	**0.4000**	**(17.5)%**

Sources: Bloomberg and respective company circulars

Notes:

(1) On 11 March 2006, the directors of China Entertainment Sports Ltd ("**CES**") announced that CES had entered into an acquisition agreement with the vendors in respect of the acquisition by CES of Chasen Logistics Services Limited and its subsidiaries for an aggregate purchase consideration of S$36.0 million, to be satisfied by way of an allotment and issuance of approximately 12,413.8 billion new CES shares at an issue price of S$0.0029 each.

(2) On 26 January 2007, the directors of China Transcom Technologies Limited ("**CTT**") announced that CTT had entered into an agreement to acquire Henan Tianhai Electric Co. Ltd indirectly through the acquisition of the entire issued and paid-up share capital of Tianhai Electric (Group) Corporation for an aggregate purchase consideration of S$39.7 million, to be satisfied entirely by the issue to the vendors of an aggregate of approximately 397.0 million new CTT shares at an issue price of S$0.10 each.

(3) On 23 August 2006, the directors of CityAxis Holdings Limited ("**CityAxis**") announced that CityAxis had entered into an injection agreement whereby CityAxis agreed to purchase from the vendor the entire issued share capital of Indofood Oil & Fats Pte Ltd for a purchase consideration of approximately S$392.7 million, to be satisfied entirely by the issue of approximately 9,982.0 million new CityAxis shares at an issue price of S$0.03934 each.

(4) On 23 December 2005, the directors of Ezyhealth Asia Pacific Ltd ("**Ezyhealth**") announced that Ezyhealth had entered into an agreement in relation to its proposed acquisition of the issued ordinary shares in the share capital of the target companies held by Wilmar Holdings Pte Ltd for a consideration of approximately S$1,290.0 million, to be satisfied entirely by the allotment and issuance of approximately 21,500.0 million new Ezyhealth shares at an issue price of S$0.06 each.

(5) On 3 April 2007, the directors of Falcon Energy Limited ("**Falcon**") announced that Falcon has entered into a conditional sale and purchase agreement with Sunlight Marine Services S.A. ("**Sunlight**") for the proposed acquisition from Sunlight of the entire equity interest in the share capital of Oilfield Services Company Limited for a purchase consideration of approximately S$229 million to be satisfied by the allotment and issuance of approximately 618.9 million new ordinary shares at the issue price of S$0.37 each.

(6) On 29 May 2006, the directors of Twinwood Engineering Limited ("**Twinwood**") announced that Twinwood had entered into a sale and purchase agreement in relation to its proposed acquisition of the issued ordinary shares in the share capital of the target companies held by Hup Soon Global Pte Ltd for a consideration of approximately S$79.2 million, to be satisfied by the allotment and issuance of approximately 2,999.1 million new Twinwood shares at an issue price of S$0.0264 each. On 30 October 2006, the directors of Twinwood subsequently announced that certain terms and conditions of the agreement had been revised, including the increase of the issue price from S$0.0264 to S$0.0295 resulting in, *inter alia*, the number of Twinwood shares to be issued in satisfaction of the revised purchase consideration of approximately S$79.3 million decreasing from approximately 2,999.1 million to 2,687.5 million new Twinwood shares.

We note that the consideration shares for the Precedent Transactions are, save for one of the Precedent Transactions, issued at a discount to the respective companies' VWAP on the last day prior to their respective announcement dates. We further note that the issue prices for the Precedent Transactions range from a discount of 80.7% over the VWAP on the last day prior to the date of the announcement up to a premium of 50.0%, with average and median discounts of 24.3% and 24.5%, respectively. With respect to the Acquisition, the discount of the Issue Price to the VWAP of 17.5% on the last day prior to the Date of Announcement is within the range of the Precedent Transactions and is lower than the average and the median measures for the Precedent Transactions.

6 THE DISPOSAL AS AN INTERESTED PERSON TRANSACTION AND A MAJOR TRANSACTION

The terms of the Disposal are set out in Section 5 entitled "The Disposal" of the Circular. Salient information on the Disposal are presented in this letter.

Together with the S&P Agreement, the Company entered into the Business Transfer Agreement to effect the Disposal of the Company's existing business (in its entirety) to Showy Pte. Ltd, for a cash consideration of S$4.664 million (the "**Disposal Consideration**"), determined on a willing-buyer willing-seller basis and based on the adjusted book value of the Company's assets and liabilities as set out in the unaudited consolidated balance sheet the Company and its subsidiaries as at 30 June 2008 (the "**Signing Balance Sheet**"). We note that the Disposal Consideration is subject to adjustment/s pursuant to clauses 3.2 and 5 and Schedule 2 of the Business Transfer Agreement.

Independent Shareholders should note that completion of the Disposal is conditional upon, among other things, the approval of the Independent Shareholders being obtained for the Disposal, the Acquisition and the Whitewash Resolution.

6.1 The Disposal as an Interested Person Transaction

Mr Lim Hong Ching and Mdm Yeo Sock Kon collectively own 100.0% of the issued share capital of Showy Pte Ltd. Both Mr Lim Hong Ching and Mdm Yeo Sock Kon are currently Directors and Controlling Shareholders (as defined in the Listing Manual) of the Company. Accordingly, the proposed Disposal constitutes an interested person transaction pursuant to Chapter 9 of the Listing Manual. Furthermore, as the value of the Disposal is above S$100,000 and is equal to or exceeds 5.0% of the Company's latest audited NTA, Shareholders' approval by way of ordinary resolution is required in order for the Company to effect the Disposal.

6.2 The Disposal as a Major Transaction

Under Rule 1014 of the Listing Manual, Shareholders' approval must be sought for "major transactions". Rule 1006 sets out the computation for the relative figures. Shareholders' approval is required if any of the relative figures computed on the bases set out in Rule 1006 exceeds 20.0%, as such a transaction is classified as a "major transaction".

As the Disposal constitutes the disposal of the entire existing business of the Company, the Disposal constitutes a transaction to which Rule 1015, in conjunction with Rule 1006, of the Listing Manual applies and therefore must be made conditional upon approval of Shareholders in a general meeting.

6.3 The Basis of Calculation of the Disposal Consideration

The Company considered the adjusted book values of the following assets and liabilities (the "**Assets and Liabilities**"), as set out in the unaudited consolidated balance sheet of the Company as at 30 June 2008, in its deliberation of the Disposal Consideration:

(a) the stocks of the Company's existing business such as goods purchased for resale, consumable stores, inventories, raw materials and components, packing materials, work in progress, consignment stock, stock in transit, stock provision, partly finished and finished goods;

(b) the property located at 35 Sungei Kadut Street 4, Singapore 729057, plant and equipment of the Company (which includes fixed and loose plant, machinery and equipment, fittings and other chattels (including motor vehicles, office equipment, computer hardware and software) owned by the Company and used in connection with the Company's existing business);

(c) the Company's trade and other receivables;

(d) the Company's cash and cash equivalents (all sums held in the PRC and such other sums (save for all sums held in Showy (Shanghai) Impex Limited), which in aggregate shall be equal to S$2,000,000);

(e) the income tax payable by the Company; and

(f) trade and other payables of the Company.

6.4 Verification Procedure Relating to the Disposal Consideration

Within three (3) days of the completion of the Disposal, Showy Pte Ltd will verify the details in the Signing Balance Sheet and inform the Company if there are difference(s) between the figures in the Signing Balance Sheet and the figures verified by Showy Pte Ltd. We note that the Company and Showy Pte Ltd will then discuss, with a view of reaching an agreement on an appropriate adjustment to the Disposal Consideration as a result of such differences. In the event that they are unable to reach agreement on such adjustment within ten (10) days from the date on which Showy Pte Ltd first informed the Company of such difference(s), then the matter shall immediately be referred to the auditors of the Company, who will certify to both parties the adjusted consolidated book value of the Company's Assets and Liabilities as at 30 June 2008 (the "**Final Book Value**"), such certification to be issued by the auditors of the Company within 20 days from the date on which the matter was referred to them. If the Final Book Value is different from the adjusted book value of the Company as shown in the Signing Balance Sheet, then a post-closing adjustment shall be made to the Disposal Consideration equivalent to the amount of such difference. The auditors of the Company will also, together with certifying the Final Book Value, certify the final Disposal Consideration to be paid by Showy Pte Ltd.

6.5 Conditions Precedent of the Disposal and Other Salient Terms of the Business Transfer Agreement

The Disposal is conditional upon, *inter alia,* the satisfaction of all conditions precedent set out in Section 5.4 entitled "The Disposal – Conditions Precedent" of the Circular, and is subject to the other salient terms of the Business Transfer Agreement as set out in Section 5.7 entitled "The Disposal – Other Salient Terms of the Business Transfer Agreement" of the Circular.

7 EVALUATION OF THE DISPOSAL

In our analysis and evaluation of the Disposal, and our recommendation thereon, we have taken into consideration the following factors:

(a) the rationale of the Disposal;

(b) comparison of the valuation ratios of the Company against selected comparable listed companies;

(c) the financial condition and performance of the Company, including the proforma financial effects of the Disposal; and

(d) other relevant factors.

7.1 Rationale of the Disposal

The rationale of the Disposal is set out in Section 6 entitled "Rationale for the Acquisition and the Disposal" of the Circular. We reproduce the Company's rationale with regards to the Disposal below:

In connection with the Acquisition, the Company intends to dispose of all its existing business and assets, such that upon completion of the Acquisition and the Disposal, the business of Enlarged Group will be that of the Fortune Court Group, whose primary business focus is on property development and investment in Chongqing, the PRC.

7.2 Financial Performance and Condition

We note that the profit after tax of Showy's existing business has been declining for the past three financial years as shown in the table below.

(S$'000)	FY2004	FY2005	FY2006	FY2007
Profit after tax attributable to equity holders of the Company	1,328	1,058	1,023	812
Year-on-year growth/(decline)	–	(20.3)%	(3.3)%	(20.6)%

Source: Showy annual reports

7.3 Showy Comparable Companies

Based on our discussions with the management of the Company and a search for comparable listed companies on Bloomberg, we recognise that there is no particular listed company that we may consider to be directly comparable to the Company in terms of the composition of the business activities, company size, scale of operations, service range, customer base, risk profile, geographical spread of activities, accounting standards and policies used, and such other relevant criteria. However, after discussions with the management of the Company, we have selected companies which we believe are broad proxies to the core businesses of the Company of designing, manufacturing, trading and distributing low-technology products such as sanitary fittings, bathroom products and accessories, and kitchen products and accessories (the "**Showy Comparable Companies**").

The Independent Directors and Shareholders should note that any comparisons made with respect to the Showy Comparable Companies are for illustrative purposes only as there is no one company with the exact scope of business and using the exact accounting policies and standards as those of Showy. The conclusions drawn from such comparisons, therefore, may not necessarily reflect the perceived or implied valuation of Showy as at the Latest Computation Date. In addition, we wish to highlight that the list of Showy Comparable Companies is by no means exhaustive.

Accordingly, for the purposes of our evaluation, we have considered the following Showy Comparable Companies whose business activities, in our view (and as explained above), are broadly comparable to those of Showy:

Comparable Company / Country of Listing	**Business Activity**	**Financial Year-end**
Eagle Brand Holdings Ltd (“**Eagle Brand**”) *Singapore*	Designs, manufactures, distributes and sells ceramic tiles and ceramic sanitary wares in China. Also provides auxiliary and administrative services.	31 December
Star Sanitaryware PCL (“**Star Sanitaryware**”) *Thailand*	Manufactures bathroom fixtures. Produces bathtubs, toilets, sinks, urinals, bidets, soap dishes, toilet paper holders and towel bars.	31 December
Stone Master Corporation Berhad (“**Stone Master**”) *Malaysia*	Through its subsidiaries, trades ceramic tiles and sanitary wares, and manufactures and trades marble and granite products.	31 March
Surya Toto Indonesia PT (“**Surya Toto**”) *Indonesia*	Manufactures and sells sanitary, metal fitting products and kitchen systems as well as its related products.	31 December
Union Mosiac Industry Public Company Limited (“**Union Mosiac**”) *Thailand*	Manufactures ceramic tiles and produces sanitary ware products.	31 December

Source: Bloomberg

The following valuation indicators of the Showy Comparable Companies are based on their respective VWAP as at the Latest Computation Date or, in case there was no trade on the Latest Computation Date, the VWAP on the last traded market day prior to the Latest Computation Date. The Price/Earnings ratio and Price/Book Value ratio as well as the EBITDA of the Showy Comparable Companies are based on the information on their respective latest financial year results.

Valuation Indicators of the Showy Comparable Companies in Comparison with the Valuation Indicators of Showy

Comparable Companies	Currency	Market Capitalisation(1) as at the Latest Computation Date (in millions)	Price/ EBITDA Ratio(2) (times)	Price/ Earnings Ratio(3) (times)	Price/ Book Value Ratio(4) (times)
Eagle Brand	SGD	52.13	8.66	*n.m.*(5)	0.45
Star Sanitaryware	THB	122.29	2.56	8.17	0.53
Stone Master	MYR	5.04	*n.m.*	*n.m.*	0.11
Surya Toto	IDR	396,288.00	1.99	7.03	1.25
Union Mosaic	THB	345.88	*n.m.*	*n.m.*	0.33
High			**8.66**	**8.17**	**1.25**
Low			**1.99**	**7.03**	**0.11**
Average			**4.40**	**7.60**	**0.53**
Median			**2.56**	**7.60**	**0.45**
Showy (Implied)(6)	SGD	**4.664**	**4.58**	**5.74**	**0.97**

Source: Bloomberg and company annual reports

Notes:

(1) Market capitalisation for the Showy Comparable Companies is based on the outstanding number of shares and the VWAP as at the Latest Computation Date as obtained from Bloomberg.

(2) Price/EBITDA Ratio is the ratio of the share price as at the Latest Computation Date divided by the historical EBITDA. For the Showy Comparable Companies, EBITDA figures are obtained from Bloomberg and based on their latest financial year results. The price of Showy is assumed to be equivalent to the Disposal Consideration of S$4.664 million.

(3) Price/Earnings Ratio is the ratio of the share price as at the Latest Computation Date divided by the historical earnings per share. Earnings per share of the Showy Comparable Companies is obtained from Bloomberg and based on their latest financial year results. There are no Price/Earnings Ratios for Stone Master Corp Bhd and Union Mosaic Industry Public Company Limited due to their net loss positions for their respective latest financial years. We have calculated the average Price/Earnings Ratio as a simple average of Showy Comparable Companies' Price/Earnings Ratios excluding Eagle Brand, Stone Master, and Union Mosaic.

(4) Price/Book Value Ratio is the ratio of the share price as at the Latest Computation Date divided by the historical book value per share. Book values per share of the Showy Comparable Companies are obtained from Bloomberg and based on their latest financial year results. The price of Showy is assumed to be equivalent to the Disposal Consideration of S$4.664 million.

(5) We have excluded Eagle Brand's Price/Earnings Ratio after noting that their net profit of RMB11.0 million for FY2007 would be a loss assuming that a non-operating gain of RMB22.7 million for write-back of allowance had been excluded. The non-operating gain of RMB22.7 million was for write-back of allowance for impairment of items of property, plant and equipment.

(6) The Price/Earnings Ratio of Showy is assumed to be equivalent to the Disposal Consideration of S$4.664 million divided by the audited consolidated net profit of Showy for the financial year ended 31 December 2007 of approximately S$0.81 million. Price/Book Value Ratio of Showy is computed as the Disposal Consideration divided by the difference of the net asset value of Showy as at 31 December 2007 and the cash and cash equivalents amount that will be retained in the Company upon completion of the Disposal.

Comparison of Price/EBITDA and Price/Earnings Ratios

The earnings approach is used for entities with on-going operations and an identifiable earnings trend, which is the case for Showy.

The Price/EBITDA ratio illustrates the ratio of the market price of an entity's shares in relation to its historical pre-tax operating cashflow performance and disregarding the entity's existing capital structure. The Price/Earnings ratio illustrates the ratio of the market price of an entity's shares in relation to its historical earnings per share.

We note that, as at the Latest Computation Date, the range of Price/EBITDA ratios among the Showy Comparable Companies is between 1.99 times and 8.66 times. We also note that the average and median Price/EBITDA ratios of the Showy Comparable Companies as at the Latest Computation Date are 4.40 times and 2.56 times, respectively.

Further, we note that, as at the Latest Computation Date, the range of Price/Earnings ratios among the Showy Comparable Companies is between 7.03 times and 8.17 times, with the average and median Price/Earnings ratios of the Showy Comparable Companies, as at the Latest Computation Date, both being 7.60 times.

The implied Price/EBITDA ratio of Showy in respect of the Disposal Consideration of 4.58 times falls within the range of the Price/EBITDA ratios of the Showy Comparable Companies and is above the average and median Price/EBITDA ratios.

The implied Price/Earnings ratio of Showy in respect of the Disposal Consideration of 5.74 times is lower than the range of the Price/Earnings ratios of the Showy Comparable Companies. However, we note that three (3) of the five (5) Showy Comparable Companies, namely Eagle Brand, Stone Master and Union Mosaic, have no Price/Earnings ratios due to their net loss positions for their respective latest financial years. Along with the financial performance of Showy's existing business over the past three (3) financial years, the net loss positions of certain Showy Comparable Companies may imply a general downward trend in the sanitary fittings, bathroom products and accessories, and kitchen product and accesories industry.

Comparison of Price/Book Value Ratios

The Price/Book Value approach is an asset-based relative valuation methodology which takes into consideration the book value or NTA backing of a company.

In determining the book value of Showy for our analysis using the Price/Book Value approach, we note that based on Showy's audited cash and cash equivalents of approximately S$17.4 million as at 31 December 2007, Showy will be retaining approximately S$15.3 million of cash and cash equivalents upon completion of the Disposal. We have considered such retention of cash and cash equivalents and, as such, the book value used in our assessment was S$4.8 million.

We note that, as at the Latest Computation Date, the range of Price/Book Value ratios among the Showy Comparable Companies is between 0.11 times and 1.25 times. We also note that the average and median Price/Book Value ratios of the Showy Comparable Companies as at the Latest Computation Date are 0.53 and 0.45 times, respectively.

We note that the implied Price/Book Value ratio of Showy in respect of the Disposal Consideration of 0.97 times is within the range of the Price/Book Value ratios of the Showy Comparable Companies, and is higher than the average and median Price/Book Value ratios of the Showy Comparable Companies.

We also note that the Price/Book Value ratio of Showy of 0.97 times implies that the Disposal Consideration represents a slight discount of approximately 3.0% to the audited book value of Showy (excluding the cash and cash equivalents that will be retained in the Company upon completion of the Disposal) as at 31 December 2007. We further note that, save for one which was trading above its latest audited book value, the Showy Comparable Companies were traded at discounts of 47.0% up to 89.0% to their respective latest audited book value.

8 OTHER RELEVANT FACTORS FOR CONSIDERATION OF THE PROPOSED TRANSACTIONS

We have also considered the following in our evaluation on whether the terms of the Proposed Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders:

8.1 Potential Dilution Impact of the Proposed Transactions

As at the Latest Practicable Date, there were 127,000,000 Shares in issue. The percentage of Shares held by the existing Shareholders other than Mr Lim Hong Ching, Mdm Yeo Sock Kon and Mr Tan Kim Seng prior to the Proposed Transactions represents approximately 11.81% of the issued share capital of the Company. The percentage of Shares held, in aggregate, by Mr Lim Hong Ching, Mdm Yeo Sock Kon and Mr Tan Kim Seng prior to the Proposed Transactions represents approximately 88.19% of the issued Share capital of the Company.

Pursuant to the Proposed Transactions, 1,652,714,429 Consideration Shares will be issued to the Vendors, increasing the issued share capital to 1,779,714,429 Shares. Upon the completion of the Proposed Acquisition, the Vendors will hold approximately 92.86% of the enlarged issued Share capital of the Company, and the percentage of Shares deemed to be held by the existing Shareholders other than Mr Lim Hong Ching, Mdm Yeo Sock Kon and Mr Tan Kim Seng will be reduced to approximately 0.84% of the enlarged issued Share capital of the Company. Further, the percentage of Shares deemed to be held by Mr Lim Hong Ching, Mdm Yeo Sock Kon and Mr Tan Kim Seng will be reduced to approximately 6.30% of the enlarged issued Share capital of the Company.

On completion of the Proposed Transactions, the percentage of Shares deemed to be held by public Shareholders will be approximately 7.14%.

The Compliance Offering for 272,278,000 new Shares is proposed to be carried out in order to maintain the minimum float requirements under Rule 723 of the Listing Manual which requires the Company to ensure that at least 10.0% of its securities are held by the public in order for the Company's Shares to continue to trade on Catalist and/or the Mainboard of the SGX-ST and to comply with Rule 1015(3)(c) read with Rule 210(1)(a) of the Listing Manual to reach a 15.0% public float for Mainboard listings.

8.2 Pro Forma Financial Effects of the Proposed Transactions

The pro forma financial effects (including the assumptions for computing such financial effects) of the Proposed Transactions on the earnings per new Share of the Company and on the NTA of the Company are set out in Section 9 entitled "Financial Effects of the Acquisition, the Disposal, the Compliance Offering and the Capital Injection" of the Circular and we note that:

Earnings per New Share

S$'000	Before the Acquisition, the Disposal, the Compliance Offering and the Capital Injection	After the Acquisition but before the Disposal, the Compliance Offering and the Capital Injection	After the Acquisition and the Disposal, but before the Compliance Offering and the Capital Injection
Net profit of the Company	812	812	–
Add: Profit of the Fortune Court Group	–	119,023 (1)	119,023 (1)
Adjusted net profit of the Company	**812**	**119,835**	**119,023**
Number of New Shares(2)	127,000,000	1,779,714,429	1,779,714,429
Earnings per New Share (cents)	0.64	6.73	6.69

Notes:

(1) This is computed by taking the net profit after taxation of Chongqing Yingli less goodwill of S$20.3 million before the Compliance Offering arising from the reverse acquisition.

(2) The subscription by Mr Tan Kim Seng for 66,000,000 new Shares in the Company is assumed to have been completed on 1 January 2007.

We note that after the Acquisition and the Disposal, but before the Compliance Offering and the Capital Injection, the pro-forma earnings per New Share of the Company is 6.69 cents.

NTA per New Share

S$'000	Before the Acquisition, the Disposal, the Revaluation of development properties and land for development, the Compliance Offering and the Capital Injection	After the Acquisition but before the Disposal, the Revaluation of development properties and land for development, the Compliance Offering and the Capital Injection	After the Acquisition, the Disposal, the Revaluation of development properties and land for development, but before the Compliance Offering and the Capital Injection
NTA of the Company	20,144	20,144	15,339
NTA of Fortune Court			
- Chongqing Yingli per 31 Dec 2007	–	164,597	164,597
- 69% NTA of Chongqing San Ya Wan on acquisition as at 14 May 2008	–	4,525	4,525
- Revaluation of development properties	–	–	3,771
- Revaluation of Chongqing San Ya Wan's land	–	85,354	85,354
- Revaluation of land for development	–	–	266,049
- Conversion of Redeemable Loan Stock	–	–	95,000
- Elimination of investment in Chongqing Yingli at Fortune Court level	–	(1,375)	(1,375)
- Less cash outlay to be used on various expenditure to land	–	–	(56,415)
Net Proceeds from Disposal	–	–	4,664
Adjusted NTA of the Company	20,144	273,245	581,509
Number of New Shares	127,000,000	1,779,714,429	1,779,714,429
FY2007 NTA (cents)	15.9	15.4	32.7
FY2007 NTA (cents), adjusted for deferred tax			35.0[(1)]

Note:

(1) Excludes deferred tax of RMB203,290,746 provided in Chongqing Yingli's 2007 audited accounts.

We note that after the Acquisition and the Disposal, but before the revaluation of development properties and land for development, the Compliance Offering and the Capital Injection, the pro forma NTA per new Share of the Company is 32.7 cents and the pro forma NTA per new Share, adjusted for deferred tax, of the Company is 35.0 cents.

8.3 No Assurance of Future Profitability

We note that there is no assurance of the pro forma group's profitability after the completion of the Proposed Transactions.

8.4 Management's Discussion and Analysis of Results of Operations and Financial Condition of the Pro Forma Group

The management's discussion and analysis of results of operations and financial condition of the pro forma group are set out in Section B.5 entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Circular.

8.5 Risk Factors

While we have, in the course of our evaluation, assessed the financial terms of the Proposed Transactions and considered the transactions from the perspective of whether such terms are prejudicial to the interests of the Company and the Independent Shareholders, we have not examined the underlying business and financial risks associated with the Proposed Transactions as well as the business prospects of the Fortune Court Group, which shall be the responsibility of the Directors.

The risks, considerations and uncertainties in connection with the business of the Fortune Court Group, the industry, and the ownership of Shares following the completion of the Proposed Transactions are set out in Section 14 entitled "Risk Factors" of the Circular. We advise the Independent Directors to recommend that Independent Shareholders should read Section 14 entitled "Risk Factors" of the Circular which sets out the risk factors in relation to the Proposed Transactions.

8.6 Inter-conditionality of the Acquisition, Disposal and Whitewash Resolution

Under the S&P Agreement, approval of the Whitewash Resolution and the Disposal by the Independent Shareholders is one of the conditions precedents to the completion of the Acquisition. Under the Business Transfer Agreement, approval of the Whitewash Resolution and the Acquisition by the Independent Shareholders is one of the conditions precedents to the completion of the Disposal. We note that the Acquisition, Disposal and Whitewash Resolution are inter-conditional upon one another. As such, if any one of the Proposed Transactions is not passed by a majority of the Independent Shareholders, none of the Proposed Transactions will take place.

8.7 No Alternative to the Proposed Transactions

We understand from the Directors that, save as previously disclosed by the Company, there are currently no other acceptable alternative proposal or investment opportunity which is comparable in nature, size, and scope to the Acquisition and Disposal as at the Latest Practicable Date.

9 CONCLUSION

In arriving at our opinion on the Proposed Transactions, we have reviewed and deliberated on the factors which we consider to be pertinent and to have a significant bearing on our assessment of the Proposed Transactions. The factors we have considered in our evaluation, which are based on representations made by the Company, its Directors and its senior management and which we have relied upon, are as follows:

(a) Purchase Consideration for the Acquisition

Based on our evaluation and analyses in relation to the Purchase Consideration, we note that the valuation statistics implied by the Purchase Consideration are reasonable compared to those of the Comparable Companies involved in the property business in the PRC and of the Comparable Transactions involving the acquisition of property, land and/or property business. We note that the Purchase Consideration represents a slight premium of 2.0% to the book value of the Fortune Court Group, based on the unaudited proforma financial effects as set out in Section 9 entitled "Financial Effects of the Acquisition, the Disposal, the Compliance Offering and the Capital Injection" of the Circular.

(b) Issue Price of the Consideration Shares

Based on our analyses of the Share price performance and trading statistics of the Company, we note that the S$0.33 Issue Price of the Consideration Shares is at a discount to the various measures of the traded Share price for the 12-month period prior to the Date of Announcement. When compared with similar transactions by listed companies on the SGX-ST, we note that the consideration shares for the Precedent Transactions are generally issued at a discount to the respective companies' VWAP on the last day prior to their respective announcement dates.

We have also considered the trading volume of the Shares and note that for the 12-month period prior to the Date of Announcement, the Shares are fairly illiquid. We also note that since the Date of Announcement up to the Latest Computation Date, the Shares were traded on three (3) market days out of the total 24 market days, or approximately 12.5% of the total market days, which implies that market interest in the Shares remains fairly low following the announcement of the Proposed Transactions.

(c) Rationale by the Directors in relation to the Acquisition and the Disposal

We note that the Directors believe that the Acquisition is an opportunity to revive the Company and enable the Enlarged Group to participate in the rapidly growing property development industry in Chongqing.

At the same time, we note that the Directors believe that the Disposal, the approval of which is a condition precedent of the Acquisition, will allow the Company to exit entirely from its existing business in the design and manufacture of sanitary fittings, bathroom products and accessories, and kitchen products and accessories, which for the past three financial years have resulted in declining net profit after tax. We also note that the existing business is separate and unrelated to the real estate development business to be engaged in by the Enlarged Group upon completion of the Acquisition.

(d) Implied valuation indicator of the Acquisition in comparison with the valuation indicators of the Comparable Companies

We note that the Price/Book Value ratio of Fortune Court in respect of the Purchase Consideration as well as the Purchase Consideration/Market Value ratio are within the range of the relevant ratios of the Comparable Companies and comparable transactions involving property purchases or acquisitions of interests in property companies by certain companies which are broadly comparable to Fortune Court and/or Chongqing Yingli.

(e) Financial assessment of the Disposal Consideration

Based on the evaluation and analyses of the valuation statistics derived from the financial assessment of the Disposal Consideration, we note that the values implied by the Purchase Consideration are within the range of the values attributed to the Showy Comparable Companies. We also note that certain Showy Comparable Companies do not have Price/EBITDA and Price/Earnings ratios due to their loss positions for their respective latest financial years, which may imply a general downward trend in the sanitary ware, bathroom and kitchen products industry.

(f) Pro forma financial effects of the Proposed Transactions

We note that from the pro forma financial effects of the Proposed Transactions on the Enlarged Group basis, the financial positions and financial performance would be significantly improved.

(g) Inter-conditionality of the Acquisition, Disposal and Whitewash Resolution

Independent Shareholders should note that the Acquisition is conditional, *inter alia,* upon the approval of the Whitewash Resolution by majority of the Independent Shareholders. Further, Independent Shareholders should also note that by voting in favour of the Whitewash

Resolution, they will be waiving their rights to receive a general offer for all the issued Shares Newest Luck and its concert parties would otherwise be obliged to make at the highest price paid or agreed to be paid by Newest Luck and its concert parties for any Share in the past six months from the date the Consideration Shares are issued to Newest Luck, in accordance with Rule 14 of the Code and section 139 of the SFA.

Independent Shareholders should also note that if any of the Proposed Transactions is not approved, none of the Proposed Transactions will take place.

(h) Absence of alternatives which the Company can consider vis-à-vis the Proposed Transactions

Based on the analyses undertaken and subject to the qualifications and assumptions made herein, EYCF is of the opinion that:

(1) the financial terms of the Acquisition and the Disposal are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders; and

(2) the Whitewash Resolution is not prejudicial to the interests of the Company and the Independent Shareholders.

Accordingly, we advise the Independent Directors of the Company to recommend to the holders of ordinary Shares in the Company to vote in favour of the Acquisition, Disposal and the Whitewash Resolution to be proposed at the extraordinary general meeting convened by the Company.

The Independent Directors should note that we have arrived at our recommendation based on information made available to us prior to and including the Latest Practicable Date. Our advice on the Proposed Transactions cannot and does not take into account the future trading activity or patterns or price levels that may be established for the Shares as these are governed by factors beyond the scope of our review, and would not fall within our terms of reference in connection with the Proposed Transactions.

We have prepared this letter for the use of the Independent Directors of the Company in connection with and for the purposes of their consideration of the Proposed Transactions, but any recommendations made by the Independent Directors in respect of the Proposed Transactions shall remain their responsibility.

Whilst a copy of this letter may be reproduced in the Circular and reproduced, disseminated or quoted for the consideration of the Independent Directors in relation to the Proposed Transactions and the respective resolutions relating to the Proposed Transactions to be proposed at the forthcoming EGM, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of EYCF in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
Ernst & Young Corporate Finance Pte Ltd

Leslie Koh
Executive Director

INTRODUCTION

Jones Lang LaSalle Sallmanns Limited ("Jones Lang LaSalle Sallmanns" or "we") has prepared a study and research report on the overall PRC property market and the property market in Chongqing, for the purpose of inclusion in the Circular to be issued on the Singapore Exchange Securities Trading Limited.

This report is to be used in whole and not in part and should not be used for any other purposes except the aforesaid transaction. Use of or reliance upon this report for any other purpose is not authorized by Jones Lang LaSalle Sallmanns, and Jones Lang LaSalle Sallmanns is not liable for any loss arising from such unauthorized use or reliance. Reproduction of this report or any portion thereof without the prior written consent of Jones Lang LaSalle Sallmanns is prohibited.

Certain assumptions have been made in this report because some information is not available or falls outside the scope of our knowledge and expertise. While there are reasonable projections based on information available as at the date of this report, necessary assumptions have been applied to our study. Jones Lang LaSalle Sallmanns does not warrant the accuracy or correction of the assumptions.

The major economic and real estate market indicators in Chongqing of the PRC have been reviewed in order to provide an overview of the city's market characteristics, existing market conditions, emerging trend and future prospects as of the date of the report. The forecast of property sale price should not be predictions of the future. Rather, they may be considered as the best estimates of current market. Jones Lang LaSalle Sallmanns makes no warranty or representation that these forecasts will be achieved. The real estate market is constantly fluctuating and changing. Jones Lang LaSalle Sallmanns will not take any responsibility to predict or in any way warrant the future conditions of real estate market.

This report contains a significant volume of information which is derived from other sources relating to the economy and real estate market of the PRC and Chongqing, including the National Statistics Bureau, the Chongqing Statistics Bureau and other government authorities of the PRC and Chongqing. Jones Lang LaSalle Sallmanns has paid necessary attention to its accuracy and authenticity and does not warrant or represent that such information is free from errors. This report is based on the information available to us by 30 June 2008.

THE PRC ECONOMY

Since the late 1970's, the PRC government has continuously introduced market-based economic reforms and incentives to boost the PRC economy. This has resulted in the PRC economy gradually transforming from a centrally planned economy to a more market-oriented economy, and achieving robust growth over the last two decades. The average annual real GDP growth rate between 2000 and 2007 is about 10.0%, increasing from 8.4% in 2000 to 11.9% in 2007. Nominal GDP grew from RMB9,921 billion in 2000 to RMB24,953 billion in 2007, representing a compound annual growth rate ("CAGR") of 14.1%.

The following table sets out the economic indicators of the PRC from 2000 to 2007:

Major Economic Indicators of the PRC (2000-2007)

	2000	2001	2002	2003	2004	2005	2006	2007	2000-2007 CAGR
Population (million)	1,267	1,276	1,285	1,292	1,300	1,308	1,314	1,321	0.6%
Nominal GDP (RMB billion)	9,921	10,966	12,033	13,582	15,988	18,387	21,192**	24,953**	14.1%
Real GDP growth (%)	8.4	8.3	9.1	10.1	10.0	10.4	11.6**	11.9**	N/A
GDP per capita (RMB)	7,858	8,622	9,398	10,542	12,336	14,103	16,084	N/A	12.7%*
CPI growth (%)	0.4	0.7	-0.8	1.2	3.9	1.8	1.5	4.8	N/A
Urban population (million)	459.1	480.6	502.1	523.8	542.8	562.1	577.1	593.8	3.7%
Urbanization rate (%)	36.2	37.7	39.1	40.5	41.8	43.0	43.9	44.9	N/A
Unemployment rate (%)	3.1	3.6	4.0	4.3	4.2	4.2	4.1	4.0	N/A
Per capita disposable income (RMB)	6,280	6,860	7,703	8,472	9,422	10,493	11,759	13,786	11.9%
Retail sales of consumer goods (RMB billion)	3,911	4,306	4,814	5,252	5,950	6,718	7,641	8,921	12.5%
Foreign direct investment (USD billion)	40.7	46.9	52.7	53.5	60.6	60.3	69.5	74.8	9.1%
Fixed asset investment (RMB billion)	3,292	3,721	4,350	5,557	7,048	8,877	11,000	13,724	22.6%
Real estate investment (RMB billion)	498	634	779	1,015	1,316	1,591	1,942	2,528	26.1%

Source: China Statistical Yearbook, 2001-2007
2007 China National Economy and Social Development Communique.
Notes; (1)N/A refers to not available or not applicable.
(2) The figure is the CAGR between 2000 and 2006 as the 2007 figure is not available.*
*(3)** Revised figure announced by National Statistics Bureau on 10 April 2008.*

The rapid economic growth of the PRC has resulted in the income growth of urban residents and in turn benefited its retail sector. From 2000 to 2007, retail sales of consumer goods in the PRC increased at a CAGR of 12.5%, reaching RMB8,921 billion in 2007. Growing domestic consumption demand will further boost the growth of the PRC economy.

With the entry into the World Trade Organization ("WTO") in 2001 and hosting of Olympic Games in 2008, the rapid expansion of international trade and large capital inflows provide evidence of the PRC's increasing importance in the international community. With increased confidence in the future economic growth of the PRC and expectation of further appreciation of the Chinese Renminbi, domestic and foreign investments continue to be on the rise in recent years. The foreign direct investment ("FDI") and fixed asset investment grew at a CAGR of 9.1% and 22.6% respectively from 2000 to 2007.

In 2007, the CPI jumped to 4.8% and the key interest rate was raised for six times from 6.12% to 7.47% to control inflation. Moreover, the PRC Government has adopted a series of adjustment and austerity measures in recent years to maintain the economic growth in a healthy and sustainable way. Jones Lang LaSalle Sallmanns anticipates that real GDP of the PRC will experience average growth rate of approximately annually 9% in the next three years.

THE PRC PROPERTY MARKET

The PRC Property Market Overview

China's growing economy, increasing income of citizens and rapid urbanization have led to a significant increase in demand for properties. This has in turn contributed to the growth of the PRC property market. Between 2000 and 2007, the total gross floor area ("GFA") sold and completed of commodity properties (including residential, office and retail properties) increased rapidly, at a CAGR of 22.3% and 12.8% respectively. The average price of commodity properties increased from RMB2,112 per sq. m. in 2000 to RMB3,367 per sq. m. in 2006, representing a CAGR of 8.1%.

Selected property indicators of the PRC property market from 2000 to 2007 are set out in the table below:

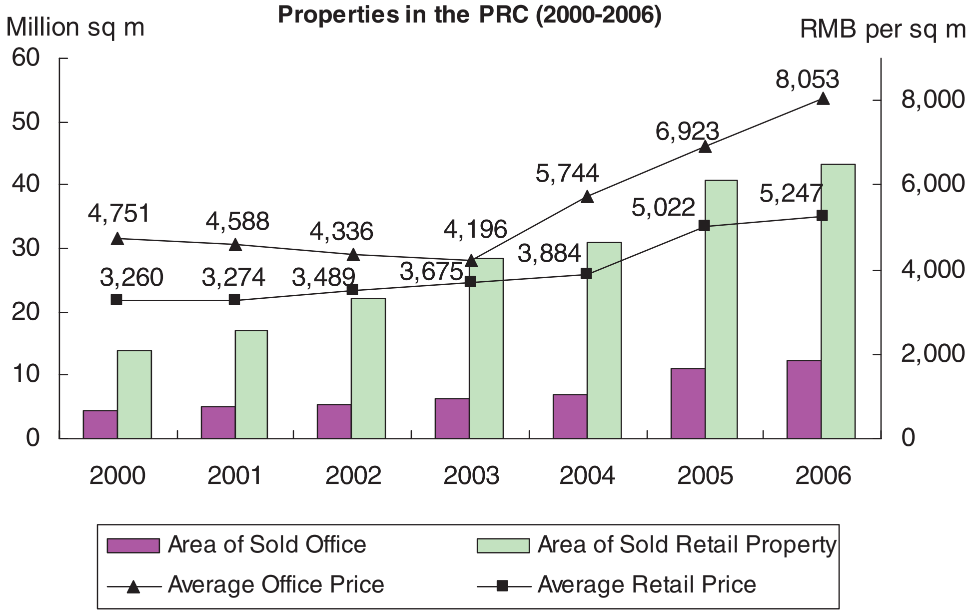
Major Property Market Indicators of the PRC (2000-2007)

	2000	2001	2002	2003	2004	2005	2006	2007	2000-2007 CAGR
Real Estate Investment (RMB billion)	498	634	779	1,015	1,316	1,591	1,942	2,528	26.1%
GFA completed of commodity properties (million sq. m.)	251	299	350	415	425	534	558	582	12.8%
GFA sold of commodity properties (million sq. m.)	186	224	268	337	382	555	619	762	22.3%
GFA sold of residential properties (million sq. m.)	166	199	237	298	338	496	554	691	22.6%
GFA completed of residential properties (million sq. m.)	189	225	266	322	347	400	432	N/A	14.8%*
GFA sold of office properties (million sq. m.)*	4.4	5.0	5.4	6.3	6.9	11.0	12.3	N/A	18.8%*
GFA sold of retail properties (million sq. m.)	14.0	17.0	22.2	28.3	31.0	40.8	43.4	N/A	20.8%*
Average price of commodity properties (RMB/sq. m.)	2,112	2,170	2,250	2,359	2,778	3,168	3,367	N/A	8.1%*
Average price of residential properties (RMB/sq. m.)	1,948	2,017	2,092	2,197	2,608	2,937	3,119	N/A	8.2%*
Average price of office properties (RMB/sq. m.)	4,751	4,588	4,336	4,196	5,744	6,923	8,053	N/A	9.2%*
Average price of retail properties (RMB/sq. m.)	3,260	3,274	3,489	3,675	3,884	5,022	5,247	N/A	8.3%*

Source: *China Statistical Yearbook, 2001-2007*
2007 China National Economy and Social Development Communique

Notes: *(1) N/A refers to not available.*
*(2) * The figure is the CAGR between 2000 and 2006 as the 2007 figure is not available.*

Sold Area and Average Price of Office and Retail Properties in the PRC (2000-2006)



Source: National Statistics Bureau

Key Drivers of the Property Market in the PRC

- **Government Policies, Law and Regulations**

  The evolution and growth of the PRC property market has been driven by a series of government policies since the late 1980's. The PRC Government abolished its state-allocated housing policy in 1998 and promulgated a variety of reforms relating to land, building construction, property sale and mortgage provisions in the following years. With real estate investment and transactions relating to commodity property on a rapid rise, the primary and secondary property market flourished and property related sectors such as property management and residential mortgage also in turn experienced fast growth.

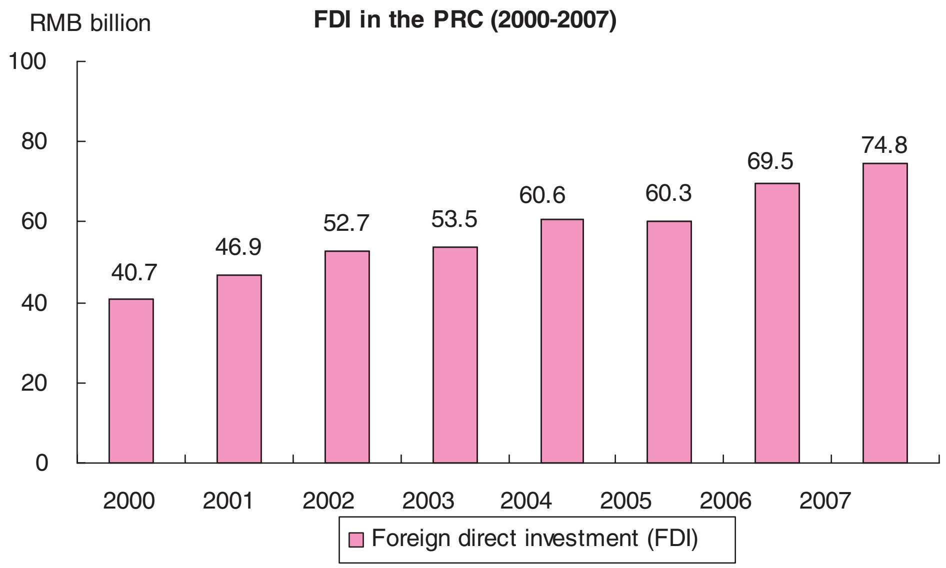
  Since 2003, in view of the fast growing property prices in major cities, the PRC Government introduced a series of austerity measures to stabilize the real estate market, mainly focusing on the residential market. To curb excessive speculation and promote sound growth in the real estate market, the Central Government issued six new measures ("Six National Policies") in May 2006, encouraging developers to increase the supply of small-to-medium sized housing and regulating the real estate market via taxation, loan growth and land supply. In addition, the PRC government announced various regulations in July 2006 and June 2007, concerning foreign investment in the PRC property market to further address the issue of foreign capital speculation in the market.

  To slow down the residential price growth, in September 2007, People's Bank of China and China Banking Regulatory Commission jointly issued a notice to control the granting of mortgage to individual purchasers who are buying their second and subsequent residential properties by increasing the minimum down payment percentage from 30% to 40% of property value and raising the lending rate to at least 110% of the benchmark interest rate. Comparatively, the commercial property market was less influenced by these measures than the residential market and the commercial property developments in recent years continued to experience steady growth.

  The above measures may dampen the PRC real estate market in the short term. However, Jones Lang LaSalle Sallmanns considers that the strong economic fundamentals will have positive effects on the long-term development of the PRC property market by reducing volatility in the real estate market and hence the general economy.

- **PRC's Entry into the WTO**

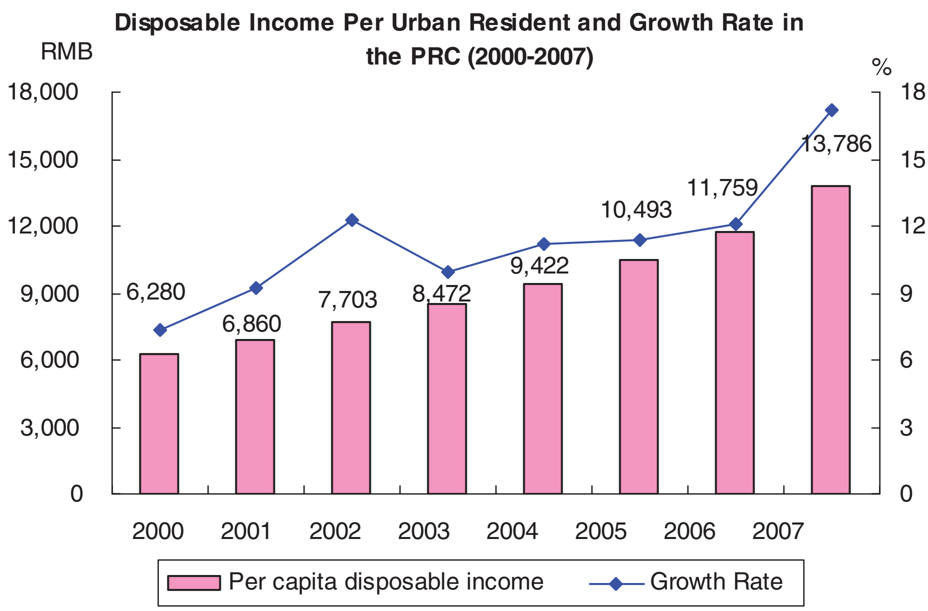
After entering the WTO, the PRC has liberalized its major industries and as such attracted an influx of FDI. The number of foreign investment companies has increased greatly with businesses being set up in various industries including automobile, financial services and telecommunications and hence creating huge demand for properties in the PRC. As the PRC continues to liberalize its regulations on FDI, it is likely that FDI will continue to increase, thereby raising demand in the PRC real estate sector.



Source: National Statistics Bureau

- **Rising Disposable Income**

The disposable income of urban residents has more than doubled in the last seven years, increasing from RMB6,280 in 2000 to RMB13,786 in 2007. The rising disposable incomes of Chinese people in recent years shows their increased purchasing power, which has in turn contributed to the increase in demand for retail properties and increased retail sales. This rising affluence has also increased demand for high quality residential properties.

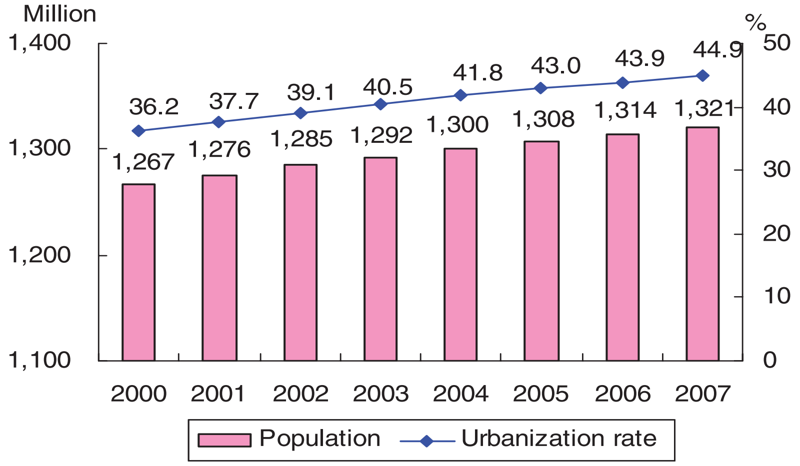


Source: National Statistics Bureau

- **Population and urbanization**

  The PRC is the most populous country in the world with a steady growing population, from 1,267 million in 2000 to 1,321 million in 2007. The urban population in the PRC is rapidly increasing with the urbanization rate growing from 36.2% in 2000 to 44.9% in 2007. This is in line with the PRC economy's rapid growth and industrialization, and the growing urban population has created increase in demand for real estate properties.

Population and Urbanization Rate of the PRC (2000-2007)



Source: National Statistics Bureau

- **Residential Mortgages**

  After implementing reforms in the housing system, the residential mortgage policy was introduced in the PRC to encourage the Chinese people to buy their own property. This policy has greatly enhanced the development of the property market. Housing mortgages have become an important and profitable business favored by commercial banks. According to the National Statistics Bureau ("NSB"), the outstanding individual residential mortgage loans increased to RMB2,700 billion at the end of 2007 from RMB560 billion at 2001, representing a CAGR of 30%.

Key Real Estate Market Indicators in the PRC

In order to have an overview on the real estate market in Chongqing, the following table sets out the key economic indicators of the top ten cities in the PRC in terms of real estate investment in 2007.

Key Economic and Real Estate Indicators of Top Ten City in the PRC in 2007

City	Population (million)	Per capita disposable income of urban resident in 2007 (RMB)	Per capita disposable income of urban resident 2000-2007 CAGR	Real estate investment in 2007 (RMB billion)	Real estate investment 2000-2007 CAGR	Average commodity property price in 2007
Beijing	12.1	21,989	11.4	199.6	21.1	11,553
Shanghai	13.8	23,623	10.5	130.8	12.7	8,361
Chongqing	32.0*	13,715	12.1	85.0	29.4	2,723
Chengdu	11.1	14,849	9.9	91.0	32.2	4,266
Guangzhou	7.7	22,469	7.0	70.4	10.2	8,267
Shenyang	7.1	14,607	14.0	73.0	41.6	3,689
Shenzhen	2.1	24,870	2.0	46.1	9.2	14,050
Hangzhou	6.7	21,689	12.2	51.9	26.2	7,610
Tianjin	9.6	16,357	10.5	50.5	20.9	5,794
Suzhou	6.2	21,260	13.0	56.5	37.0	5,188

Source: National Statistics Bureau, Statistics Bureaus of respective cities.
*Notes: * The figure is 2006 data as the 2007 registered population figure is not available.*

Though Beijing, Shanghai, Guangzhou and Shenzhen are the first-tier cities in the PRC in terms of economic strength and property market development, Chongqing offers great potential in terms of property development due to the following reasons: (i) Most populous city in the PRC with a huge demand for real estate market, which is evidenced by the fourth largest amount of real estate investment in 2007 among the cities in the PRC; (ii) Real estate investment increased at a CAGR of 29.4% from 2000 to 2007, which is relatively high compared to most of the cities shown in the above table; (iii) The average price of commodity properties in Chongqing in 2007 is the lowest amongst the above cities. Considering its sound economic fundamentals and the rising affluence of its urban residents, Jones Lang LaSalle Sallmanns believes that Chongqing's property prices have strong growth potential.

CHONGQING ECONOMY OVERVIEW

Economic Indicators of Chongqing

Chongqing is located at the cross-roads of East and West China, in the Three-Gorges Reservoir area along the upper reaches of the Yangtze River. As it is erected amongst mountainous regions, Chongqing is called "Mountain City". There are several rivers flowing through Chongqing including the Jialing River, Yangtze River and Wujiang River. Chongqing has a land area of 82,400 sq. km., which is more than twice as large as the combined area of Beijing, Tianjin and Shanghai, and it had a registered population of 32 million in 2006. Chongqing currently consists of 21 counties and 19 districts, of which, 9 districts are central urban areas.

Major Economic Indicators of Chongqing (2000 – 2007)

Year	2000	2001	2002	2003	2004	2005	2006	2007	2000-2007 CAGR
Permanent Population (million)	28.5	28.3	28.1	28.0	27.9	28.0	28.1	28.2	-0.1%
Registered Population (million)	30.9	31.0	31.1	31.3	31.4	31.7	32.0	N/A	0.6%*
Nominal GDP (RMB billion)	160.3	176.6	199.0	227.3	269.3	307.0	349.2	411.2	14.4%
Real GDP Growth (%)	8.5	9.0	10.3	11.5	12.2	11.5	12.2	15.6	N/A
Urbanization (%)	35.6	37.4	39.9	41.9	43.5	45.2	46.7	48.3	N/A
Fixed Asset Investment (RMB billion)	65.6	80.2	99.6	126.9	162.2	200.6	245.2	316.2	25.2%
FDI (USD million)	244.4	256.5	280.9	311.1	405.1	515.8	696.0	1,085.0	23.7%
Real Estate Investment (RMB billion)	14.0	19.7	24.6	32.8	40.5	51.8	63.0	85.0	29.4%
Per Capita Desposable Income (RMB)	6,176	6,572	7,238	8,094	9,221	10,244	11,570	13,715	12.1%
Per Capita Consumption Expenditure in Urban Area (RMB)	5,472	5,725	6,360	7,118	7,973	8,623	9,399	10,876	10.3%

Source: Chongqing Statistics Bureau
Note: (1) N/A refers to not applicable or not available.
*(2) * The figure is the CAGR between 2000 and 2006 as the 2007 figure is not available.*

Chongqing became the fourth directly-administrated municipality in China in 1997 and was planned to be the economic centre of West China. Chongqing has since benefited from the Central Government's favourable economic policies and achieved remarkable economic development, especially with the implementation of the Central Government's "Go West" campaign and being appointed as a new "Special Economic Zone".

President Hu Jintao personally singled out Chongqing as "an important economic growth area for China's West, an economic centre in the upstream area of the Yangtze River, and a municipality with coordinated development for both urban and suburban areas".

- **GDP growth**

  Chongqing achieved an average annual real GDP growth of 11.4% from 2000 to 2007, which is higher than the national average of 10.0%. Its real GDP growth rate recorded a new high of 15.6% in 2007, with nominal GDP output in 2007 of RMB411.2 billion.

- **Rising disposable incomes**

  The economic growth of Chongqing directly raised the levels of per capita disposable income and expenditure of urban residents. The per capita disposable income of urban residents increased from RMB6,176 in 2000 to RMB13,715 in 2007, representing a CAGR of 12.1%, hence accelerating the growth of the retail sector and the real estate market.

- **Investment**

  The government's favourable economic policies in terms of investment, business registration, foreign exchange management, bank loans and land use have significantly improved the investment environment in Chongqing. Foreign investment increased from US$244.4 million in 2000 to US$1,085.0 million in 2007, representing a CAGR of 23.7% and the fixed asset investment grew at a CAGR of 25.2% during the same period.

- **Transportation**

  Chongqing has a well-integrated transportation network including waterways, expressways, railways and aviation and is slated to become the largest transportation hub in the upper reaches of the Yangtze River Delta and the western regions of the PRC. The extension project of Jiangbei International Airport was completed in 2004 with further extension works concerning two more additional planned runways. Phase II of the Cuntan Port is currently undergoing several construction reforms and its total container handling capacity is expected to reach 1 million TEUs upon completion by 2011. Meanwhile, there are 16 bridges completed across the Jialing River and the Yangtze River to connect various districts of the city. The massive public transportation systems is currently under construction in the city, including bus, metro and light rail lines, to further improve the traffic convenience for the city residents.

  The Light Rail No.2 in operation and Metro Line No.1 which is under construction will connect Jiefangbei to other districts, making it more accessible to shopping crowds from the various districts of Chongqing. Metro Line No.1 to be completed in 2011 will link Shapingba and Chaotianmen of Yuzhong. Light Rail No.3, which is scheduled to be completed in 2010, will pass through Jiangbei district. In addition, Nanping will be more accessible to Guanyinqiao by the Light Rail No.3.

- **Urbanization**

  Chongqing has experienced rapid urbanization growth in the last decade. Its urbanization rate increased from 35.6% in 2000 to 48.3% in 2007, higher than the national average level of 44.9%. Continuous industrialization and urbanization is anticipated with Chongqing's economic growth in the coming years. According to the "Eleventh Five Year Plan of Chongqing Economic and Social Development", the urbanization rate is expected to reach 53.8% by 2010.

- **Economic strength comparison**

To further understand the strength of Chongqing's economy among provinces in West China, the economic indicators in 2007 including GDP, GDP growth, GDP per capita and disposable income of the 11 provinces/municipality in this region are set out as follows:

Major Economic Indicators of Selected Provinces/Municipality in 2007

Year 2007	Disposable income (RMB)	Ranking	GDP growth	Ranking	GDP (RMB billion)	Ranking	GDP per capita (RMB)	Ranking
Chongqing	13,715	1	15.6%	2	411	5	14,622	4
Inner Mongolia	12,378	2	19.0%	1	602	2	25,092	1
Shanxi	11,565	3	14.2%	4	570	3	16,835	3
Yunnan	11,496	4	12.3%	9	472	4	10,496	9
Xizang	11,131	5	14.0%	5	34	11	12,109	8
Sichuan	11,098	6	14.2%	3	1,051	1	12,926	7
Ningxia	10,859	7	12.4%	7	83	9	13,743	6
Guizhou	10,678	8	13.7%	6	271	7	6,835	11
Xinjiang	10,313	9	12.2%	10	349	6	16,860	2
Qinghai	10,276	10	12.5%	8	76	10	13,836	5
Gansu	10,012	11	12.1%	11	270	8	10,335	10

Source: National Statistics Bureau, Statistics Bureau of respective provinces.

The disposable income of urban residents in Chongqing is the highest amongst these provinces. In addition, its GDP output ranked fifth among the provinces in West China. Its GDP per capita is higher than that of most provinces in West China except for Inner Mongolia, Xinjiang and Shanxi. Chongqing's outstanding economic strength helped by the "Go West" campaign has resulted in the city being favored by the Central Government.

Macro Economic Factors Driving the Growth of Chongqing

- The New Special Economic Zone and "Go West" Campaign

The "Go West" campaign was introduced in 1999 by the Central Government, aimed at improving the development of West China including Chongqing. As announced on 7 June 2007, to advance the rate of urban and rural development in Western China, Chongqing and Chengdu were selected as the pilot reform cities to start further reforms in various sectors.

As a "State Pilot Zone for Coordinated Rural and Urban Development" (国家城乡综合改革配套试验区), Chongqing has become a new "Special Economic Zone" and enjoys more favourable econo mic policies. These policies include: (1) pioneering reform in financial markets of the western regions; (2) establishing a tariff-free zone and free trade zone; (3) enjoying policies similar to the old northeast industrial base to facilitate industrial structure adjustment and lower pollution levels; (4) adjusting "Land Use Index" to achieve more balanced use of arable land; (5) increasing state infrastructure investment to improve rural road and agricultural irrigation; and (6) higher investment quota in Chongqing to spur its foreign investment.

- The directly-administrated municipality and new master urban planning

As a directly-administrated municipality in the PRC, Chongqing shares an unparalleled level of autonomy, which can directly report to the Central Government rather than to provincial governors. With highly autonomous rights, Chongqing will become a more vibrant city and enjoy brighter prospects.

The "Chongqing Urban and Rural Master Plan (2007-2020)" (重庆市城乡总体规划2007-2020) was approved by the Central Government on 20 September 2007. Chongqing was positioned as: (1) a key metropolis in China; (2) a national historical and cultural city; (3) an economic center in upstream areas of the Yangtze River; (4) a national key modern manufacturing base; and (5) a comprehensive transportation hub in Southwest China. Under this plan, Chongqing is likely to achieve a more balanced social and economic development in the future.

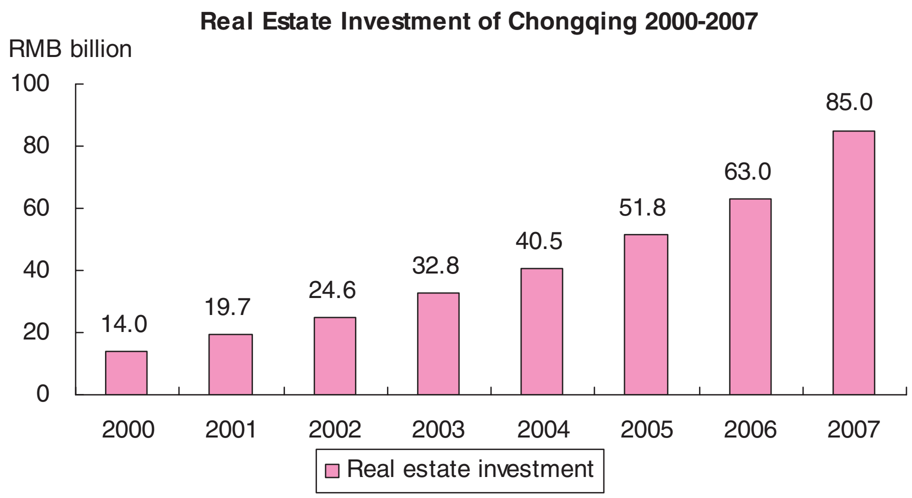
Chongqing Economic Outlook

The GDP growth of Chongqing in 2007 ranked second among the provinces in West China with a real GDP growth rate of 15.6%. According to the "Eleventh Five Year Plan of Chongqing Economic and Social Development", the GDP growth is expected to be at an average of 10% between 2006 and 2010. Driven by the abovementioned factors, Chongqing is expected to experience rapid economic growth rate averaging at 12.5% annual growth in the next three years.

CHONGQING PROPERTY MARKET OVERVIEW

Real Estate Investment

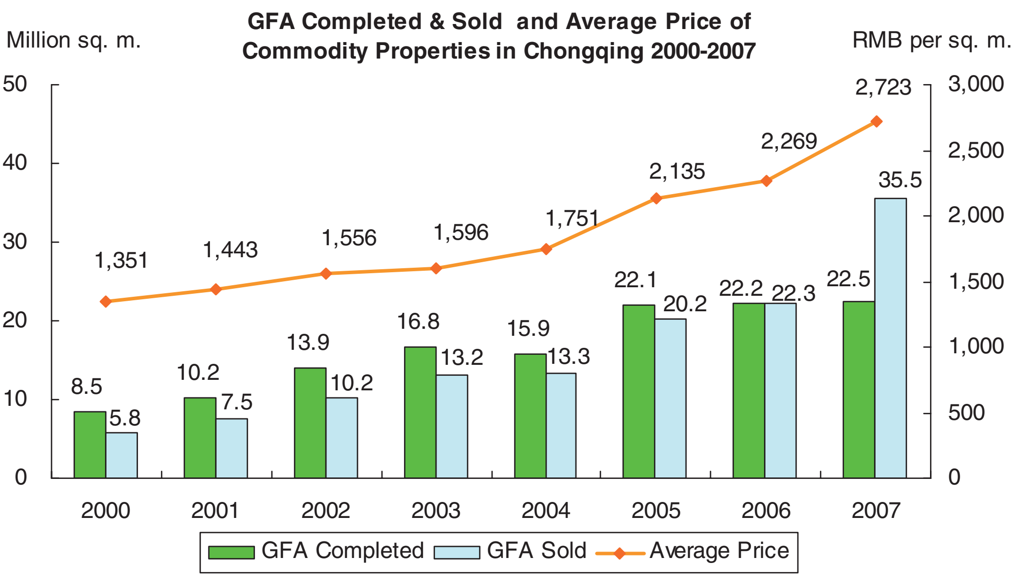
Real estate investment in Chongqing has increased rapidly, experiencing a CAGR of 29.4% from 2000 to 2007. The total investment in 2007 reached RMB85 billion with a year-on-year growth of 35.0%, the fastest growth rate in the past five years. And the investment in the first five months of 2008 is up to RMB29.6 billion with a rise of 24.0%, compared with the same period of 2007.



Source: Chongqing Statistics Bureau

Commodity Property Development Indicators

Commodity property development has grown steadily since 2000. In 2007, the GFA of commodity properties completed and sold reached 22.5 million sq. m. and 35.5 million sq. m. respectively. The transaction volume in Chongqing was similar to that of Shanghai in the same year with properties completions of 36.9 million sq. m., exceeding that of Beijing and Tianjin with completions of 21.8 million sq. m. and 15.5 million sq. m. respectively. The transaction volume exceeded the GFA completed by 57.8% mainly due to the increased demand for commodity properties. Meanwhile, the price increased by 20.0% in 2007, which is much higher than the CAGR of 10.5% between 2000 and 2007.



Source: Chongqing Statistics Bureau

The GFA of commodity properties completed and sold reached 5.2 million sq. m. and 9.5 million sq. m. in the first five months of 2008 respectively. And the total sale of the commodity properties from January to May 2008 was RMB26.6 billion, up 17.7% compared with the same period of 2007. Among them, the residential property sale achieved RMB23.2 billion, up 20.1% on a year-on-year basis, and the office property sale arrived RMB0.69 billion, up 55.4% on a year-on-year basis.

The following table sets out the major indicators of retail and office property developments in Chongqing between 2004 and 2007.

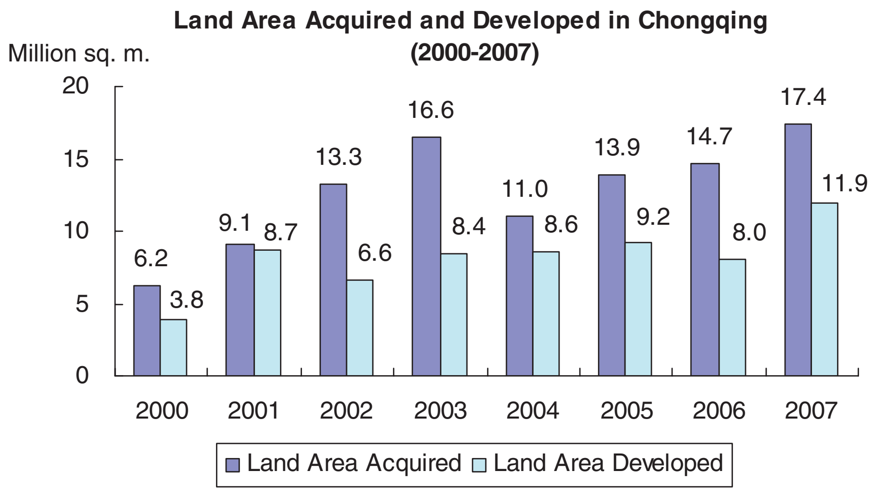
Office Properties	**2004**	**2005**	**2006**	**2007**	**2004-2007 CAGR**
GFA under construction (million sq. m.)	2.1	2.7	2.3	2.6	7.4%
GFA completed (million sq. m.)	0.4	0.7	0.6	0.5	8.6%
GFA sold (million sq. m.)	0.3	0.3	0.3	0.4	11.3%
Total sales (RMB million)	724	814	1,034	1,641	31.4%
Average price (RMB per sq. m.)	2,497	2,394	3,335	4,103	18.0%
Retail Properties	**2004**	**2005**	**2006**	**2007**	**2004-2007 CAGR**
GFA under construction (million sq. m.)	10.2	12.1	13.3	13.0	8.4%
GFA completed (million sq. m.)	2.3	3.1	3.3	2.7	6.1%
GFA sold (million sq. m.)	1.2	1.9	1.5	1.7	11.9%
Total sales (RMB million)	4,062	7,664	6,949	8,710	29.0%
Average price (RMB per sq. m.)	3,346	4,092	4,554	5,124	15.3%

Source: Chongqing Statistics Bureau

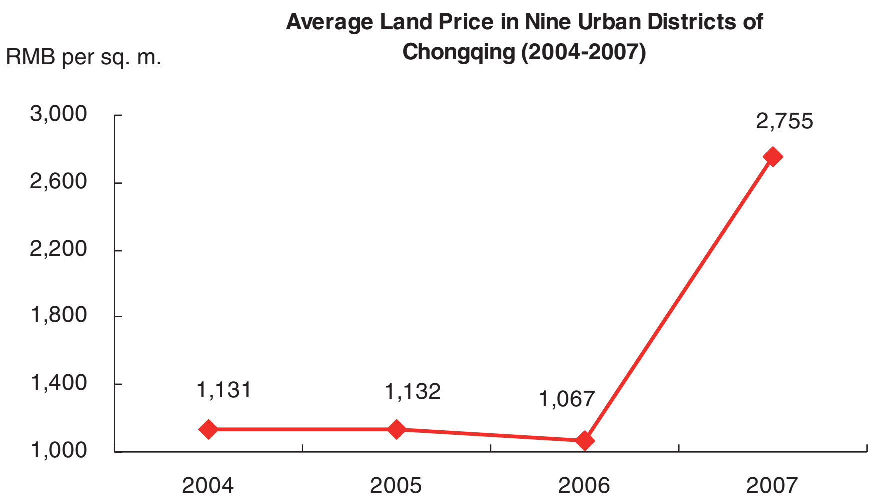
As shown in the above table, the development of retail and office properties in Chongqing has experienced similar trends in recent years. The GFA of properties sold fluctuated and increased steadily from 2004 to 2007. Although the GFA completed was larger than the GFA sold, average selling prices kept steadily increasing at CAGR of 15.3% and 18.0% respectively for retail and office properties. Meanwhile, the average price of retail and office property in the first five months continued to grow to RMB6,128 and RMB4,606 respectively.

Latest Land Transactions in Chongqing

The average annual land area acquired and developed by developers between 2000 and 2007 reached 12.8 million sq. m. and 8.2 million sq. m. respectively. Approximately 80% of the land area was granted for residential development. During the first five month of 2008, the land transaction decreased and accounted for less than 30% of that in 2007.



Source: creis.soufun.com



Source: The Land Transaction Net of Chongqing, Jones Lang LaSalle Sallmanns

Compared to other capital cities in West China and East China, the land price in Chongqing is still relatively low. The land price remained at around RMB1,100 per sq. m. between 2004 and 2006. However, the average land price surged to RMB2,755 per sq. m. in 2007, more than doubled compared with the last year.

Given the establishment of the new "Special Economic Zone" policy and the current relatively low property prices in Chongqing, domestic and foreign invested developers have been gradually increasing their development projects in Chongqing. With increased investment in the real estate market, this will likely push up land prices in Chongqing. Some examples of recent land auctions in Chongqing during the second half of 2007 are set out in the table below:

	1	2	3	4
Transaction date	30 July 2007	24 September 2007	29 October 2007	14 November 2007
Site location	Jiangbei District	Jiangbei District	Jiulongpo District	Nan'an District
Grantee	Sino Group (Hong Kong) and other 3 companies	Chongqing Fengying (invested by Wharf and China Overseas)	Chongqing Huayu Group (Local)	Chongqing Jiajiang (invested by Wharf and China Overseas)
Total transaction value (RMB billion)	4.2	2.5	0.65	7.5
Site area (sq. m.)	205,086	93,126	39,713	564,912
Planned GFA (sq. m.)	1,029,879	426,272	218,421	2,099,256
Land usage	Residential/ school	Residential commercial /	Residential commercial /	Residential commercial /
Average land price (RMB per sq. m.)	20,382	27,275	16,242	13,276
Average land price (RMB per GFA)	4,059	5,959	2,953	3,573

Source: The Land Transaction Net of Chongqing

The above average land prices per sq. m. are more than five times of the market average level in 2007. The sharp increase in land prices subsequently contributed to the price increase in the properties for sale, which also likely indicates developers' strong sentiments on the future growth potential of Chongqing's property prices.

Key Commercial Areas in Chongqing

The key commercial areas in Chongqing are mainly located in the five urban districts, including Yuzhong, Jiangbei, Nan'an, Shapingba and Yangjiaping, of which Jiefangbei in Yuzhong district is the most important city central commercial area. The other four areas are Guangyinqiao, Nanping, Shapingba and Yangjiaping.

Source: Jones Lang LaSalle Sallmanns

- **Jiefangbei of Yuzhong District**

  Yuzhong District is the political, financial, trade and commercial hub of Chongqing. It is bordered by the Yangtze River and the Jialing River. The traffic between Yuzhong and other districts such as Nan'an and Jiangbei has significantly improved in the past ten years. More than 90% of foreign-funded banks, branches of commercial banks and branches of policy-making banks in Chongqing are located in Yuzhong District. Foreign corporations such as Great Eastern of Singapore and American Liberty Mutual Insurance Group have also set their headquarters in Yuzhong District.

  Jiefangbei of Yuzhong District is the core commercial and business area of Chongqing with large number of shopping, leisure, entertainment and office facilities on a land with an area about 0.9 sq. km. There are many well-known composite commercial buildings, such as New York New York (纽约纽约), Zourong Plaza (邹容广场), Chongqing Metropolitan Plaza (重庆大都会).

  In July of 2003, the government of Chongqing Municipality issued the Overall Programming of Chongqing's CBD, according to which the commercial area at Jiefangbei is defined as the core of the CBD. In October 2006, Jiefangbei street was named one of the "Top Ten Commercial Pedestrian Streets in the PRC" by the Chinese Commercial Pedestrian Street Committee (中国步行街委员会). And since 2006, Jiefangbei has been given the title of "One of the Top Ten New Landmark Business Districts", "China's Famous Shopping Street", "China's Featured Cultural Square" and "No.1 Walking Street in Western China". (Source: The Business Times, Singapore Tuesday March 18, 2008)

- **Guanyinqiao of Jiangbei District**

  Guanyinqiao is the commercial center of Jiangbei. And it was also named one of the "Top Ten Commercial Pedestrian Streets in the PRC" in October 2006. Located at the north of Jialing River, Jiangbei District has an extensive transportation network and is very accessible via Longtousi Railway Station, Jiangbei Airport and Cuntan Port. Jiangbei is located at the junction of the southern area of Chongqing and the Northern New Area, a new industrial base of Chongqing. Development of upper-mid housing and Jiangbei CBD has been planned in the district.

- **Nanping of Nan'an District**

  Nan'an District is located to the south of the Yangtze River and Yuzhong District. With its surrounding pleasant environment, it is a well-renowned resort destination for Chongqing citizens. With the completion of Caiyuanba Yangtze River Bridge in 2007, the traffic between Nan'an and Yuzhong has significantly improved the real estate development for commercial and residential properties in Nan'an.

  Nanping is the commercial center of Nan'an District, and one of its landmark commercial developments include the International Convention & Exhibition Center.

- **Shapingba of Shapingba District**

  Shapingba District is situated in the western part of Chongqing. With more than twenty universities in the district, it has been the center of culture, education and technology in Chongqing. Shapingba is the central commercial area in the district.

- **Yangjiaping of Jiulongpo District**

  Jiulongpo District is an important manufacturing base in Chongqing and has a Hi-tech Development Zone. As the commercial center of the district, Yangjiaping has various bazaars, supermarkets, restaurants and leisure facilities which attract consumers from the more remote districts of Chongqing.

Major Site Description

Chonqing Yingli holds a parcel of land in the heart of Jiefangbei in Yuzhong District. As advised by Chongqing Yingli, this site will be developed with an office and retail building with a total gross floor of about 173,438 sq. m., including underground car parking spaces. This property is named "International

Financial Centre" and will be the main force of the future supply of retail and office properties in Yuzhong upon scheduled completion by 2010. This site is close to New York New York, which is thought as the landmark building of Jiefangbei and was also developed by Chongqing Yingli.

As advised, Chongqing Yingli has intended to acquire the land use rights of a parcel of land in Jiangbei District, which is near to Future International Building, another office and retail property developed by Chongqing Yingli.

CHONGQING OFFICE PROPERTY MARKET

The office properties in Chongqing are mainly located in three core urban districts namely Yuzhong, Jiangbei and Nan'an.

The future CBD of Chongqing is planned to be constructed in these three districts, thereby forming a "Golden Triangle" that spans across the Yangtze and Jialing River. As the well established core area of the CBD, Jiefangbei will undergo continuous expansion in its CBD development. The Jiangbei CBD which focuses on business spaces, is currently undergoing construction. The Nan'an CBD will be positioned as leisure and MICE (Meeting, Incentive, Conference and Exhibition) service.

Supply and Demand Trend

The office supply in the nine urban districts of Chongqing has steadily risen since the late 1990s, with a total stock of 1.83 million sq. m. in June 2008. In particular, an increasing number of Grade A office buildings have been completed in recent years. Most of the office buildings are strata titled and sold to various individual investors and users.

Yuzhong District accounted for 41% of the total office stock in June 2008, followed by Jiangbei and Nan'an districts with 26% and 8% of the total stock respectively. Between July 2008 and 2010, the office properties scheduled for completion will have a total GFA of 905,600 sq. m. Among those, Grade A office spaces will have a total GFA of 679,200 sq. m., most of which are located in Jiefangbei, including International Financial Centre to be constructed by Chongqing Yingli. As illustrated in the table below, Yuzhong will continue to be the dominant supply for office space, with a forecasted stock of 1,194,100 sq. m. by 2010.

District	Stock by June 2008 (sq. m.)	Percentage	Supply July 2008-2010 (sq. m.)	Stock by 2010 (sq. m.)
Yuzhong	758,300	41%	435,800	1,194,100
Jiangbei	468,200	26%	137,800	606,000
Nan'an	153,200	8%	150,000	303,200
Others	447,700	24%	182,000	629,700
Total	1,827,400	100%	905,600	2,733,000

Source: Jones Lang LaSalle Sallmanns

Currently, smaller domestic private companies represent the key demand for office properties in Chongqing. These private companies use multipurpose buildings situated in well-developed commercial areas for office use, as the rentals of multi-purpose buildings are approximately 70% of those of the office properties located in the same district.

Demand for high quality office is expected to increase rapidly in the following years along with Chongqing's economy growth. As the promising economic center of the western regions, Chongqing will attract more domestic companies to its finance, logistics, trade and manufacturing sectors. Multinational companies will enter Chongqing to set up their West China regional headquarters. These companies will attribute large demand for high quality office properties.

Price, Rental and Vacancy

Average selling price of office properties in Chongqing was RMB4,103 per sq. m. in 2007. In June of 2008, Yuzhong has the highest average selling price of office properties of around RMB10,000 sq. m., while the price in Jiangbei and Nan'an district is about RMB8,500 per sq. m. The office monthly rental rate ranged from RMB60 per sq. m. to RMB120 per sq. m. in Yuzhong, as compared to a RMB30 per sq. m. to RMB50 per sq. m. in Jiangbei and Nan'an. The monthly rental of office properties in other districts, excluding Yuzhong, Nan'an and Jiangbei averaged at RMB25 per sq. m. in June 2008. The highest selling prices and rentals of offices in Yuzhong mainly result from the advantageous location and the clustering of higher quality offices.

In the past few years, newly completed office buildings needed a relatively long period to stabilize, due to the prevalent usage of multi-purpose buildings for office purpose. Due to the fast growing demand for high quality office space in recent two years, office vacancy rates show a declining trend. The vacancy rates of office properties in Jiangbei and Yuzhong are around 20%, of which office in Jiangbei enjoys a slightly low vacancy compared with Yuzhong, mainly due to their lower rentals rates.

Outlook

We expect that a portion of the tenants in lower quality or multi-purpose properties will move to higher quality offices, resulting in an increase in demand for office market of Chongqing. Large domestic and international companies will become the main force renting or buying high quality office properties in the next three years. For office properties in mature commercial areas such as Jiefangbei and Guanyinqiao, their rentals will rise steadily along with economic growth and improved transportation. Jiangbei CBD is expected to be an emerging area supplying high quality office after three to five years under the planning and guidance of the Chongqing government.

CHONGQING RETAIL PROPERTY MARKET

The retail properties in Chongqing are located within the key commercial areas and newly developed residential areas. There are currently five major retail areas in Chongqing's urban retail property market, including Jiefangbei, Guanyinqiao, Nanping, Shapingba and Yangjiaping.

Supply and Demand Trend

The retail property supply in Chongqing has been increasing steadily since the late 1990s. However, as retail properties currently have a relatively high vacancy rate, we expect that the future supply will experience a slight decrease from 2008 to 2010.

The mid to high-end retail properties in Chongqing which are located within the five major retail areas have a total GFA of 1,443,600 sq. m. in June 2008. As illustrated in the table below, Jiefangbei and Guanyinqiao represent the top two supply areas in terms of both current stock and future supply in the coming years.

	District	Stock by June 2008 (sq. m.)	Percentage	Supply July 2008-2010 (sq. m.)	Stock by 2010 (sq. m.)
Jiefangbei	Yuzhong	391,500	27%	195,400	586,900
Guanyinqiao	Jiangbei	431,400	30%	180,000	611,400
Shapingba	Shapingba	288,000	20%	93,000	381,000
Nanping	Nan'an	218,500	15%	150,000	368,500
Yangjiaping	Jiulongpo	114,200	8%	105,000	219,200
Total		1,443,600	100%	723,400	2,167,000

Source: Jones Lang LaSalle Sallmanns

Furthermore, Shapingba, Nanping and Yangjiaping will witness rapid growth in retail property development in the coming three years due to the multi-central feature of Chongqing. Therefore, it is expected that the mid to high-end retail properties space in Chongqing will increase by around 50% within the next three years.

Attracted by the growing economy, rising income of local residents and urbanization, there is an influx of retailers entering the Chongqing market, creating a large demand for retail properties. The retail sales of consumer goods in Chongqing grew at a CAGR of 12.7% between 2000 and 2007. In 2007, the retail sales reached RMB166.1 billion, showing an increase of 18.4% on a year-on-year basis.

Mid to high-end retail properties will be highly sought after with the inflow of multi-national and regional corporations. Depending on rising disposable income, consumption demand tends to become more sophisticated, comprising luxury consumer goods, fashion goods, leisure and entertainment services. More domestic and international retailers are likely to enter the Chongqing market to cater for various increasing demands for the retail sector. These factors will contribute to the rising demand for retail properties in Chongqing.

Price, Rental and Vacancy

Average selling price of retail properties in Chongqing is RMB5,124 per sq. m. in 2007. In June 2008, prices of mid to high-end retail properties in Jiefangbei and Guanyinqiao were the highest with average selling prices around RMB15,000 per sq. m. and RMB10,000 per sq. m. respectively. The vacancy of mid to high-end retail properties in Chongqing is estimated to be approximately 10%, lower than that of the overall retail properties in Chongqing.

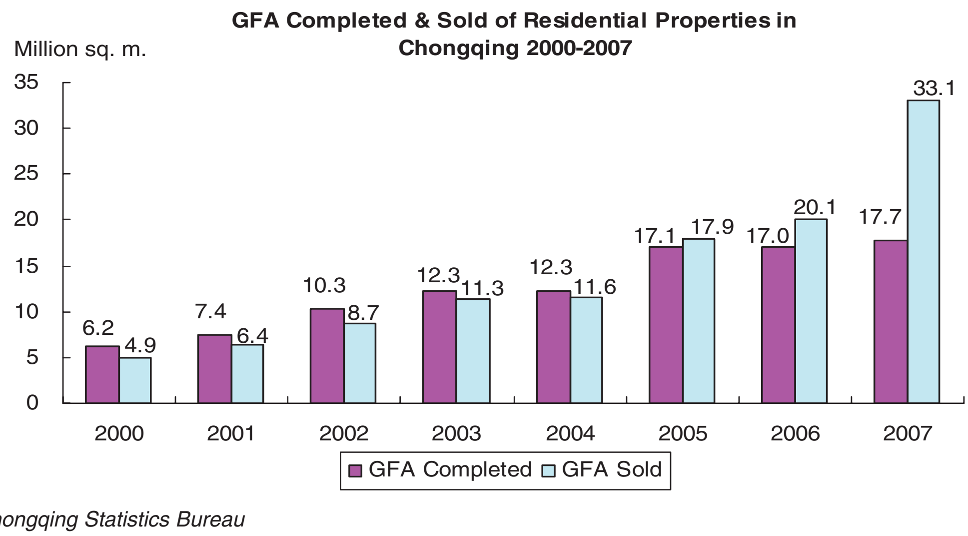
The rental rates of retail properties in Jiefangbei are the highest amongst all the commercial areas with average monthly rental of RMB120 per sq. m. in June 2008. The average rental of retail properties in Guanyinqiao is approximately 50% of that in Jiefangbei. The retail property rental rates in Nanping, Shapingba and Yangjiaping are lower than those in Guanyinqiao.

Outlook

Mid to high-end retail properties are expected to outperform the overall retail property market in terms of rental and occupancy rates. Jiefangbei will continue to be the municipal commercial center and Guanyinqiao will undergo rapid commercial expansion as supported by the flourishing industrial development in the Northern New Area and commerce development in Jiangbei.

CHONGQING RESIDENTIAL MARKET

GFA of residential properties completed in Chongqing maintained a steady growth between 2000 and 2007. It grew at a GAGR of 16.2% during the period, reaching 17.7 million sq. m. in 2007. GFA of residential properties sold experienced a more rapid growth with a CAGR of 31.4% from 2000 to 2007, reaching 33.1 million sq. m. in 2007, representing a year-on-year growth of 64.7%. During the first five months of 2008, the GFA of the residential properties completed and sold reached 4.3 million sq. m. and 8.8 million sq. m. respectively, representing growth of 5.8% and 4.2% respectively compared with the same period of 2007.



Source: Chongqing Statistics Bureau

Chongqing's residential properties are mainly scattered in the nine urban districts, namely Jiangbei, Yuzhong, Yubei, Shapingba, Nan'an, Jiulongpo, Dadukou, Beibei and Banan. Mid to high-end residential properties are located mainly in the six districts including Jiangbei, Yuzhong, Yubei, Shapingba, Nan'an and Jiulongpo.

Supply and Demand Trend

Residential property supply in Chongqing has maintained a steadily rising trend since 2000. New supply of residential properties in the nine urban districts averaged at 11.4 million sq. m. between 2005 and 2007, 62.9% more than that between 2002 and 2004. It is anticipated that the total supply between 2008 and 2010 will reach 49.9 million sq. m. with 16.6 sq. m. in the pipeline annually in the urban districts.

Residential supply in Urban Districts of Chongqing 1999-2010

	1999-2001	2002-2004	2005-2007	2008-2010
Aggregated Supply (million sq. m.)	10.3	20.9	34.2	49.9
Average Annual Supply (million sq. m.)	3.4	7.0	11.4	16.6

Source: Chongqing Statistics Bureau, Jones Lang LaSalle Sallmanns

The large residential supply in Chongqing resulted from large amount of land transaction in recent years. The three areas including the Northern New Area, Nan'an District and Shapingba focus on mid to high-end residential developments. Furthermore, Yuzhong District is evolving into a high end residential market due to its higher land cost, mature commercial sector and well-developed ancillary facilities.

Demand for residential market in Chongqing is underpinned mainly by urbanization and the large population size. Future industrialization and economic growth in Chongqing will attract large amount of labor force entering the urban areas. Growing population in urban areas and the rising disposable income of urban residents will create a large demand for housing. The average GFA occupied per urban resident in 2006 was 24.5 sq. m. According to the "Chongqing Urban and Rural Master Plan (2007-2020)", the average GFA occupied per capita is expected to reach 28 sq. m. in 2010 and 35 sq. m. in 2020.

The mid to high-end residential sector in the coming years will experience rising demand due to the following reasons:

- Strong economic growth and increasing disposable income of urban residents.
- Chongqing's ability to attract foreign investment.
- The Central Government's support for Chongqing's development stimulates investment demand for mid to high-end residential properties.
- Increasing high quality residential properties in Chongqing undertaken by some well-known developers.

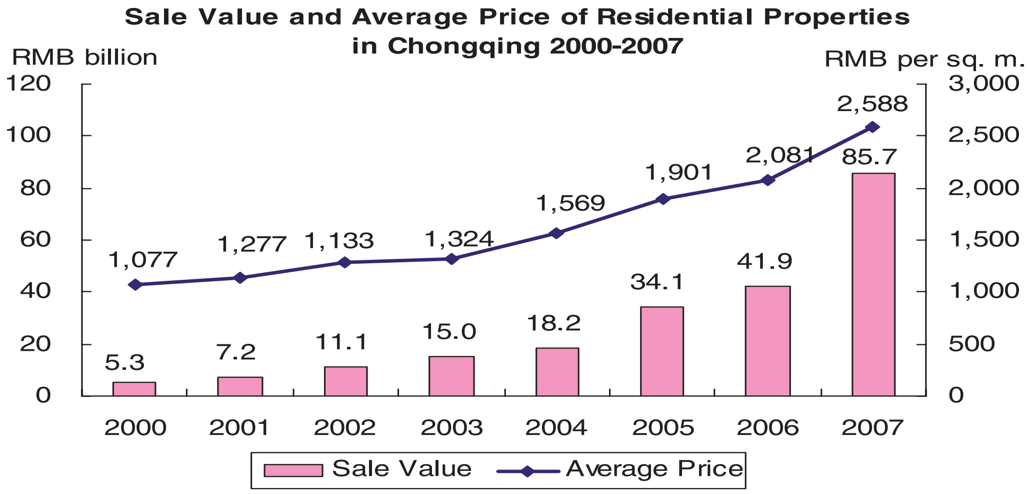
The GFA of residential properties sold in urban districts in Chongqing increased rapidly from 2000 to 2007, reaching approximately 20.8 million sq. m. in 2007, representing a greater increase nearly 70% from 2006. With Chongqing obtaining the "Special Economic Zone" status, investors showed greater confidence in Chongqing and investment in property market correspondingly will continuously increase.

Sale value and average price

Sale value of residential properties in Chongqing grew rapidly, at a CAGR of 48.9% from RMB5.3 billion in 2000 to RMB85.7 billion in 2007. According to Chongqing Statistics Bureau, the sale value has reached RMB23.15 billion in the first five months of 2008, rising 20.1% compared with the same period in 2007.

Along with the increasing demand, the average price of residential properties grew steadily at a CAGR of 13.3% from 2000 to 2007. Especially in 2007, the average prices grew to RMB2,588 per sq. m. with a higher increase of 24.4% compared with 2006. During the first five months of 2008, the average price reached RMB2,628 per sq. m., up 15.3% compared with the same period of 2007.

According to Jones Lang LaSalle Sallmanns, the average residential price in Chongqing's urban districts was about RMB3,500 per sq. m. in 2007, which increased to RMB4,170 per sq. m. in May of 2008, up 5.1% compared with that in December 2007. Yuzhong, Shapingba and Jiangbei districts are the top three areas in terms of average residential prices.



Source: Chongqing Statistics Bureau

Outlook

The average residential price of Chongqing is still considered relatively low compared with first-tier cities such as Beijing and Shanghai. As an important city in West China, Chongqing is likely to experience steady and sustainable growth in its residential sector in the next few years.

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this Circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 June 2008 of the property interests of Chongqing Yingli and Chongqing San Ya Wan.

Jones Lang LaSalle Sallmanns Limited
22nd Floor Siu On Centre
188 Lockhart Road
Wanchai Hong Kong
tel +852 2169 6000 fax +852 2169 6001

4 September 2008

The Board of Directors
Showy International Limited
No. 35 Sungei Kadut Street 4
Singapore 729057

Dear Sirs,

In accordance with your instructions to value the properties in which Chongqing Yingli Real Estate Development Co., Ltd. ("Chongqing Yingli") and Chongqing San Ya Wan Aquatic Products Integrative Trading Market Development Co., Ltd. (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 30 June 2008 (the "date of valuation").

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

We have valued the property interests in Group II and a portion of the property interests in Group I by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have valued the remaining portion of property interests in Group I by income approach by taking into account the net rental incomes of the properties derived from the existing leases with due allowance for the reversionary income potentials of the properties, which have been then capitalized to determine the market value at appropriate capitalization rates. Where appropriate, references have also been made to comparable sale transactions as available in the relevant market.

For the property interest in Group III which is a property interest intended to be acquired by the Group, the Group has entered into agreements with relevant owner of the property or the relevant government authorities. Since the Group has not yet obtained the State-owned Land Use Rights Certificates and/or the payment of the land premium has not yet been fully settled as at the date of valuation, we have attributed no commercial value to the property interest.

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

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

In valuing the property interests, we have complied with all the requirements contained in Part VII of Chapter 2 of the Listing Manual (the "Exchange Listing Rules") issued by the Singapore Exchange Securities Trading Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

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

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any lease amendments. It is assumed that the copies of the documents obtained are consistent with their originals.

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

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

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

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

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

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 25 years' experience in the valuation of properties in the PRC and 28 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Group I - Property interests held for investment by the Group in the PRC

No.	Property	Capital value in existing state as at 30 June 2008 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 30 June 2008 *RMB*
1.	Various residential and retail units, car parking spaces of Bashu Cambridge Residential Area No. 8, Bashu Road Yuzhong District Chongqing Municipality The PRC	50,000,000	100%	50,000,000
2.	Various retail and office units, car parking spaces and ancillary units of Future International Building No. 6 Walking Street of Guanyinqiao Jiang Bei District Chongqing Municipality The PRC	1,010,000,000	100%	1,010,000,000
3.	Various office units and a carport of New York New York Building No.108, Bayi Road Yuzhong District Chongqing Municipality The PRC	69,000,000	100%	69,000,000
4.	Various retail and office units, car parking spaces of Zou Rong Plaza Nos. 141 to155, Zourong Road Yuzhong District Chongqing Municipality The PRC	44,000,000	100%	44,000,000
5.	Various retail units, office unit, storage units and a carport of Southland Garden Nos. 46 to 52 Cangbai Road Yuzhong District Chongqing Municipality The PRC	106,000,000	100%	106,000,000
6.	Various office units and car parking spaces of Min Sheng Mansion No. 181 Minsheng Road Yuzhong District Chongqing Municipality The PRC	66,000,000	100%	66,000,000
	Sub-total:	**1,345,000,000**		**1,345,000,000**

Group II - Property interests held for future development by the Group in the PRC

No.	Property	Capital value in existing state as at 30 June 2008 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 30 June 2008 *RMB*
7.	A parcel of land of International Financial Centre Project located at Jianshe Apartment Community of Jiaochangkou Yuzhong District Chongqing Municipality The PRC	1,090,000,000 (Capital value on clear site status)	100%	1,090,000,000
8.	A parcel of land of Lu Zu Temple Project located at the junction of Minsheng Road and Datong Road Yuzhong District Chongqing Municipality The PRC	412,000,000 (Capital value on clear site status)	100%	412,000,000
9.	3 parcels of land and various buildings under construction of Yubei Project located at Jinshi Avenue National Agricultural and Technology Zone Yubei District Chongqing Municipality The PRC	703,000,000	69%	485,000,000
	Sub-total:	**2,205,000,000**		**1,987,000,000**

Group III - Property interest intended to be acquired by the Group in the PRC

No.	Property	Capital value in existing state as at 30 June 2008 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 30 June 2008 *RMB*
10.	A parcel of land of Jingong Restaurant Project located at Yubei Village Two of Guanyinqiao Jiangbei District Chongqing Municipality The PRC	No commercial value		No commercial value
	Sub-total:	**Nil**		**Nil**
	Grand-total:	**3,550,000,000**		**3,332,000,000**

VALUATION CERTIFICATE

Group I - Property interests held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2008 RMB
1.	Various residential and retail units, car parking spaces of Bashu Cambridge Residential Area No. 8, Bashu Road Yuzhong District Chongqing Municipality The PRC	The property comprises 5 residential units, 13 retail units and 270 car parking spaces within a residential building completed in January 2007. The property has a total gross floor area of approximately 11,371.49 sq. m. The details are set out as follows: __Usage__ — __Gross floor area (sq. m.)__ Residential — 485.08 Retail — 785.05 Car Parking Spaces — 10,101.36 **Total:** — **11,371.49** The land use rights of the property have been granted for the terms of 40 and 50 years expiring on 21 September 2044 and 21 September 2054 respectively for commercial and residential uses.	The property is currently vacant except for the car parking spaces of the property which are leased to a connected party.	50,000,000 100% interest attributable to the Group: RMB50,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract - Yu Di (2004) He Zi (Zhong Qu) No. 365 dated 22 September 2004 entered into between the Chongqing Housing and Land Administration Bureau and Chongqing Yingli, the land use rights of a parcel of land with a site area of approximately 3,658 sq. m. (including a parcel of land with a site area of approximately 1,123.9 sq. m. which is allocated for urban planning use) were contracted to be granted to Chongqing Yingli for terms of 40 and 50 years respectively commencing from 22 September 2004 for commercial and residential uses.

2. Pursuant to a Real Estate Title Certificate - 100 Fang Di Zheng 2005 Zi Di No. 585 dated 23 June 2005 issued by the Chongqing Housing and Land Administration Bureau, the land use rights of a parcel of land with a site area of approximately 2,534.1 sq. m. have been granted to Chongqing Yingli for commercial use for a term expiring on 21 September 2044 and residential use for a term expiring on 21 September 2054 respectively.

3. Pursuant to 4 Real Estate Title Certificates - 101 Fang Di Zheng 2007 Zi Di Nos. 23619 to 23622 issued by Chongqing Housing and Land Administration Bureau, the building of Bashu Cambridge with a total gross floor area of approximately 43,086.15 sq. m. is held by Chongqing Yingli.

   As advised by Chongqing Yingli, the building as stated above includes 5 residential units, 13 retail units and 270 car parking spaces which constitute the property. Other than the property, the remaining portion of the building registered in the above Real Estate Title Certificates has been sold, and is excluded from our valuation.

4. Pursuant to a Pre-Sales Permit - Yu Guo Tu Fang Guan (2006) Yu Zi No. 218 issued by the Chongqing Housing and Land Administration Bureau in favour of Chongqing Yingli, Chongqing Yingli is entitled to sell the development in the market.

5. As advised by Chongqing Yingli, a car parking space of the property has been contracted for sale to a third party. As it has not yet handover to the purchaser, as at the date of valuation, we have included the aforesaid car parking space in our valuation.

6. Pursuant to a Tenancy Agreement, the car parking spaces of the property with a total gross floor area of approximately 10,101.36 sq. m. (270 car parking spaces) are leased to Chongqing Jingli Property Development Co., Ltd., a connected party of Chongqing Yingli, for a term commencing from 1 January 2007 and expiring on 31 December 2026 at an annual rent of RMB1,231,200 for car parking use, the rent will be increased at a rate of 10% every five years.

7. As confirmed by Chongqing Yingli, the property is subject to a mortgage.

8. In valuing the property, we have assumed that:

    a) proper ownership title in the property has been obtained and the property can be freely transferred, sub-let or mortgaged by the owner without payment of any further land grant premium or transfer fee;

    b) all required approvals and certificates necessary for the construction and occupation of the property have been duly obtained and are in full force and effect; and

    c) the Tenancy Agreement mentioned in note 6 above is valid and shall remain in effect for the term.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2008 *RMB*
2.	Various retail and office units, car parking spaces and ancillary units of Future International Building No. 6 Walking Street of Guanyinqiao Jiangbei District Chongqing Municipality The PRC	The property comprises 6 office units, 9 retail units, 2 storage units, 6 ancillary units and 560 underground car parking spaces within a 50-storey commercial building completed in 2006. The property has a total gross floor area of approximately 91,466.15 sq. m. The details are set out as follows: **Usage** — **Gross floor area (sq. m.)** Office — 6,900.49 Storage — 1,593.78 Retail — 61,960.86 Ancillary — 166.08 Car Parking Spaces — 20,844.94 **Total: — 91,466.15** The land use rights of the property have been granted for a term of 40 years expiring on 31 March 2045 for commercial use.	The property is leased to various parties at a current total annual rental of RMB35,548,270, except for 13 units of the property with a total gross floor area of approximately 9,479.06 sq. m. which are currently vacant.	1,010,000,000 100% interest attributable to the Group: RMB1,010,000,000

Notes:

1. Pursuant to 3 Real Estate Title Certificates - 103 Fang Di Zheng 2007 Zi Di Nos. 09328 to 09330 all dated 25 June 2007 issued by the Chongqing Housing and Land Administration Bureau, the land use rights of a parcel of land with a site area of approximately 8,719.8 sq. m. have been granted to Chongqing Yingli for a term of 40 years expiring on 31 March 2045 for commercial use and the building with a total gross floor area of approximately 135,539.94 sq. m. is held by Chongqing Yingli.

2. As advised by Chongqing Yingli, the building as stated above includes 5 office units, 9 retail units, 2 storage units, 6 ancillary units and 560 underground car parking spaces which together with an office unit on the top-floor of the building, constitute the property. Other than the property, the remaining portion of the building registered in the above Real Estate Title Certificate has been sold, and is excluded from our valuation.

   For the office unit on the top-floor of the building with a gross floor area of approximately 1,349.34 sq. m., Chongqing Yingli has not obtained any title certificate.

3. Pursuant to 2 Pre-Sales Permits - Yu Guo Tu Fang Guan (2005) Yu Zi No. (212) and Yu Guo Tu Fang Guan (2006) Yu Zi No. (250) in favour of Chongqing Yingli, Chongqing Yingli is entitled to sell the development in the market.

4. Pursuant to a Tenancy Agreement, 2 retail units of the property with a total gross floor area of approximately 42,060.35 sq. m. are leased to New World Department Store (China) Co., Ltd., an independent third party, for a term commencing from 30 September 2006 and expiring on 30 September 2026 at a total annual rent of RMB24,861,024.72 for retail use, the rent will be increased at a rate of 3% each year from the fourth year and thereafter.

5. Pursuant to 2 Tenancy Agreements, a retail unit and a storage of the property with a total gross floor area of approximately 12,036.98 and 1,537.10 sq. m. respectively are leased to Chonqing Department Store Co., Ltd., an independent third party, for terms of 16 and 7 years expiring on 31 December 2022 and 15 February 2014 respectively at annual rent of RMB5,199,418.08 and 235,800 for retail and storage uses, the rent of the retail unit will be increased at a rate of 3% every three years starting from the fourth year.

6. Pursuant to a Tenancy Agreement, 3 retail units of the property with a total gross floor area of approximately 5,320.59 sq. m. are leased to Chongqing Happy Restaurant Entertainment Co., Ltd. (重庆欢乐迪餐饮娱乐有限公司), an independent third party, for a term of 10 years expiring on 10 November 2017 at an annual rent of RMB2,553,883.20, the rent will be increased at a rate of 10% every five years.

7. Pursuant to 2 Tenancy Agreements, 2 units of the property with a total gross floor area of approximately 96.03 sq. m. are leased to Chongqing Golden Lady Industry Co., Ltd. (重庆金夫人实业有限公司) and China Unicom Co., Ltd. Chongqing Branch (中国联通有限公司重庆分公司, "China Unicom") for the terms with the expiry dates on 31 October 2011 and 1 May 2016 respectively at a total annual rent of RMB35,200 for ancillary use, the rent of the second year of China Unicom will be increased at a rate of 3% and will be increased at a rate of 3% every three years from the second year.

8. Pursuant to a Tenancy Agreement, the car parking spaces of the property with a total gross floor area of approximately 20,844.94 sq. m. (560 car parking spaces) are leased to Chongqing Jingli Property Development Co., Ltd., a connected party of Chongqing Yingli, for a term with the expiry date on 31 December 2026 at a total annual rent of RMB2,553,600, the rent will be increased at a rate of 10% every five years.

9. Pursuant to a Tenancy Agreement, an ancillary unit of the property with a gross floor area of approximately 91.12 sq. m. is leased to Chongqing Lucky international travel agency Co., Ltd. (重庆幸运国际旅行社有限公司), an independent third party, for a term of 3 years commencing from 1 February 2008 and expiring on 31 January 2011 at an annual rent of RMB109,344.

10. The remaining 13 units with a total gross floor area of approximately 9,479.06 sq. m. are currently vacant.

11. As confirmed by Chongqing Yingli, the property except for a portion with a floor area of approximately 14,438.28 sq. m. is subject to a mortgage.

12. In the valuation of this property, we have attributed no commercial value to an office unit with a gross floor area of approximately 1,349.34 sq. m. which lacks valid title certificate. However, for reference purpose, we are of the opinion that the capital value of the unit as at the date of valuation would be RMB11,000,000 assuming the relevant title certificate has been obtained and it could be freely transferred.

13. In valuing the property, we have assumed that:

    a) proper ownership title in the property has been obtained and the property can be freely transferred, sub-let or mortgaged by the owner without payment of any further land grant premium or transfer fee;

    b) all required approvals and certificates necessary for the construction and occupation of the property have been duly obtained and are in full force and effect; and

    c) the Tenancy Agreements mentioned in notes 4 to 9 above are valid and shall remain in effect for the terms.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2008 *RMB*
3.	Various office units and a carport of New York New York Building No. 108, Bayi Road Yuzhong District Chongqing Municipality The PRC	The property comprises 5 office units and a carport of a 44-storey retail and office building completed in 2005. The property has a total gross floor area of approximately 4,652.34 sq. m. The details are set out as follows: **Usage** — **Gross floor area (sq. m.)** Office — 4,375.19 Carport (with the maximum capacity to accommodate 53 vehicles) — 277.15 **Total:** — **4,652.34** The land use rights of the property have been granted for a term of 40 years expiring on 16 January 2042 for commercial use.	The property is leased to various parties at a current total annual rental of RMB2,130,463.2, except for 2 office units with a total gross floor area of approximately 1,602.93 sq. m. which are currently vacant.	69,000,000 100% interest attributable to the Group: RMB69,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract - Yu Di (2002) He Zi (Zhong Qu) No. 8 dated 16 January 2002 entered into between Chongqing Yingli and the Chongqing Housing and Land Administration Bureau, the land use rights of a portion of the land with an area of approximately 860 sq. m. were contracted to be granted to Chongqing Yingli for a term of 40 years for commercial use and the land use rights of the remaining portion of the land with a site area of approximately 253 sq. m. were allocated to Chongqing Yingli.

2. Pursuant to a Real Estate Title Certificate - 101 Fang Di Zheng 2006 Zi Di No. 03008 dated 22 March 2006 issued by the Chongqing Housing and Land Administration Bureau, the land use rights of a parcel of land with a site area of approximately 1,091.3 sq. m. have been granted or allocated to Chongqing Yingli expiring on 16 January 2042 for commercial use and the building with a total gross floor area of approximately 41,336.93 sq. m. is held by Chongqing Yingli.

   As advised by Chongqing Yingli, the building as stated above includes 5 office units and 53 car parking spaces which constitute the property. Other than the property, the remaining portion of the building registered in the above Real Estate Title Certificate has been sold, and is excluded from our valuation.

3. Pursuant to a Pre-Sales Permit - Yu Guo Tu Fang Guan (2003) Yu Zi Di No. (062) issued by the Chongqing Housing and Land Administration Bureau in favour of Chongqing Yingli, Chongqing Yingli is entitled to sell the development in the market.

4. Pursuant to a Tenancy Agreement, an office unit of the property with a gross floor area of approximately 739.5 sq. m. is leased to Chongqing Chengxin Credit Guarantee Co., Ltd. (重庆诚信信用担保有限责任公司), an independent third party, for a term of 20 years commencing from 8 June 2006 and expiring on 7 June 2026 at an annual rent of RMB887,400, the rent will be increased at a rate of 5% every five years.

5. Pursuant to a Tenancy Agreement, an office unit of the property with a gross floor area of approximately 1,703.51 sq. m. is leased to Chongqing Golden Lady Industry Co., Ltd. (重庆金夫人实业有限公司), an independent third party, for a term of 5 years commencing from 10 January 2008 and expiring on 9 January 2013 at an annual rent of RMB551,323.20.

6. Pursuant to a Tenancy Agreement, an office unit of the property with a gross floor area of approximately 329.25 sq. m. is leased to Chongqing KFC Co., Ltd. for a term with the expiry date on 24 June 2009 at an annual rent of RMB268,800.

7. Pursuant to a Tenancy Agreement, the carport of the property with a total gross floor area of approximately 277.15 sq. m. are leased to Chongqing Jingli Property Development Co., Ltd., a connected party of Chongqing Yingli, for a term with the expiry date on 31 December 2026 at an annual rent of RMB422,940, the rent will be increased at a rate of 10% every five years.

8. The remaining 2 units with a total gross floor area of approximately 1,602.93 sq. m. are currently vacant.

9. As confirmed by Chongqing Yingli, the property except for a portion with a floor area of approximately 4,053.14 sq. m. is subject to a mortgage.

10. In valuing the property, we have assumed that:

    a) proper ownership title in the property has been obtained and the property can be freely transferred, sub-let or mortgaged by the owner without payment of any further land grant premium or transfer fee;

    b) all required approvals and certificates necessary for the construction and occupation of the property have been duly obtained and are in full force and effect; and

    c) the Tenancy Agreements mentioned in notes 4 to 7 above are valid and shall remain in effect for the terms.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2008 RMB
4.	Various retail and office units, car parking spaces of Zou Rong Plaza Nos. 141 to 155, Zourong Road Yuzhong District Chongqing Municipality The PRC	The property comprises 10 retail units, an office unit and 98 car parking spaces within a 33-storey commercial building completed in 2000. The property has a total gross floor area of approximately 6,851.58 sq. m. The details are set out as follows: **Usage** — **Gross floor area (sq. m.)** Retail — 832.58 Office — 888.00 Car Parking Spaces — 5,131.00 **Total: — 6,851.58** The land use rights of the property have been granted for a term of 50 years expiring in January 2046 for composite use.	The property is leased to various parties at a current total annual rental of RMB1,642,843.2, except for 2 retail units with a total gross floor area of approximately 155.10 sq. m. which are currently vacant.	44,000,000 100% interest attributable to the Group: RMB44,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate - Yu Guo Yong (1996) Zi Di No. 007 dated 25 January 1996 issued by the Chongqing State-owned Land and Resources Bureau, the land use rights of a parcel of land with a site area of approximately 6,712 sq. m. have been granted to Chongqing Yingli for a term expiring in January 2046 for composite use.

2. Pursuant to a Building Ownership Certificate - Fang Quan Zheng 100 Zi No. 100730 dated 9 December 2002 issued by the Chongqing Housing and Land Administration Bureau, the building with a total gross floor area of approximately 102,502.41 sq. m. is held by Chongqing Yingli.

   As advised by Chongqing Yingli, the building as stated above includes 10 retail units, an office unit and 98 car parking spaces which constitute the property. Other than the property, the remaining portion of the building registered in the above Building Ownership Certificate has been sold, and is excluded from our valuation.

3. Pursuant to a Tenancy Agreement, a retail unit of the property with a gross floor area of approximately 206.08 sq. m. is leased to Beijing CSCEC Engineering Consultant Company Chongqing Office (北京中建工程监理部重庆分部), an independent third party, for a term of 10 years commencing from 20 October 2006 and expiring on 19 October 2016 at an annual rent of RMB445,132.80. The rent will be increased at a rate of 3% every three years.

4. Pursuant to 7 Tenancy Agreements, 6 retail units and an office unit of the property with a total gross floor area of approximately 1,289.77 sq. m. are leased to various independent third parties for various terms with the expiry dates between 30 June 2008 and 15 February 2011 at a total annual rental of RMB533,116.8.

5. Pursuant to a Tenancy Agreement, 98 car parking spaces of the property with a total gross floor area of approximately 5,131 sq. m. are leased to Chongqing Jingli Property Development Co., Ltd., a connected party of Chongqing Yingli, for a term with the expiry date on 31 December 2026 at an annual rent of RMB614,460 for car parking use, the rent will be increased at a rate of 10% every five years.

6. Pursuant to a Tenancy Agreement, a retail unit of the property with a gross floor area of approximately 69.63 sq. m. is leased to Bao Bao (包鲍), an independent third party, for a term of one year commencing from 16 March 2008 and expiring on 15 March 2009 at an annual rent of RMB50,133.60.

7. The remaining 2 retail units with a total gross floor area of approximately 155.10 sq. m. are currently vacant.

8. As confirmed by Chongqing Yingli, the property except for a portion with a floor area of approximately 1,235.65 sq. m. is subject to a mortgage.

9. In valuing the property, we have assumed that:

   a) proper ownership title in the property has been obtained and the property can be freely transferred, sub-let or mortgaged by the owner without payment of any further land grant premium or transfer fee;

   b) all required approvals and certificates necessary for the construction and occupation of the property have been duly obtained and are in full force and effect; and

   c) the Tenancy Agreements mentioned in notes 3 to 6 above are valid and shall remain in effect for the terms.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2008 *RMB*
5.	Various retail units, office unit, storage units and a carport of Southland Garden Nos. 46 to 52 Cangbai Road Yuzhong District Chongqing Municipality The PRC	The property comprises 4 retail units, 2 storage units, an office unit and a carport of a 43-storey residential and commercial building completed in 2004. The units have a total gross floor area of approximately 15,725.96 sq. m. The details are set out as follows: <u>Usage</u> — <u>Gross floor area (sq. m.)</u> Office — 1,462.98 Retail — 13,259.56 Storage — 387.00 Carport (with the maximum capacity to accommodate 104 vehicles) — 616.42 **Total: — 15,725.96** The land use rights of the property have been granted for terms of 40 and 50 years expiring on 25 November 2042 and 25 November 2052 for commercial and residential uses respectively.	The property is leased to various parties at a current total annual rental of RMB4,028,338.08, except for 2 retail units which are currently vacant and a retail unit which is occupied by an independent third party without consideration.	106,000,000 100% interest attributable to the Group: RMB106,000,000

Notes:

1. Pursuant to a Real Estate Title Certificate - 101 Fang Di Zheng 2005 Zi Di No. 10835 issued by the Chongqing Housing and Land Administration Bureau, the land use rights of a parcel of land with a site area of approximately 2,316.7 sq. m. have been granted to Chongqing Yingli for terms of 40 and 50 years expiring on 25 November 2042 and 25 November 2052 for commercial and residential uses respectively and the building with a gross floor area of approximately 57,009.64 sq. m. is held by Chongqing Yingli.

   As advised by Chongqing Yingli, the building as stated above includes 4 retail units, 2 storage units, an office unit and 104 car parking spaces which constitute the property. Other than the property, the remaining portion of the building registered in the above Real Estate Title Certificate has been sold, and is excluded from our valuation.

2. Pursuant to a Tenancy Agreement, an office unit of the property with a gross floor area of approximately 1,462.98 sq. m. is leased to Chongqing Jintai Industry Co., Ltd. (重庆锦泰实业有限公司), for a term with the expiry date on 24 July 2021 at an annual rent of RMB1,018,234.08 for office use, the rent will be increased at a rate of 5% every five years.

3. Pursuant to a Tenancy Agreement, a retail unit of the property with a gross floor area of approximately 12,532.4 sq. m. is leased to Shanghai Motel Hotel Management Co., Ltd., an independent third party, for a term with the expiry date on 31 December 2026 at an annual rent of RMB2,400,000 for hotel purpose, the rent will be increased at a rate of 3% every three years from 1 January 2010.

4. Pursuant to 2 Tenancy Agreements, 2 storage units of the property with a total gross floor area of approximately 387 sq. m. are leased to 2 independent third parties, for the terms with the expiry date on 19 August 2009 and 31 August 2009 respectively at a total annual rent of RMB76,584 for storage purpose.

5. Pursuant to a Tenancy Agreement, the carport of the property with a total gross floor area of approximately 616.42 sq. m. are leased to Chongqing Jingli Property Development Co., Ltd., a connected party of Chongqing Yingli, for a term with the expiry date on 31 December 2026 at an annual rent of RMB533,520, the rent will be increased at a rate of 10% every five years.

6. As at the date of valuation, 2 retail units with a total gross floor area of approximately 614.08 sq. m. are currently vacant and a retail unit with a gross floor area of approximately 113.08 sq. m. is currently occupied by an independent third party without consideration.

7. As confirmed by Chongqing Yingli, the property except for a portion with a floor area of approximately 8,524.5 sq. m. is subject to a mortgage.

8. In valuing the property, we have assumed that:

   a) proper ownership title in the property has been obtained and the property can be freely transferred, sub-let or mortgaged by the owner without payment of any further land grant premium or transfer fee;

   b) all required approvals and certificates necessary for the construction and occupation of the property have been duly obtained and are in full force and effect; and

   c) the Tenancy Agreements mentioned in notes 2 to 5 above are valid and shall remain in effect for the terms.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2008 *RMB*
6.	Various office units and car parking spaces of Min Sheng Mansion No. 181 Minsheng Road Yuzhong District Chongqing Municipality The PRC	The property comprises 12 office units and 27 car parking spaces within a 35-storey composite building completed in 1997. The property has a total gross floor area of approximately 10,885.69 sq. m. The details are set out as follows: **Usage** / **Gross floor area (sq. m.)** Office 9,372.80 Car Parking Spaces 1,512.89 **Total: 10,885.69** The land use rights of the property have been granted for terms of 40 and 50 years expiring on 28 September 2033 and 28 September 2043 for composite use.	The property is leased to various parties at a current total annual rental of RMB1,647,109, except for an office unit is used and occupied by Chongqing Yingli for head office purpose and 4 units which are currently vacant.	66,000,000 100% interest attributable to the Group: RMB66,000,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates - Yu Zhong Guo Yong (2001) Zi Di Nos. 1742 and 1743 both dated 5 February 2001 issued by the Chongqing Land and Resources Bureau, the land use rights of a parcel of land with a site area of approximately 3,251.5 sq. m. have been granted to Chongqing Yingli for terms of 40 and 50 years expiring on 28 September 2033 and 28 September 2043 for composite use.

2. Pursuant to a Building Ownership Certificate - Fang Quan Zheng 101 Zi Di No. 020007 dated 4 May 1999 issued by the Chongqing Housing Administration Burea, the building with a total gross floor area of approximately 63,341.64 sq. m. is held by Chongqing Yingli.

   As advised by Chongqing Yingli, the building as stated above includes 12 office units and 27 car parking spaces which constitute the property. Other than the property, the remaining portion of the building registered in the above Building Ownership Certificate has been sold out, and is excluded from our valuation.

3. Pursuant to 2 Tenancy Agreements, 2 units of the property with a total gross floor area of approximately 1,239.79 sq. m. are leased to Yuzhong District Xiao Niao Wang Ba (重庆市渝中区小鸟网吧) and Song Shanmu (宋山木), 2 independent third parties, for terms with the expiry dates on 14 January 2009 and 7 December 2010 respectively at a total annual rent of RMB435,552 for commercial use.

4. Pursuant to a Tenancy Agreement, a unit of the property with a gross floor area of approximately 197.2 sq. m. is leased to Chongqing Fen Di Decoration Co., Ltd., an independent third party, for a term with the expiry date on 31 August 2008 at an annual rent of RMB35,496 for office use.

5. Pursuant to a Tenancy Agreement, a unit of the property with a gross floor area of approximately 1,121.7 sq. m. is leased to Chongqing Tiancheng Industrial (Group) Co., Ltd, the investment holding company of Chongqing Yingli, for a term with the expiry date on 31 December 2011 at an annual rent of RMB403,812 for office use.

6. Pursuant to a Tenancy Agreement, 27 car parking spaces of the property with a total gross floor area of approximately 1,512.89 sq. m. is leased to Chongqing Jingli Property Development Co., Ltd., a connected party of Chongqing Yingli, for a term with the expiry date on 31 December 2026 at an annual rent of RMB153,900, the rent will be increased at a rate of 10% every five years.

7. Pursuant to a Tenancy Agreement, a unit with a leased area of approximately 1,307 sq. m. is leased to Xiao Debing (肖德炳), an independent third party, for a term with the expiry date on 19 June 2010 for hotel use, of which a portion of the unit with a gross floor area of approximately 918.54 sq. m. is held by Chongqing Yingli at an annual rent of RMB308,629, inclusive the management fees, the rent will be increased at a yearly rate of 5% starting from the fourth year.

8. Pursuant to 2 Tenancy Agreements, 2 units of the property with a total gross floor area of approximately 1,046.72 sq. m. are leased to Yuzhong District Jinshuifang Leisure Center (渝中区金水坊休闲中心) and Chongqing Rongtong Information Technology Co., Ltd. (重庆融通信息技术有限公司), 2 independent third parties, for terms with the expiry dates on 7 June 2011 and 14 November 2008 respectively at a total annual rent of RMB309,720 for commercial use.

9. For the remaining 5 units with a total gross floor area of approximately 4,848.85 sq. m., 4 units are vacant and another unit with a gross floor area of approximately 1,618.90 sq. m. is used and occupied by Chongqing Yingli for head office.

10. As confirmed by Chongqing Yingli, the property except for a portion with a floor area of approximately 4,648.41 sq. m. is subject to a mortgage.

11. In valuing the property, we have assumed that:

    a) proper ownership title in the property has been obtained and the property can be freely transferred, sub-let or mortgaged by the owner without payment of any further land grant premium or transfer fee;

    b) all required approvals and certificates necessary for the construction and occupation of the property have been duly obtained and are in full force and effect; and

    c) the Tenancy Agreements mentioned in notes 3 to 8 above are valid and shall remain in effect for the terms.

VALUATION CERTIFICATE

Group II - Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2008 *RMB*
7.	A parcel of land of International Financial Centre Project located at Jianshe Apartment Community of Jiaochangkou Yuzhong District Chongqing Municipality The PRC	The property comprises a parcel of land with a site area of approximately 8,025 sq. m. on which some obsolete buildings were erected and demolition of the buildings are in progress. As advised by Chongqing Yingli, the property is planned to be developed into a commercial and office complex. Upon completion, the development will have a total planned gross floor area of approximately 173,438 sq. m. and the details are set out as following: **Usage** / **Planned Gross Floor Area (sq. m.)** Commercial 36,920 Office 108,388 Car parking spaces 28,130 **Total: 173,438** The land use rights of the property have been granted for a term of 40 years expiring on 20 December 2044 for commercial use.	The property is currently vacant and demolition works of the obsolete buildings are in progress.	1,090,000,000 100% interest attributable to the Group: RMB1,090,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract -Yu Di (2004) He Zi (Zhong Qu) No. 494 dated 21 December 2004 entered into between the Chongqing State-owned Land and Resources Bureau and Chongqing Yingli, the land use rights of a parcel of land with a site area of approximately 8,026 sq. m. were contracted to be granted to Chongqing Yingli for a term of 40 years for commercial use at a consideration of RMB50,000,000, exclusive of relocation costs and fees.

2. Pursuant to a Real Estate Title Certificate – 101 Fang Di Zheng D2008 Zi Di 00030 dated 22 May 2008 issued by the Chongqing State-owned Land and Resources Bureau, the land use rights of a parcel of land with a site area of approximately 8,025 sq. m. have been granted to Chongqing Yingli for a term of 40 years expiring on 20 December 2044 for commercial use.

3. As confirmed by Chongqing Yingli, permission by the relevant local government authority will be given for this development with a total planned gross floor area of approximately 173,438 sq. m.

4. In our opinion, the Gross Development Value of the proposed development, assuming it has been completed in accordance with the development proposal provided to us by Chongqing Yingli and all relevant title certificates have been obtained and it could be freely transferred as at 30 June 2008, was estimated to be approximately RMB2,146,000,000.

5. In valuing the property, we have assumed that:

   a) all land premium payments and other costs such as resettlement and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government;

   b) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities and all necessary authorizations and permits have been obtained in respect of the construction works; and

   c) the property can be freely transferred, leased or mortgaged by Chongqing Yingli without payment of any further land premium or transfer fee and the old buildings erected on the land of the property have been demolished and the owner has no liability in the relocation costs.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2008 *RMB*
8.	A parcel of land of Lu Zu Temple Project located at the junction of Minsheng Road and Datong Road Yuzhong District Chongqing Municipality The PRC	The property comprises 2 parcels of land with a total site area of approximately 4,150 sq. m. on which some obsolete buildings and some front shops were erected. Demolition and relocation works are planned to commence in due course. As advised by Chongqing Yingli, the property is planned to be developed into a commercial and office building. Upon completion, the development will have a total planned gross floor area of approximately 137,987 sq. m. and the details are set out as following: **Usage** — **Gross Floor Area (sq. m.)** Commercial — 24,188 Apartment — 26,040 Office — 74,100 Car parking spaces — 13,659 **Total: — 137,987** The land use rights of the parcel of land with a site area of approximately 2,522 sq. m. have been granted for a term of 50 years expiring on 23 January 2048 for residential and commercial uses and the land use rights of the remaining land with a site area of approximately 1,628 sq. m. are allocated to Chongqing Yingli.	The property is currently occupied by some obsolete buildings and some front shops which are to be demolished.	412,000,000 100% interest attributable to the Group: RMB412,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract - Zhong Di (1993) He Zi (Zhong Qu) No. 71 dated 29 July 1997 entered into between the Chongqing State-owned Land and Resources Bureau and Chongqing Yingli, the land use rights of a parcel of land with a site area of approximately 2,522 sq. m. were contracted to be granted to Chongqing Yingli for a term of 50 years for residential and commercial uses at a consideration of RMB1,440,000, exclusive of relocation costs and fees and the land use rights of the remaining parcel of the land with a site area of approximately 1,628 sq. m. were allocated to Chongqing Yingli.

2. Pursuant to a State-owned Land Use Rights Certificate - Yu Guo Yong (1998) Zi Di No. 005 dated 21 January 1998 issued by the Chongqing Land and Housing Administration Bureau, the land use rights of a parcel of land with a site area of approximately 2,522 sq. m. ("Granted Land") are granted to Chongqing Yingli for a term of 50 years expiring on 23 January 2048 for residential and commercial uses and the land use rights of the remaining parcel of the land with a site area of approximately 1,628 sq. m. ("Allocated Land") are allocated to Chongqing Yingli.

3. As confirmed by Chongqing Yingli, Chongqing Yingli is applying for conversion the allocated land use rights for the Allocated Land into granted land use rights.

4. As confirmed by Chongqing Yingli, permission by the relevant local government authority will be given for this development with a total planned gross floor area of approximately 137,987 sq. m.

5. In our opinion, the Gross Development Value of the proposed development, assuming it has been completed in accordance with the development proposal provided to us by Chongqing Yingli and all relevant title certificates have been obtained and it could be freely transferred as at 30 June 2008, was estimated to be approximately RMB1,483,000,000.

6. In the valuation of this property, we have attributed no commercial value to the Allocated Land due to lack of granted Land Use Rights Certificate. However, for reference purpose, we are of the opinion that the capital value of the Allocated Land as at the date of valuation would be RMB266,000,000 assuming the relevant granted title certificate has been obtained, the all relocation costs and land premium have been fully paid and the property could be freely transferred.

7. In valuing the property, we have assumed that:

   a) all land premium payments and other costs such as resettlement and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government;

   b) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities and all necessary authorizations and permits have been obtained in respect of the construction works; and

   c) the property can be freely transferred, leased or mortgaged by Chongqing Yingli without payment of any further land premium or transfer fee and the old buildings erected on the land of the property have been demolished and the owner has no liability in the relocation costs.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2008 *RMB*
9.	3 parcels of land and various buildings under construction of Yubei Project located at Jinshi Avenue National Agricultural and Technology Zone Yubei District Chongqing Municipality The PRC	The property comprises 3 parcels of land with a total site area of approximately 136,358.2 sq. m. and 13 buildings which were being constructed thereon as at the date of valuation. As advised by Chongqing Yingli, the property is planned to be developed into a retail market. Upon completion, the development will have a total planned gross floor area of approximately 197,116 sq. m., in which 13 buildings are scheduled to be completed in the end of August 2008 and will have a total planned gross floor area of approximately 54,061.64 sq. m. The land use rights of the property have been granted for a term of 40 years expiring on 12 January 2045 for commercial use.	The property is currently vacant except for 13 buildings are being constructed thereon.	703,000,000 69% interest attributable to the Group: RMB485,000,000

Notes:

1. Chongqing San Ya Wan Aquatic Products Integrative Trading Market Development Co., Ltd. ("Chongqing San Ya Wan") is a 69% owned subsidiary of Chongqing Yingli.

2. Pursuant to a State-owned Land Use Rights Grant Contract – Yu Di (2005) He Zi (Yu Bei) Di No. 18 dated 12 January 2005 entered into between the Chongqing State-owned Land and Resources Bureau and Chongqing San Ya Wan, the land use rights of 3 parcels of land with a total site area of approximately 136,358 sq. m. were contracted to be granted to the Group for a term of 40 years for the development into a commercial building with a total gross floor area of not more than 200,000 sq. m. at a consideration of RMB100,270,000, exclusive of relocation costs and fees. As confirmed by Chongqing Yingli, permission by the relevant local government authority will be given to this development with a total planned gross floor area of approximately 197,116 sq. m.

3 Pursuant to 3 Real Estate Title Certificates – 100 Fang Di Zheng 2005 Zi Di Nos. 653, 654 and 655 dated 13 July 2005 issued by the Chongqing Land and Housing Administration Bureau, the land use rights of the property with a total site area of approximately 136,358.2 sq. m. have been granted to Chongqing San Ya Wan for a term of 40 years expiring on 12 January 2045 for commercial use.

4. Pursuant to a Construction Work Planning Permit – Yu Gui Jian Zheng (2006) Bei Zi Di No. 0072 in favour of Chongqing San Ya Wan, 14 buildings with a total gross floor area of approximately 66,529.5 sq. m. have been approved for construction. As at the date of valuation, 13 buildings with a total planned gross floor area of approximately 54,061.64 sq. m. were being constructed.

5. Pursuant to 2 Construction Work Commencement Permits – 50011920060823001 and 50011920060823002 in favour of Chongqing San Ya Wan, permission by the relevant local authority was given to commence the construction work.

6. Pursuant to 2 Pre-sales Permits in favour of Chongqing San Ya Wan, the Group is freely entitled to sell the development in the market.

7. In our opinion, the Gross Development Value of the proposed development, assuming it has been completed in accordance with the development proposal provided to us by the Group and all relevant title certificates have been obtained and it could be freely transferred as at 30 June 2008, was estimated to be approximately RMB1,172,000,000.

8. In valuing the property, we have assumed that:

   a) all land premium payments and other costs such as resettlement and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government;

b) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities and all necessary authorizations and permits have been obtained in respect of the construction works; and

c) the property can be freely transferred, leased or mortgaged by the Group without payment of any further land premium or transfer fee.

VALUATION CERTIFICATE

Group III - Property interest intended to be acquired by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 30 June 2008** *RMB*
10.	A parcel of land of Jingong Restaurant Project located at Yubei Village Two of Guanyinqiao Jiangbei District Chongqing Municipality The PRC	The property comprises a parcel of land with a site area of approximately 6,825 sq. m. on which some old buildings were erected. Demolition works to the old buildings are in process. The property is planned to be developed into a commercial building.	The property is currently vacant and the old buildings erected thereon are being demolished.	No commercial value

Notes:

1. Pursuant to a Regularization Contract（渝北二村金弓地块联合整治协议）entered into between Chongqing North Land Reserve (Land Auction) Center（重庆北部土地储备（土地拍卖）中心）together with Chongqing Jiangbei District Guanyinqiao Commercial Circle Administrative Office（重庆市江北区观音桥商圈管理办公室）and Chongqing Yingli dated 14 January 2008, Chongqing Yingli will provide funds to the above two parties for the prophase regularization of the property and intend to acquire the property.

2. In the valuation of this property, we have attributed no commercial value to the property as the acquisition has not yet commenced. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB478,000,000 assuming the proper title certificate has been obtained and it could be freely transferred and the old buildings have been demolished and the owner has no liability in paying the relocation costs.

3. As advised by Chongqing Yingli, permission by the relevant local government authority will be given for this development with a total planned gross floor area of approximately 126,000 sq. m.

4. In our opinion, the Gross Development Value of the proposed development, assuming it has been completed in accordance with the development proposal provided to us by Chongqing Yingli and all relevant title certificates have been obtained and it could be freely transferred as at 30 June 2008, was estimated to be approximately RMB1,208,000,000.

5. In valuing the property, we have assumed that:

   a) all land premium payments and other costs such as resettlement and ancillary utilities services have been paid in full and there is no requirement for payment of further land premium or other onerous payments to the government;

   b) the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities and all necessary authorizations and permits have been obtained in respect of the construction works; and

   c) the property can be freely transferred, leased or mortgaged by the Group without payment of any further land premium or transfer fee and the old buildings erected on the land of the property have been demolished and the owner has no liability in the relocation costs.

1. PRC legal system

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents.

The National People's Congress of the PRC ("**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs and civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative area. These local laws and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of the PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on 10 June 1981, the Supreme People's Court has the power to give general interpretation on application of laws in judicial proceedings apart from its power to issue specific interpretation in specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretation of the rules and regulations which they promulgated. At the regional level, the power to give interpretation of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry legal effect.

2. Judicial system

The People's Courts are the judicial organs of the PRC. Under the PRC Constitution and the Law of Organization of the People's Courts of the People's Republic of China, the People's Courts comprise the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts. The basic people's courts are divided into civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of people's courts at lower levels are subject to supervision of people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the proceedings of people's courts of the same and lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the people's courts of all levels.

The people's courts adopt a two-tier final appeal system. A party may before the taking effect of a judgment or order appeal against the judgment or order of the first instance of a local people's court to the people's court at the next higher level. Judgments or orders of the second instance of the same level and at the next higher level are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding if no appeals are made before they take effect. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures.

The PRC civil procedures are governed by the Civil Procedure Law of the People's Republic of China (the "**Civil Procedure Law**") adopted on 9 April 1991 and amended on 28 October 2007. The Civil Procedure Law contains regulations on the institution of a civil action, the jurisdiction of the people's courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by express agreement by the parties to a contract provided that the jurisdiction of the people's court selected has some actual connection with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or implemented in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. A foreign national or foreign enterprise is accorded the same litigation rights and obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the people's court to enforce the judgment, order or award. The time limit on the right to apply for such enforcement is two years.

A party seeking to enforce a judgment or order of a people's court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the people's court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

3. Arbitration and enforcement of arbitral awards

The Arbitration Law of the PRC (the "**Arbitration Law**") was promulgated by the Standing Committee of the NPC on 31 August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award (the "**New York Convention**") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity; and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

4. Company Law

On 29 December 1993, the Standing Committee of the Eighth National People's Congress of the PRC promulgated the Company Law of the PRC which came into effect on 1 July 1994 and was amended on 25 December 1999, 28 August 2004 and 27 October 2005. Companies established under laws, administrative regulations, local laws and the Standard Opinion for Companies Limited by shares and Limited Liability Companies formulated by the relevant departments of the State Council before the implementation of the Company Law will not be affected by the Company Law and shall continue to be recognised. Those companies which have not totally complied with the provisions of the Company Law shall comply with the relevant requirements within a specified period of time. The State Council may separately promulgate detailed implementing measures.

A "limited liability company" refers to a company whose shareholders are responsible for the debts of the company in the amount equivalent to the amount of capital they contribute to the registered capital of the company. The company bears responsibility for its debts equivalent to the value of its total assets.

A "company limited by shares" refers to a company whose total capital is divided equally amongst shares of equivalent value. The liability of the shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it.

Establishment of limited liability companies and companies limited by shares must be in compliance with the requirements stipulated in the Company Law. The following conditions must be fulfilled in order to establish a limited liability company:

(a) joint capital contribution by not more than 50 shareholders;

(b) the minimum amount of registered capital of RMB30,000 must be met;

(c) the company's articles of association is to be formulated jointly by the shareholders;

(d) the company shall have a name and organisational structure commensurate with the demands for a limited liability company; and

(e) the company shall have a domicile.

A company limited by shares may be established if the following conditions are fulfilled:

(a) there shall be 2 to 200 promoters with a majority domiciled in the PRC;

(b) the minimum registered capital requirement of RMB5.0 million must be met;

(c) share issue arrangements are in compliance with the provisions of PRC Law;

(d) the company's articles of association shall be formulated by the promoters and adopted by the founding meeting;

(e) the company shall have a name and organizational structure commensurate with that of a company limited by shares; and

(f) the company shall have a domicile.

The company may invest in other limited liability companies and companies limited by shares and the company's liabilities with respect to such invested companies are limited to the amount invested.

The promoters are prohibited from transferring their shares in a company limited by shares within one year commencing from the date of incorporation of the company.

5. Foreign exchange control

Major reforms have been introduced on the foreign exchange control system of the PRC since 1993.

The People's Bank of China ("**PBOC**"), with the authorisation of the State Council, issued on 28 December 1993 the Notice on the Further Reform of the Foreign Exchange Control System and on 26 March 1994 the Provisional Regulations on the Settlement, Sale and Payment of Foreign Exchange which came into effect on 1 April 1994 respectively. On 29 January 1996, the State Council promulgated the PRC Foreign Exchange Administration Regulations which took effect on 1 April 1996. On 20 June 1996, the PBOC issued the Administration Regulations on the Settlement, Sale and Payment of Foreign Exchange, which took effect on 1 July 1996. On 25 October 1998, the PBOC and the State Administration for Foreign Exchange ("**SAFE**") issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, all foreign exchange transactions for foreign investment enterprises (the "**FIEs**") may only be conducted through authorised banks.

On 14 January 1997, the State Council amended and re-promulgated the PRC Foreign Exchange Administration Regulations by segregating international earnings into current activities and capital activities. Except for foreign exchange relating to capital activities, the use of foreign exchange for current activities does not require the approval from the Foreign Exchange Control Department.

These regulations contain detailed provisions regulating the holding, sale and purchase of foreign exchange by individuals, enterprises, economic bodies and social organisations in the PRC.

On 21 July 2005, the Public Announcement of the People's Bank of China on Reforming the RMB Exchange Rate Regime (the "**Announcement**") was promulgated by the PBOC. In accordance with the Announcement, the PRC government has reformed the RMB exchange rate regime into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies, giving more flexibility as compared with the former system in which the RMB was pegged to the US dollar. Under this reformed system, the PBOC announces the closing price of a foreign currency traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for trading against the RMB on the following working day. PRC banks licensed to engage in foreign exchange transactions use the closing price announced by the PBOC as a basis and decide a rate of their own to enter into foreign exchange sale and purchase transactions with customers, such rate shall be within a specified floating band around the central parity which may be adjusted by the PBOC from time to time according to the economic and financial condition in the PRC.

Under the PRC Foreign Exchange Administration Regulations, international payments and transfers were segregated into current account items and capital account items. All organizations and individuals within the PRC, including FIEs, were required to remit their foreign exchange earnings to the PRC. The foreign exchange earnings under the current account items of all PRC enterprises, other than those FIEs, who were allowed to retain a part of their regular foreign exchange earnings or specifically exempted under the relevant regulations, were to be sold to designated banks. Foreign exchange earnings under the capital account items obtained from borrowings from foreign institutions or issues of shares or bonds denominated in foreign currency need not be sold to designated banks, but must be kept in foreign exchange bank accounts of designated banks unless specifically approved otherwise. On 1 August 2008, the State Council further amended the PRC Foreign Exchange Administration Regulations ("**New Foreign Exchange Administration Regulations**") which became effective from 5 August 2008. According to the New Foreign Exchange Administration Regulations, foreign exchange earnings of domestic institutions and individuals could be repatriated into the PRC as well as deposited overseas. The conditions and time limitation for repatriation into the PRC or deposit overseas shall be specified by the State Council foreign exchange management departments in accordance with the international balance payments situations and the needs of foreign exchange managements. Furthermore, foreign exchange earnings under the current account items could be retained or sold to financial institutions which conduct business of settlement, sale and payment of foreign exchange.

At present, control on the purchase of foreign exchange is being relaxed. Enterprises which require foreign exchange for their current activities such as trading activities and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents without the need for any prior approvals of the SAFE.

In addition, where an enterprise requires any foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as the distribution of profits by a foreign investment enterprise to its foreign investors, then, subject to the due payment of tax on such dividends the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated banks, and when the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks upon the presentation of the resolutions of the board of directors on the profit distribution plan of that enterprise.

Despite the relaxation of foreign exchange control over current account transaction, the approval of the foreign exchange administration authority is still required before a PRC enterprise may borrow a loan in foreign currency or provide any foreign exchange guarantee or make any investment outside of the PRC or to enter into any other capital account transaction involving the purchase of foreign exchange.

When conducting actual foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determine the applicable exchange rate.

The China Foreign Exchange Trading Centre ("**CFETC**") was formally established and came into operation on 1 January 1994. CFETC has set up a computerised network with sub-centres in several major cities, thereby forming an inter-bank market in which designated PRC banks can trade in foreign exchange and settle their foreign currency obligations. Prior to 1 December 1998, enterprises with foreign investment may at their own choice enter into exchange transactions through Swap Centre or through designated PRC banks. From 1 December 1998 onwards, exchange transactions will have to be conducted through designated banks. Swap Centres became restricted to conducting foreign exchange transactions between authorised banks and inter-bank lending between PRC banks.

On 21 October 2005, SAFE promulgated the Circular of the State Administration of Foreign Exchange Concerning Relevant Issues on Foreign Exchange Administration of Financing and Repatriation of Investments by Domestic Residents through Foreign Special Purpose Vehicles (the "**Forex Circular**") and on 29 May 2007, SAFE promulgated the Notice on the Issuance of the Manipulation Rules of the Circular of the State Administration of Foreign Exchange Concerning Relevant Issues on Foreign Exchange Administration of Financing and Repatriation of Investments by Domestic Residents through Foreign Special Purpose Vehicles and Return Investment (the "**Manipulation Rules**"). Under the Circular and the Manipulation Rules, PRC citizens or residents must register with SAFE or its branch in connection with their establishment or control of a special purpose vehicle (the "**SPV**") established for the purpose of overseas equity financing involving a repatriation investment whereby the SPV acquires or controls onshore assets or equity interests held by the PRC citizens or residents. In addition, such PRC citizens or residents must update their SAFE registrations when the offshore SPV undergoes material events relating to increases or decreases in investment amount, transfers or exchanges of shares, mergers or divisions, long-term equity or debt investments, external guarantees, or other material events that do not involve repatriation investments.

Other than the abovementioned registration requirement, the Forex Circular and the Manipulation Rules also require PRC residents in the overseas invested companies to register, modify or record with the local foreign exchange authority within 30 days from the date of any increase/decrease of capital, share transfer, mergers/demergers, change in long-term equity or debts investments and outward guarantees in the SPV. Moreover, profits, dividends and foreign exchange relating to capital changes received by PRC residents from the SPV shall be repatriated to the PRC within 180 days of receiving such amounts. For SPVs which were incorporated or restructured prior to the issue of the new rules, the Forex Circular requires the domestic residents to complete the supplemental registration before 31 March 2006.

6. Taxation

The applicable income tax laws, regulations, notices and decisions (collectively referred to as "**Applicable Foreign Enterprises Tax Law**") related to FIEs and their investors include the following:

(a) Notice Relating to taxes Applicable to Foreign Investment Enterprises / Foreign Enterprises and Foreign Nationals in Relation to Dividends and Gains obtained from Holding and Transferring of Shares promulgated by State Tax Bureau on 21 July 1993;

(b) Income Tax Law Applicable to Individuals of the PRC promulgated by Standing Committee of NPC on 10 September 1980 and last amended on 29 December 2007;

(c) Notice on Relevant Policies Concerning Individual Income Tax issued by Ministry of Finance and the State Tax Bureau on 13 May 1994;

(d) Enterprise Income Tax Law of the PRC promulgated by the NPC, which came into effect on 1 January 2008;

(e) Implementing Rules of the Enterprise Income Tax Law of the PRC, which came into effect on 1 January 2008;

(f) Notice on the Implementation of Preferential Transitional Enterprise Income Tax Policy promulgated by the State Council, which came into effect on 1 January 2008;

(g) Notice on the Implementation of Preferential Transitional Tax Treatment on Newly Established High-tech Enterprises in Special Economic Zones and in Shanghai Pudong New Area promulgated by the State Council, which came into effect on 1 January 2008:

(i) *Income tax on foreign investment enterprises*

According to the Applicable Foreign Enterprises Tax Law, a uniform enterprise income tax ("**EIT**") rate of 25% has been applied towards foreign invested enterprises which have set up institutions or facilities within the territory of China and domestic enterprises.

Small meager-profit enterprises complied with certain requirements may enjoy a reduced EIT rate of 20% and high-tech enterprises which needed key support from the State may enjoy a reduced EIT rate of 15%. Furthermore, high-tech enterprises which needed key national support that established on or after 1 January 2008 in

Shenzhen, Zhuhai, Shantou, Xiamen, Hainan and Shanghai Pudong New Area shall be exempted from the EIT for the first two taxable years and a 50% reduction in the EIT for the next three years.

Losses incurred in a tax year may be carried forward for not more than five years.

Upon approvals by the people's government of provinces, autonomous regions and municipalities directly under the central government, the people's governments of autonomous organisations in autonomous areas may grant exemptions from or reduced EIT in the part which is shared by the local governments for an enterprise in the autonomous region.

However, some transitional preferential measures have been adopted for old enterprises established before the promulgation of the EIT Law which enjoyed low tax rates or regular tax reduction and exemption treatment under former tax laws and administrative regulations. The transitional EIT rate for enterprises which originally enjoyed the rate of 15% is 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012; the EIT rate for enterprises which originally enjoyed the rate of 24% has been fixed at 25% from 2008.

(ii) *Value added tax*

The Provisional Regulations of the People's Republic of China Concerning Value Added Tax promulgated by the State Council came into effect on 1 January 1994. Under these regulations and the Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning Value Added Tax, value added tax (the "**VAT**") is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

VAT payable in the PRC is charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of VAT included in the price or charges, and less any deductible VAT already paid by the taxpayer on purchases of goods and services in the same financial year.

(iii) *Business tax*

With effect from 1 January 1994, business that provide services (except entertainment business), assign intangible assets or sell immovable property became liable to business tax at a rate ranging from 3% to 5% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

(iv) *Tax on dividends from PRC enterprise with foreign investment*

According to the Applicable Foreign Enterprises Tax Law, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Applicable Foreign Enterprises Tax Law. Pursuant to a tax treaty between the PRC and the Republic of Singapore which became effective on 1 January 2008, a company incorporated in Singapore will be subject to a withholding tax at the rate of no more than 5% on dividends it receives from a company incorporated in the PRC if it holds 25% or more interests in the PRC company, or no more than 10% if it holds less than 25% interests in the PRC company. If the Singapore company is required under the new income tax law to pay withholding tax for any dividends it receives from its subsidiaries, it will materially and adversely affect the amount of dividends it may pay to its shareholders.

7. Wholly foreign-owned enterprise Laws

WFOE is governed by the Law of the people's Republic of China Concerning Enterprises with Sole Foreign Investments, which was promulgated on 12 April 1986 and was subsequently amended on 31 October 2000, and its Implementation Regulations promulgated on 12 December 1990 and was subsequently amended on 12 April 2001 (together the "**Foreign Enterprises Law**").

(a) Procedures for establishment of a WFOE

The establishment of a WFOE will have to be approved by Ministry of Commerce (the "**MOC**") (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to MOC (or its delegated authorities) for its record. A WFOE must also obtain a business licence from the State Administration of Industry and Commerce (or its delegated authorities) before it can commence business.

(b) Nature

A WFOE is a limited liability company under the Foreign Enterprise Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. The foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by the MOC (or its delegated authorities) in accordance with relevant regulations.

(c) Profit distribution

The Foreign Enterprise Law provides that after payment of taxes, a WFOE must make contributions to a reserve fund at least 10% of the after tax profits must be allocated to the reserve fund. If the accumulative amount of allocated reserve funds reaches 50% of an enterprise's registered capital, the WFOE will not be required to make any additional contribution. The WFOE is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

8. Labour Law

Pursuant to the Labour Law of the PRC, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement system of ensuring occupational safety and health, educating employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

9. Environmental Protection Regulations

In accordance with the Environmental Protection Law of the PRC adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalized. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalized, ordered to suspend operations or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger or effects of the pollution, as well as to compensate the any losses or damages suffered as a result of such environmental pollution.

10. Governmental Regulations in Relation to Fortune Court Group's Businesses

(a) **The Land System of The PRC**

All land in the PRC is either state-owned or collectively owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively owned. The state has the right to reclaim land in accordance with law if required for the benefit of the public.

Although all land in the PRC is owned by the state or by collectives, private individuals and businesses and other organizations are permitted to hold, lease and develop land for which they are granted land use rights.

(b) **National legislation**

In April 1988, the constitution of the PRC was amended by the National People's Congress to allow for the transfer of land use rights for value. In December 1988, the Land Administration Law of the PRC was amended to permit the transfer of land use rights for value.

Under the Interim Regulations of the People's Republic of China on Grant and Transfer of the Right to Use State-owned Urban Land ("**Interim Regulations on Grant and Transfer**") promulgated in May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights against payment of a grant premium.

Under the Interim Regulations on Grant and Transfer, there are different maximum periods of grant for different uses of land. They are generally as follows:

Use of Land	Maximum Period in Years
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Public utilities	50
Others	50

Under the Interim Regulations on Grant and Transfer, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The state may not reclaim lawfully granted land use rights prior to expiration of the term of grant. If public interest requires repossession by the state under special circumstances during the term of grant, compensation will be paid by the state. A land grantee may lawfully transfer, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings erected on the land will revert to the state without compensation.

In accordance with the Regulations on the Grant of State-owned Land-Use Rights Through Competitive Bidding, Public Auction and Public Announcements promulgated by the Ministry of Land and Resources on 9 May 2002 and implemented on 1 July 2002, and the Urban Real Estate Management Law implemented on 1 January 1995 and amended on 30 August 2007, land for commercial use, tourism, entertainment and commodity housing development must be granted by means of competitive bidding, public auction or listing-for-sale.

According to the Regulations on the Grant of State-owned Construction Land–Use Rights through Competitive Bidding, Public Auction and Public Announcements promulgated by the Ministry of Land and Resources on 28 September 2007 and implemented on 1 November 2007, land for industrial use, commercial use, tourism, entertainment, commodity housing development and dual-use land must be granted by means of competitive bidding, public auction or listing-for-sale.

(c) **Grant**

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the state to us to entitle us to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A premium is payable on the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

Under the Interim Regulations on Grant and Transfer, there are four methods in which land use rights may be granted, namely by agreement, tender, auction or listing-for-sale. A tender is organized by the Urban Land Authorities, who will make a tender notice or invitation. Bidders will pay a deposit and seal the bids in a tender box. An evaluation committee organized by the Urban Land Authority evaluates the tenders. An auction takes place in public at an appointed time and place, at which bidders will bid publicly. Where land use rights are granted by way of listing-for-sale, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land premium within a prescribed period.

Under the Regulations on the Grant of State-owned Land-Use Rights Through Competitive Bidding, Public Auction and Public Announcements, competitive bidding of land-use rights is where the relevant land administration authority (the “**grantor**”) issues a bidding announcement, inviting individuals, legal persons or other organizations (whether specified or otherwise) to participate in tender for the land-use rights of a particular parcel of land, with the land user to be determined according to the results of the biddings. Auction for land-use rights is where the grantor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. Listing-for-sale is where the grantor issues a listing-for-sale announcement, and in accordance with the announcement, the land grant conditions will be listed in a specified land grant exchange within a specified period, bidders’ payment applications will be listed and the land user will be granted according to the bidder’s payment applications at the end of such listing period. The procedures are as follows:

(i) The land authority under the government of the city and county issues an announcement at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement includes basic particulars of the land parcel, qualification requirements of the bidder and auction applicants, the methods and criterion used to confirm the winning tender or winning bidder and conditions such as the deposit of the bid;

(ii) The grantor conduct a qualification verification of the bidding applicants and auction applicants and instructs the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale;

(iii) After determining the winning tender or the winning bidder by holding a competitive bidding, public auction or listing-for-sale, the grantor and the winning tender or winning bidder then enter into a confirmation. The grantor refunds the other applicants their deposits;

(iv) The grantor and the winning tender or winning bidder then enter into a contract for State-owned land-use rights grant at the time and venue set in the confirmation. The deposit of the bid paid by the winning tender or winning bidder is deemed as part of the assignment price of the state-owned land-use rights; and

(v) The winning tender or winning bidder applies for the land registration after paying the assignment price. The people's government of the municipality and county level or above then issues the "Land-Use Rights Certificate."

The Regulations on the Grant of State-owned Construction Land–Use Rights through Competitive Bidding, Public Auction and Public Announcements promulgated by the Ministry of Land and Resources on 28 September 2007 and implemented on 1 November 2007 further emphasized that the winning tender or winning bidder must apply for the land registration after paying the entire assignment price, in accordance with the State-owned Construction Land-Use Right Assignment, before obtaining the State-owned Construction Land-Use Right Certificate. If the winning tender or winning bidder does not pay the entire assignment price, it will not be granted the state-owned construction land-use right certificates. Proportional division and grant of the state-owned construction land-use right certificates corresponding to the amount of the assignment price paid is not allowed.

In June 2003, the Ministry of Land and Resources of the PRC promulgated the Regulation on Transfer of State-Owned Land Use Rights by Agreement. According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights used for business purposes including commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate a plan concerning issues including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the state, and submit such plan to the relevant government for approval. Afterwards, the local land bureau and the person who is interested will negotiate and enter into the grant contract based on the above-mentioned plan. If two or more entities are interested in the land use rights to be granted, such land use rights shall be granted by means of tender, auction or listing-for-sale.

Upon signing the land grant contract, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local bureau for the issue of the land use right certificate. Upon expiration of the term of grant, the grantee may apply for its renewal. Upon approval by the relevant local land bureau, a new contract is entered into to renew the grant, and a grant premium shall be paid.

In order to control and facilitate the procedure for obtaining land use rights, several local governments have stipulated standard provisions in land grant contracts. Such provisions generally include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total GFA and height limitations, constructions of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premiums and completion of prescribed development and liabilities for breach of contract. Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the appreciation of the new use. Registration procedures must then be carried out immediately.

According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction, promulgated by the Ministry of Land and Resources on 4 September 2003, from the day of issuance of the Notice, the grant of land-use rights for luxurious commodity houses will be stringently controlled, and applications of land-use rights for villas are discontinued. On 30 May 2006, the Ministry of Land and Resources issued the "Urgent Notice on Ulteriorly Strengthening the Administration of Land". The Notice stated that (i) land for property development must be assigned by competitive bidding, public auction or listing-for-sale; (ii) the rules prohibiting development projects for villas should be strictly enforced; and (iii) no land should be supplied for the development projects for villas, and projects and all formalities relevant to the land supply thereof should cease.

(d) **Transfer**

After land use rights relating to a particular area of land have been granted by the state, unless any restriction is imposed, the party to whom such land use rights have been granted may transfer, lease or mortgage such land use rights for a term not exceeding the term which has been granted by the state. The difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, a rent is payable during the term of the lease. Land use rights cannot be transferred, leased or mortgaged if the provisions of the land grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas of the PRC have different conditions which must have been fulfilled before the respective land use rights can be transferred, leased or mortgaged.

All transfers, mortgages and leases of land use rights must be evidenced by a written contract registered with the relevant local land bureau at municipality or county level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the state are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under Article 38 of the PRC Law on Administration of Urban Real Estate (the "**Urban Real Estate Law**"), real property that has not been registered and a title certificate for which has not been obtained in accordance with the law cannot be transferred. Under Article 39 of the Urban Real Estate Law, if land use rights are acquired by means of grant, the following conditions must have been met before the land use rights may be transferred: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) for housing construction projects, more than 25% of the total amount of development for investment must have been made or completed; and (iv) where the development or investment involves a large tract of land, conditions for use of the land for industrial or other construction purpose have been achieved.

(e) **Termination**

A land use right terminates upon the expiry of the term of grant specified in the land grant contract and the resumption by the state of that right.

The state generally will not withdraw a land use right before the expiration of its term of grant and if it does so for special reasons, such as in the public interest, it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user.

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

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

(f) **Document of Title**

In the PRC, there are two registers for real estate. Land registration is achieved by the issue of a land use right certificate by the relevant authorities to the land user. It is evidence that the land user has obtained land use rights which can be transferred, mortgaged or leased. The building registration is the issue of a real estate certificate to the owner. It is evidence that the owner has obtained building ownership rights in respect of the buildings erected on that piece of land. According to the Land Registration Regulations promulgated by the State Land Administration Bureau on 18 December 1995 and implemented on 1 February 1996, and the Administrative Rules on Registration of Urban Real Estate Property promulgated by the Ministry of Construction on 27 October 1997 and implemented on 1 January 1998, all duly registered land use rights and building ownership rights are protected by the law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are maintained separately. However, in certain cities such as Shanghai, the two systems have been consolidated and a single composite real estate and land use right certificate will be issued evidencing the ownership of both land use rights and the buildings erected on the land.

(g) **Establishment of a Real Estate Development Enterprise**

According to the Urban Real Estate Law promulgated by the Standing Committee of the National People's Congress in July 1994, a real estate developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (the "**Development Regulations**") promulgated by the State Council on 20 July 1998, in addition to requirements on establishing enterprises, an enterprise that engages in development of real estate must satisfy the following requirements: (1) its registered capital must be RMB1 million or more and (2) it must have five or more full-time professional real estate/construction technicians and two or more fulltime accounting officers, each of whom must hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer should apply for registration with the administration for industry and commerce on or above the county level. The real estate developer must also report its establishment to the real estate development authority in the location of the registration authority, within 30 days of the receipt of its Business License.

Under the Foreign Investment Industrial Guidance Catalogue promulgated jointly by the MOC and the National Development and Reform Commission (the "**NDRC**") in November 2004, the development and construction of ordinary residential units falls within the category of industries in which foreign investment is encouraged, whereas the development of a whole land lot and the construction and operation of high end hotels, villas, premium office buildings and international conference centres falls within the category of industries in which foreign investment is subject to restrictions, while other real estate development falls within the category of industry in which foreign investment is permitted. On 31 October 2007, the MOC and NDRC jointly issued the new Foreign Investment Industrial Guidance Catalogue effective from 1 December 2007, under which the development and construction of ordinary units falls within the category of industry in which foreign investment is permitted, whereas the secondary market transaction in real estate sector, real estate intermediary or agent falls within the category of industry in which foreign investment is subject to restrictions. A foreign investor intending to engage in the development and sale of real estate may establish a sino-foreign equity joint venture, a sino-foreign cooperative joint venture or a wholly-owned foreign enterprise according to laws and regulations relating to foreign investment in the real estate industry. Prior to its registration with the department of administration of industry and commerce, the enterprise must be approved by commercial authorities and obtain an Approval Certificate for a Foreign Investment Enterprise.

On 11 July 2006, the Ministry of Construction, MOC, NDRC, PBOC, SAIC and SAFE jointly promulgated the Opinions on Foreign Investment in Real Estate and on 14 August 2006, MOC promulgated the Circular of Further Implementation of Opinions on Foreign Investment in Real Estate which state that: (i) an overseas entity or individual investing in real estate in China other than for self-use, shall apply for the establishment of a Foreign Invested Real Estate Enterprise, or FIREE, in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities; (ii) the registered capital of a FIREE with a total investment of more than US$3 million shall not be less than 50% of its total investment amount and the registered capital of a FIREE with a total investment of US$3 million or less shall not be less than 70% of its total investment amount; (iii) a newly established FIREE can first obtain an approval certificate and business license which are valid for one year. The official approval certificate and business license can be obtained by submitting the land use right certificate to the relevant government departments after the land grant premium for the land has been paid; (iv) an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the commercial authorities. The investor shall submit a letter to the commercial authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use right certificate, the evidence from the construction authorities confirming the alternation of archival files and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid; (v) foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital in a lump sum rather than by instalments and shall ensure that the enterprise's employees and bank loans are treated and dealt with in accordance with applicable PRC laws; (vi) if the registered capital of a FIREE is not fully paid up, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans; (vii) the investors in a FIREE shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; (viii) a branch or representative office established by a foreign investor in China (other than a FIREE), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties limited to a certain floor area based on their living requirements in the PRC for self-residence purposes.

On 23 May 2007 MOC and SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC which made the following requirements for approval and supervision of foreign investment in real estate:

- foreign investment in the real estate sector in the PRC relating to high-grade properties will be strictly controlled;
- before obtaining approval for the setup of real estate entities with foreign investment, either (i) both the land use right certificates and housing ownership right certificates must be obtained or, (ii) contracts for obtaining land use rights or housing ownership rights must be entered into;
- entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector and entities which have been set up with foreign investment for real estate development operation need to obtain new approval if they are engaged in new real estate development projects;
- acquisitions of real estate entities and foreign investment in the real estate sector by way of round trip investment will be strictly regulated. Foreign investors must not avoid approval procedures by changing actual controlling persons;
- parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- local approval authorities should file the approvals of establishment of foreign investment real estate entities with MOC for their records in a timely manner according to applicable laws;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those that fail to file with MOC or fail to pass the annual reviews; and
- for those real estate entities which are illegally approved by local authorities for their establishment, (i) MOC should carry out investigation, order punishment and make rectification, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for such entities.

On 10 July 2007, SAFE issued the Notice Regarding the Publication of the First Group of Real Estate Enterprises with Foreign Investment That Have Properly Registered with the MOC. This new regulation restricts the ability of foreign invested real estate companies to raise funds offshore and then inject funds into the companies either through capital increase or by way of shareholder loans. The notice stipulates, among other things:

- that SAFE will no longer process foreign debt registration and examination and approval of foreign exchange settlements for foreign debt for real estate enterprises with foreign investment that obtained approval certificates from commercial authorities and filed with MOC on or after 1 June 2007; and

- that SAFE will no longer process foreign exchange registration (or change of such registration) or foreign exchange settlement and sale under the capital account for real estate enterprises with foreign investment that obtained approval certificates from commercial authorities on or after 1 June 2007 but failed to file with MOC.

(h) **Qualifications of a Real Estate Developer**

Under the Development Regulations, the real estate development authorities shall examine applications for registration of qualifications of a real estate developer when it reports its establishment, by considering its assets, professional personnel and business results. A real estate developer shall only undertake real estate development projects in compliance with the approved qualification registration.

In accordance with the Provisions on Administration of Qualifications of Real Estate Developers ("**Provisions on Administration of Qualifications**") promulgated by the Ministry of Construction on 29 March 2000, a real estate developer shall apply for registration of its qualifications according to such Provisions. An enterprise may not engage in development and sale of real estate without a qualification classification certificate for real estate development. The construction authority under the State Council oversees the qualifications of real estate developers throughout the country, and the real estate development authority under a local government on or above the county level shall oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes. The approval system is tiered, so that confirmation of class 1 qualifications shall be subject to preliminary examination by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority.

After a newly established real estate developer reports its establishment to the real estate development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days of its receipt of the above report. The valid period of the Provisional Qualification Certificate is one year, the real estate development authority can extend the period according to the developer's specific operating circumstances. But the period of extension may not exceed two years. The real estate developer may apply for qualification classification by the real estate development authority within one month before expiry of the Provisional Qualification Certificate.

A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification. A class 1 real estate developer is not restricted as to the scale of real estate project to be developed and may undertake a real estate development project anywhere in the country. A real estate developer of class 2 or lower may undertake a project with a GFA of less than 250,000 sq m and the specific scope of business shall be as confirmed by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government.

(i) **Development of a Real Estate Project**

Under the Foreign Investment Industrial Guidance Catalogue promulgated jointly by the MOC and the NDRC in November 2004, the development and construction of ordinary residential units falls within the category of industries in which foreign investment is encouraged, whereas the development of a whole land lot and the construction and operation of high end hotels, villas, premium office buildings, international conference centres and large theme parks falls within the category of industries in which foreign investment is subject to restrictions, while other real estate development falls within the category of industry in which foreign investment is permitted. On 31 October 2007, the MOC and NDRC jointly issued the new Foreign Investment Industrial Guidance Catalogue effective from 1 December 2007, under which the development of a whole land lot and the construction and operation of high end hotels, villas, premium office buildings, international conference centres and large theme parks still falls within the category of industries in which foreign investment is subject to restrictions. However, the development and construction of ordinary residential units currently falls within the category of industry in which foreign investment is permitted. Additionally, the secondary market transaction in real estate sector, real estate intermediary or agent falls within the category of industry in which foreign investment is restricted.

According to the Interim Provisions on Approving Foreign Investment Project promulgated by the NDRC in October 2004, the NDRC shall examine and approve the foreign investment projects with total investment of US$100 million or more within the category of industries in which foreign investment is encouraged or permitted and those with total investment of US$50 million or more within the category of industries in which foreign investment is subject to restrictions as classified in the "Foreign Investment Industrial Guidance Catalogue", while the local development and reform authorities shall examine and approve the foreign investment projects with a total investment of less than US$100 million within the category of industries in which foreign investment is encouraged or permitted and those with a total investment of less than US$50 million within the category of industries in which foreign investment is subject to restrictions as classified in the "Foreign Investment Industrial Guidance Catalogue."

The Development Regulations provide that a real estate development project may be carried out having regard to the overall land use plan, annual construction land schedule, applicable municipal zoning plan and the annual property development scheme. Those projects which should be approved by the planning control authorities in accordance with the relevant rules should also be reported and approved by the planning control authorities and be brought into the annual planning of the investment in fixed assets. Under the State Council's Notice on Stringent Control Over High Class Real Estate Development Projects issued in May 1995, for a high class real estate project with a GFA of more than 100,000 sq m or total investment of more than RMB200 million or foreign investment of US$30 million or more, the project proposal and commencement of works shall be subject to approval of the State Development Planning Commission. For a high class real estate project with a GFA of more than 20,000 sq m but less than 100,000 sq m or total investment of more than RMB30 million but less than RMB200 million, the project proposal and commencement of works shall be subject to approval of the Development Planning Commission of the relevant province, autonomous region, municipality directly under the central government or separate-planning city and then a report to the State Development Planning Commission. A high class real estate project with foreign investment of more than US$100 million is subject to approval of the State Council based on the recommendation of the State Development Planning Commission.

Under the Interim Regulations on Grant and Transfer, a system of grant and transfer of the right to use State-owned land is adopted. A land user shall pay a grant price to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use right within the term of use. Under the Interim Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a grant contract with the land user to provide for the grant of land use right. The land user shall pay the grant price as provided by the grant contract. After payment in full of the grant price, the land user shall register with the land administration authority and obtain a Land Use Right Certificate which evidences the acquisition of land use rights.

The Urban Real Estate Law and the Development Regulations provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land use rights for a site intended for real estate development shall be obtained through grant. Please refer to "Land for Property Development" for further details. Under the Regulations on the Grant of State-owned Land-Use Rights Through Competitive Bidding, Public Auction and Public Announcements effective from 1 July 2002, and the Urban Real Estate Management Law implemented on 1 January 1995 and amended on 30 August 2007, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction and listing-for-sale.

When carrying out the feasibility study for a construction project, a construction entity shall make a preliminary application for construction on the relevant site to the land administration authority of the same level as the project approval authority, in accordance with the Measures for Administration of Examination and Approval for Construction Sites and the Measures for Administration of Preliminary Examination of Construction Project Sites promulgated by the Ministry of Land and Resources in March 1999 and in July 2001 (amended in October 2004) respectively. After receiving the preliminary application, the land administration authority shall carry out preliminary approval of various matters relating to the construction project in compliance with the overall zoning plans and land supply policy of the State, and shall then issue a preliminary approval report in respect of the project site. The preliminary approval report is the requisite document of the approval of the construction project. The land administration authority under the people's government of the relevant city or county shall sign a land use right grant contract with the land user and issue an Approval for Construction Site to the construction entity.

The Development Regulations also provide that a real estate developer shall record any major events which occur in the course of construction in the Real Estate Development Project Manual and periodically submit the same to the real estate development authority for its records.

Under the Measures for Control and Administration of Grant and Transfer of Right to Use Urban State-owned Land promulgated by the Ministry of Construction in December 1992, the assignee to a grant contract, i.e. a real estate developer, shall legally apply for a Planning Permit for Land Use and Construction from the municipal planning authority with the grant contract, which permits use planning for the land to be developed by the real estate developer.

After obtaining a Planning Permit for Land Use and Construction, a real estate developer shall organize the necessary survey, planning and design work having regard to planning and design requirements. For the planning and design proposal in respect of a real estate development project, the relevant report and approval procedures required by the PRC Law on Municipal Planning promulgated by the Standing Committee of the National People's Congress in December 1989, and local statutes on municipal planning must be followed and a Planning Permit for Construction Projects must be obtained from the municipal planning authority.

On 6 July 2006, the Ministry of Construction promulgated "Several Opinions Regarding the Implementation of Requirements on the Structure Portion of Newly-Built Housing" (the "**Opinion**") prescribing that the ratio of the dwelling space of an apartment development (including economic housing) of which the built up area is no more than 90 sq m per apartment must exceed 70% of the total dwelling space of that apartment development. The Opinion applies to all the newly approved and developed commercial residential housings from 1 June 2006.

For projects for which approval was obtained before 1 June 2006 but which did not obtain the Permit for Erection of Construction Projects, the planning and designing proposals must be rectified in accordance with the requirements and the proposals must be submitted to the relevant authorities for a renewed examination and approval.

(j) **Demolition and Removal**

In accordance with the Regulations for the Administration of Demolition and Removal of Urban Housing, which were promulgated by the State Council on 13 June 2001, upon obtaining approvals for a construction project, construction plan and State-owned land use rights, a real estate development organization may apply to the department in charge of demolition and removal, the municipal, or county people's government of the place where the real estate is located for a permit for housing demolition and removal. Upon granting an approval and issuing a demolition and removal permit, the department in charge of demolition and removal shall issue a demolition and removal notice to the inhabitants of the area to be demolished. The demolition and removal party shall implement the demolition and removal within the area and period specified in the housing demolition and removal permit. If the demolition and removal party fails to complete the demolition and removal works within the permitted period, it shall, within 15 days prior to the expiry of the permit, apply to the original approval department in charge of demolition and removal for an extension.

During the demolition and removal period announced by the department in charge of demolition and removal, the demolition and removal party and the parties subject to demolition and removal shall enter into an agreement for compensation and relocation in respect of the demolition and removal. If the demolition and removal party, the parties subject to demolition and removal and the house tenant cannot reach an agreement, any party concerned may apply to the original approval department in charge of demolition and removal for a ruling. Such ruling shall be rendered within 30 days of the application. If any party disagrees with the ruling, it may initiate proceedings in the People's Court within three months after the delivery of the ruling. Pursuant to law, if the demolition and removal party has provided housing to the party subject to demolition and removal or the party subject to demolition and removal has provided housing to a lessee, the demolition and removal shall not be stopped during the period of legal proceedings.

Pursuant to Regulations for the Administration of Demolition and Removal of Urban Housing, compensation for housing demolition and removal may be effected by way of monetary compensation or exchange of house property rights. If the monetary compensation method is used, the amount of compensation shall be assessed on the basis of the real property market price determined by the location, uses and the gross area of the housing to be demolished. The demolition and removal party shall entrust a qualified real estate assessment agency to conduct an assessment on the housing to be demolished. If property right exchange is used, the demolition and removal party and the party subject to demolition and removal shall, on the basis of the real property market price and the location, uses and the gross area of the housing to be demolished, calculate the amount of compensation which shall be made for the housing to be demolished, the real property market price of the housing to be exchanged for the housing to be demolished, and work out the difference between the two.

In addition to paying the demolition and removal compensation, the demolition and removal party shall pay removal allowance to the party subject to demolition and removal. During the interim period, when the party subject to demolition and removal arranges accommodation by himself, the demolition and removal party shall pay temporary allocation allowance. On the other hand, when the demolition and removal party provides accommodation to the party subject to demolition and removal during the interim period, the demolition and removal party need not to pay the temporary allocation allowance.

(k) **Construction**

Before the commencement of the construction work, the developer shall apply for a Permit for Erection of Construction Projects from the construction authority under the local people's government above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works promulgated by the Ministry of Construction in October 1999 (amended in July 2001).

Under the Building Construction and Municipal Facilities Construction Tender Management Regulations (the "**Tender Regulations**") promulgated in June 2001 which states that a Tender Appraisal Committee should be set up for the appraisal of the tender for construction works for the project. According to the Tender Regulations, the Tender Appraisal Committee to be organized by the tenderee shall include representatives of the tenderee and relevant specialists selected by the tenderee from a list certified by the construction administration authorities. The number of members of the Tender Appraisal Committee shall be an odd number and shall consist of at least five members. The relevant specialists shall make up no less than two-thirds of the membership. In accordance with the Tender Regulations, if the estimated price of a single construction contract amounts to at least RMB2 million or the total investment of the project is at least RMB30 million, the developer is required to undertake a bidding process for the award of the construction contracts. Chongqing Yingli will set the tender conditions according to the written tender report provided by the Tender Appraisal Committee, and after the tender, Chongqing Yingli and the successful tenderer shall sign a written contract according to the terms of the tender. The quality and timeliness of the construction are usually warranted in these contracts. Typically, these construction contracts provide for progress payments to be made by Chongqing Yingli to the construction companies at agreed stages of completion of the constructions works.

Pursuant to the Development Regulations and the Interim Measures for the Administration of the Registration of the Inspection and Acceptance of the Completed Building Construction Works and the Municipal Infrastructure Facilities promulgated by the Ministry of Construction in April 2000 and the Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure, after the completion of the real estate development project, the real estate developer should apply for the project completion inspection and acceptance to the county level or higher local real estate administration authorities. A real estate development project may only be delivered to the buyer after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is conducted or without passing such an acceptance examination. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, an acceptance examination may be carried out for each completed phase. The real estate developer should register the project completion inspection and acceptance within 15 days from the pass of the inspection and acceptance. The project should not be delivered to use without passing or fail to pass the project completion inspection and acceptance. Projects like residential house quarters should pass the compositive completion inspection and acceptance. Projects developed by stages can also be inspected and accepted by stages.

Pursuant to the Development Regulations and the Circular of the State Council on Adjusting the Capital Ratios of Fixed Asset Investment Projects in Some Industries promulgated by the State Council in April 2004, the capital ratio of the real estate development projects has been increased from 20% to 35% and above. The real estate development should be in accordance with the provisions of the land use right grant contract on the usage of the land and commencement date for construction of the project. When a project is not commenced within one year since the date of commencement stipulated in the land use grant contract, additional fees may be imposed on the developer with an amount of not more 20% of the land grant fee. If the delay is more than two years, the land use right may be taken back by the government without any refund.

(l) **Land for Property Development**

According to the PRC Law of Land Administration as amended in August 2004 by the Standing Committee of the National People's Congress, and the Regulations for the Implementation of the Law of Land Administration promulgated by the State Council in December 1998, the state regulates and controls the usage of land, the land register and record system and the land certificate issuing system. When there are approved construction projects that involve the use of state-owned construction land, the construction entity should first apply to those county level or higher land administration authorities who have the authorization for the construction land use approval and hand in the documents that prescribed in law and regulations. After the examination of the land administration authorities, the application must be reported to and approved by the same level government. Whereas occupation of land for construction purposes involves the conversion of agricultural land into land for construction purposes, the examination and approval procedures in this regard shall be required.

The provisions of the PRC Law on Administration of Urban Real Estate provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land for property development shall be obtained by grant.

The Law on the Administration of Real Estate expressly provides that the grant of land use right may be by public auction or competitive bidding or by a mutual agreement between both parties. Land for commercial use, tourism, entertainment and construction of luxury flats shall be sold by public auction wherever it is feasible, and may be sold by mutual agreement if sale by public auction or competitive bidding is not feasible. On 30 April 2001, the State Council promulgated a Notice on Strengthening the Administration of State-owned Land (the "**Notice**"), which stipulates that State-owned land use rights shall as far as possible be sold by public auction or competitive bidding. The Notice further stipulates that the supply of state-owned land shall be made known to the public unless state security or confidentiality requirements are involved. If, after a supply schedule of land for commercial development and other uses is announced, there are two or more prospective investors who intend to develop the same land parcel, the relevant land parcel shall be made available to the market by the government at the municipal or county levels through competitive bidding or public auction. The competitive bidding and public auction of State-owned land use rights shall be conducted openly.

On 9 May 2002, the State Bureau of Land Resources of the People's Republic of China promulgated the Regulations on the Grant of State-owned Land Use Rights through Competitive Bidding, Public Auction and Public Announcements (the "**New Regulations**"). The New Regulations stipulate the legal basis, principles, scope, procedures and legal liability arising from and in connection with the grant of State-owned land use rights by tender and auction. Pursuant to the New Regulations, land for commercial use, tourism, entertainment and commodity housing development shall be granted by competitive bidding, public auction or listing-for-sale and, in the event that a land parcel for uses other than commerce, tourism, entertainment and commodity housing development has two or more prospective purchasers after the promulgation of the relevant land supply schedule, the grant of the land parcel shall be performed by competitive bidding, public auction or listing-for-sale. Under these regulations, the grantor shall prepare the auction and tender documents and shall make an announcement 20 days prior to the day of auction or tender to announce the basic particulars of the land parcel and the time and venue of the auction or tender. The grantor shall conduct a qualification verification of the tender applicants and auction applicants, accept an open public bidding to determine the winning tender; or hold an auction to ascertain a winning bidder. The grantor and the winner of the auction or tender shall then enter into a confirmation, and the grantor and the winner of the auction or tender shall then enter into a contract for the grant of state-owned land use rights.

On 7 November 2006, the Ministry of Finance, the Ministry of Land and Resources and the People's Bank of China jointly promulgated the "Circular on Adjusting the Policies of Land Use Fee of the Increased Construction Land" stipulating that the land use fee on newly approved construction land will double beginning on 1 January 2007.

On 12 December 2006, the Ministry of Land and Resources and the National Development and Reform Commission issued the "Land Use Project Prohibition Catalogue (Version 2006)" (the "**Prohibition Catalogue**") and the "Land Use Project Restriction Catalogue (Version 2006)" (the "**Restriction Catalogue**"). The land and resources administrative authorities and investment administrative authorities at all levels shall not approve any applications relating to construction projects listed in the Prohibition Catalogue and in the first ten sections of the Restriction Catalogue. Villa real estate development projects are listed in the Prohibition Catalogue.

On 30 September 2007, the Ministry of Land and Resources issued the Notice on Conscientiously Implementing the 'Several Opinions of the State Council on Solving Housing Problems of Low Income Urban Families' to Further Enhance the Control of Land Supply, which stipulates that the supply of the land to be developed for low-rent housing, economical housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land and resources authorities shall control the area of each piece of land and increase the number of pieces to be supplied, in order to prevent the coemption of land by property developers. The developers shall develop land according to the terms of the land use right grant contract, and any violation thereof may restrict or prevent such developers from participating in future land bidding. Generally, the development period of each piece of land shall not exceed three years.

(m) **Sale of Commodity Buildings**

Under the Measures for Administration of Sale of Commodity Buildings promulgated by the Ministry of Construction in April 2001, sale of commodity buildings can include both post-completion and pre-completion sales. Commodity buildings may be put to post-completion sale only when the preconditions for such sale have been satisfied. Before the post-completion sale of a commodity building, a real estate developer shall submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

Any pre-completion sale of commodity buildings shall be conducted in accordance with the Measures for Administration of Pre-completion Sale of Commodity Buildings (the "**Pre-completion Sale Measures**") promulgated by the Ministry of Construction in November 1999 and as amended in August 2001 and in July 2004 respectively, and the Development Regulations. The Pre-completion Sale Measures provides that pre-completion sale of commodity buildings is subject to certain procedures. According to the Development Regulations and the Pre-completion Sale Measures, a permit shall be obtained before a commodity building may be put to pre-completion sale. A developer intending to sell a commodity building before its completion shall make the necessary pre-completion sale registration with the real estate development authority of the relevant city or county to obtain a Permit for Pre-completion Sale of Commodity Buildings. A commodity building may only be sold before completion provided that: (1) the assignment price has been paid in full for the assignment of the land use rights involved and a land use right certificate has been obtained; (2) a Planning Permit for Construction Projects and a Permit for Erection of Construction Projects have been obtained; (3) the funds invested in the development of the commodity buildings put to pre-completion sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained. Pre-completion sale of commodity buildings can only be carried out after the Permit for Pre-completion Sale of Commodity Buildings has been obtained.

Pre-sale regulations have been issued in Chongqing. Pursuant to the Administrative Regulations on the Development and Operation of Real Estate of Chongqing announced on 25 May 2000, the pre-sale of commodity houses in Chongqing is subject to the above-mentioned pre-sale regulations as well as the following principal requirements:

- the construction work for commodity houses must have been completed up to the stipulated standard;
- the Permit for Pre-Sale of Commodity Houses has been obtained;
- the mortgaged commodity houses shall not be pre-sold without consent from the mortgagee and the purchasers of the commodity houses shall be informed of the mortgage; commodity houses which have already been pre-sold shall not be mortgaged;
- a pre-sale fund supervisor agreement with a bank must have been executed; and
- a pre-sale agreement shall be recorded with the housing and land administrative department within 30 days from the signing of the agreement by the real estate development enterprise.

With regards to Chongqing property, according to the Chongqing Municipal Administrative Regulations on the Transaction of Urban Real Estate which became effective on 1 August 2002, the rules concerning the stipulated standard referred to in the first bullet of the preceding paragraph are supplemented as follows:

- the land premium has been fully paid and the land use right certificate has been obtained;
- the business license and the Qualification Certificate for Real Estate Development Enterprise has been obtained;
- the Planning Permit for Construction Projects and the Permit for Erection of Construction Projects has been obtained;
- the amount of funds allocated to the development of the project is no less than 25% of the total amount of the project investment;
- plan for pre-sale of commodity houses meeting required conditions;
- special bank account for pre-sale funds has been opened and a pre-sale fund supervisor agreement has been entered into with local commercial bank where the project is located;
- permit for Demolition has been obtained where applicable;
- commodity houses for pre-sale and the corresponding land occupied by these pre-sale commodity houses have not been mortgaged;
- for commodity houses with seven stories or less, the main structural construction of the building must have been completed; and
- for commodity houses consisting of eight stories or more, the basic foundation must have been completed and at least one-third of the approved planning built up area must have been completed.

According to the "Circular on Further Rectifying and Standardizing of the Real Estate Transaction Order" dated 6 July 2006, real estate development enterprises shall initiate the sale of commercial housing within 10 days from the date obtaining the License for Advance Sale.

Under the Pre-completion Sale Measures and Urban Real Estate Law, the pre-sale proceeds of commodity buildings may only be used to fund the property development costs of the relevant projects.

(n) **Transfer of Real Estate**

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred. The parties to a transfer shall enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred on the condition that: (1) the grant price has been paid in full for the grant of the land use rights as provided by the grant contract and a land use right certificate has been obtained; (2) development has been carried out according to the grant contract; and in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed, or in case of a whole land lot development project, construction works has been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been levelled and made ready for industrial or other construction purposes.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real estate shall be the remaining portion of the original term provided by the land use right grant contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the usage of the land provided in the original grant contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use right grant contract or a new land use right grant contract shall be signed in order to, inter alia, adjust the land use right grant price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required by the State Council. After the People's Government vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

(o) **Warranty and Maintenance of Buildings**

Under the PRC Construction Law promulgated by the Standing Committee of the National People's Congress on 1 November 1997, the Measures on Administration of Sale of Commodity Buildings promulgated by the Ministry of Construction in April 2001, the Rules on the Implementation of the System on Residence Quality Guarantee and Residence Usage Specification promulgated by the Ministry of Construction on 20 May 1998, and the Regulations on Quality Management of Construction Projects promulgated by the State Council on 30 January 2000, when a real property developer delivers newly built residential houses, it should provide the Residence Usage Specification and Residence Quality Guarantee. The Residence Quality Guarantee is the legal document stipulating the warranty and maintenance obligations a real property developer should bear for the already sold residential houses and it can be a supplementary agreement to the Commodity House Purchase Contract.

According to Measures on the Warranty and Maintenance of Building Construction Projects promulgated by the Ministry of Construction on 30 June 2000 under the normal usage, the warranty and maintenance period to different parts of the construction projects should not be shorter than the following:

(1) the reasonable using period as stipulated by the project designing documents for the groundwork foundation and main body structure project;

(2) five years for the waterproof project of the surface, the toilet and rooms having waterproof requirements, the leakage preventing of the outside metope;

(3) two heating periods/cooling periods for the heating and cooling system;

(4) two years for the electrical system, water supply pipe and drainpipe, equipment fixing;

(5) two years for the fitment project.

The warranty and maintenance period of other parts of the construction projects may be determined by real estate developers at their discretion.

(p) **Leases of Buildings**

Under the Urban Real Estate Law and the Measures for Administration of Leases of Buildings in Urban Areas promulgated by the Ministry of Construction in April 1995, the parties to a lease of a building shall enter into a lease contract in writing. A system has been adopted to register the leases of buildings. When a lease contract is signed, amended or terminated, the parties shall register the details with the real estate administration authority under the local government of the city or county in which the building is situated.

(q) **Restrictions on the Grant of Residential Development Loans and Individual Property Purchase Loans by Banks**

According to the Notice of the PBOC on Regulating Home Financing Business promulgated in June 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial flat loans:

- Housing development loans from banks shall only be granted to real estate development enterprises with adequate development assets and higher credit ratings. Such loans shall be offered to residential projects with good market potential. While the borrowing enterprise must have an amount of capital no less than 30% of the total investment required of the project, the project itself must have been issued with a Land Use Permit for State-Owned Land, Planning Permit for Land Use and Construction, Planning Permit for Construction Projects and Permit for Erection of Construction Projects.

- In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the security (the "**Mortgage Ratio**") shall never exceed 80%. Where an individual applies for a home purchase loan to buy a pre-sale property, the said property must have achieved the stage of "topping-out of the main structure completed" for multi-story buildings and "two-thirds of the total investment completed" for high-rise buildings.

- In respect of the grant of individual commercial flat loans, the Mortgage Ratio under the application for commercial flat loans shall not exceed 60% with a maximum loan period of 10 years and the subject commercial flat already completed.

The PBOC issued the Circular on Further Strengthening the Management of Loans for Real Estate in June 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity houses as follows:

- Property development loans should be granted to property developers who are qualified for property development, rank high in credibility and have no overdue payment for construction. For property developers with commodity houses of high vacancy rate and debt ratio, strict approval procedures shall be applied for their new application for property development loans and their activities shall also be in the focus of attention.

- Commercial banks shall not grant loans to property developers to pay off land premium.

- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first installment remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the first installment shall be increased.

- When a borrower applies for mortgaged loan of individual commodity house, the mortgage shall not be more than 60%. In addition, the term of loan may not be more than 10 years and the commodity house shall be duly completed and accepted after inspection.

In the Circular on Facilitating the Continuously Healthy Development of Property Market issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market. They include, but are not limited to, strengthening the construction and management of economical houses, increasing the supply of ordinary commodity houses and controlling the construction of high-end commodity houses. Besides, the government also staged a series of measures for the loan of housing development. They include, but not limiting to, putting more effort at provision of loans, improving the guarantee mechanism of individual home loans and strengthening the monitor over property loans. It is expected that the circular will have positive effect on the development of the PRC property market in the long run by facilitating the continuously healthy growth of property market.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks issued by China Banking Regulatory Commission in September 2004, commercial banks may not be provided any loan in any form for a project without the State-Owned Land Use Right Certificate, Construction Land Use Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit. Any property developer applying for property development loans shall have at least 35% of capital required for the development, a commercial bank should maintain a strict loan system for considering applications for property development loans.

Under the “Notice of the People’s Bank of China on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve” issued by the PBOC on 16 March 2005 and effective from 17 March 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On 24 May 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued “Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices”. These opinions stipulate that a commercial bank shall not lend funds to property developers with a project capital ratio of less than 35%, or take commodity properties which have been vacant for more than three years as security for mortgage loans and shall strictly control the granting of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties. The opinions also require that, from 1 June 2006, the minimum amount of down payment shall not be less than 30% of the purchase price of the underlying individual commodity houses with a GFA of 90 sq m or more.

In accordance with the "Circular on Further Strengthening the Credit Management of Real Estate" issued by China Banking Regulatory Commission dated 22 July 2006, banking institutions are forbidden to grant loans to (a) real estate development enterprises without the following certificates: State-owned Land Use Right Certificate, Permit for the Planning of Land for Construction, Permit for the Planning of Construction Projects and Permit for Erection of Construction Projects; (b) projects in which the project capital portion, which is the ratio of the project's paid-up capital to its total investment, is less than 35% (excluding economic housing); or (c) real estate development enterprises failing to meet other requirements of the loan as set by the banking institution.

In accordance with the Circular on Strengthening Commercial Real Estate Loan Administration jointly issued by the PBOC and China Banking Regulatory Commission on 27 September 2007, when a borrower applies for individual housing loans for his first owner-occupied residential unit with gross floor area of more than 90 sq m, the down payment is at least 30%; in respect to his loan application for additional purchases of residential units, the down payment cannot be less than 40%, the loan interest cannot be lower than 1.1 times the benchmark lending rate published by the PBOC in the same period and at the same level, and the amount of the down payment and interest of the loan should be increased to a greater extent based on the number of the purchased apartments. The level of increase should be decided by commercial banks according to loan risk management principals. The down payment of business premise loans should not be less than 50% with a maximum loan term of 10 years, and the loan interest should be no less than 1.1 times the benchmark lending rate published by the PBOC at the same period and level. The level of down payment, term of loan and interest level should be decided by commercial banks according to loan risk management principals. To the loan application for premises used for both business and residential purposes, the down payment should be no less than 45% and the loan term and interest rate should be decided according to the provisions on the administration of business premise loans. Furthermore, commercial banks should not advance loans to property development enterprises which hold coemption of land or building resources as confirmed by the land and resources authorities and construction authorities.

(r) **Insurance**

There is no mandatory provision in the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments.

(s) **Major Taxes Applicable to Real Estate Developers**

Business Tax

Pursuant to the PRC Interim Regulations on Business Tax promulgated by the State Council in December 1993 and its implementation rules, the tax rate of the transfer of immovable properties, their superstructures and attachments is 5%.

Land Appreciation Tax

Pursuant to the PRC Provisional Regulations on Land Appreciation Tax (the "**Provisional Regulations**") promulgated by the State Council on 13 December 1993 and effected on 1 January 1994, and the PRC Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (the "**Detailed Implementation Rules**") which was promulgated and effected on 27 January 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to land appreciation tax. Land appreciation tax ("**LAT**") is calculated based on a 4-band excess progressive tax rate: for the portion with appreciation not exceeding 50% of the deductible amount, the applicable tax rate is 30%; the applicable tax rate for the portion with appreciation exceeding 50% but not exceeding 100% of the deductible amount is 40%; the applicable tax rate for the portion exceeding 100%, but not exceeding 200% of the deductible amount is 50%; the applicable tax rate for the portion exceeding 200% of the deductible amount is 60%. The related deductible items aforesaid include the following:

- amount paid for obtaining the land use right;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or evaluated prices of old buildings and constructions;
- related tax payable for transfer of property;
- for real estate developers, an additional 20% of the first two deductible items described above.

According to the requirements of the Provisional Regulations, the Detailed Implementation Rules and the Notice issued by the Ministry of Finance in respect of the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before 1 January 1994, which was announced by the Ministry of Finance on 27 January 1995, LAT is exempted under any one of the following circumstances:

(1) Taxpayers constructing ordinary standard residences for sale (i.e. the residences built in accordance with the local standard for general civilian used residential properties. Deluxe apartments, villas, resorts, etc. are not under the category of ordinary standard residences), where the appreciation amount does not exceed 20% of the sum of deductible items;

(2) Real estate taken over and repossessed according to laws due to the construction requirements of the State;

(3) Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for five years or more, and after obtaining tax authorities' approval;

(4) For real estates assignments which were signed before 1 January 1994, whenever the properties are transferred, the LAT shall be exempted;

(5) Either when the real estates assignments were signed before 1 January 1994 or when the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the LAT shall be exempted if the properties are transferred within five years after 1 January 1994 for the first time. The date of signing the assignment shall be the date of signing the Sale and Purchase Agreement. Particular real estates projects which are approved by the Government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by Ministry of Finance and State Taxation Bureau, the tax-free period would then be appropriately prolonged.

On 24 December 1999, the Ministry of Finance and the State Taxation Bureau issued the "Notice in respect of the extension of the period for the Land Appreciation Tax Exemption Policy" that extended the period for the LAT exemption policy as mentioned in paragraph (5) hereinabove to the end of 2000.

After the enactment of the Provisional Regulations and the Detailed Implementation Rules, due to the longer period for the real estate development and transfer, many districts, while they were implementing the regulations and rules, did not force the real estate development enterprises to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Taxation Bureau, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the following: After the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estates are located, and pay the LAT in accordance with the amount as calculated by the tax authority and the time as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change procedures, and shall not issue the real estate title certificate.

The State Taxation Bureau also issued the "Notice issued by the State Taxation Bureau in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax" on 10 July 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of real estates. That notice also pointed out that either for the real estates assignments which were signed before 1 January 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within five years after 1 January 1994 for the first time is expired, and such tax shall be levied again.

According to the Circular on Several Issues of the Levy and Administration of Land Appreciation Tax promulgated jointly by the State Administration of Taxation and the State Land Administration Bureau on January 1996 and the Circular on Issues related to the Administration and Levy of the Land Appreciation Tax promulgated by the State Administration of Taxation and the Ministry of Construction in April 1996, the taxation authorities at all levels should cooperate with the land resource and real estate management authorities on the levy and administration of the LAT in accordance with the related regulations and the above two circulars.

On 2 March 2006, the Ministry of Finance and State Administration of Taxation issued the Notice on Several Points on Land Appreciation Tax to clarify the relevant issues regarding land appreciation tax as follows:

(a) Tax collection and exemption in the sale of ordinary standard residential housing as built by taxpayers as well as in the transfer of ordinary residential houses by individual residents:

The notice sets out the standards for ordinary standard residential houses. Where any developers build ordinary residential houses as well as other commercial houses, the appreciation amount of land must be verified. Before the day when this notice is publicized, as to any application for tax exemption for ordinary standard residential houses that has been filed to the tax authority at the locality of the property, especially any ordinary standard residential houses which have been given the treatment of exemption from land appreciation tax upon examination according to the standards for ordinary standard residential houses as determined by the people's government of a province, autonomous region or municipality directly under the Central Government, no adjustment shall be retroactively made.

(b) Advance collection and settlement of land appreciation tax:

- All regions must decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value addition level of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up;

- As to any tax that fails to be collected in advance within the advance collection term, the overdue fines will be collected as of the day following the expiration of the prescribed advance collection term according to the relevant provisions of the Tax Collection and Administration Law and implementation rules;

- As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of land appreciation tax on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement will be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning; and

- As to the tax collection and exemption for investment or association by means of the property: As to any investment or association by using land (property) as payment for the purchase of shares, where an enterprise involved in the investment or association engages in the property development or where any other property development enterprise makes investment or conducts association with the commercial houses it itself builds, such enterprise will not be governed by the regulation of the interim exemption of land appreciation tax when the property (land) is transferred to the enterprise by means of investment or association.

On 20 October 2006, the Ministry of Finance and the State Administration of Taxation issued the "Circular on Relevant Policies of Land Appreciation Tax on Ordinary Standard Residences." The circular prescribes that the Ordinary Standard Residences that may enjoy the preferential policy must satisfy all the following conditions: (1) the plot ratio of the residential quarter exceeds 1.0; (2) the GFA per unit is no greater than 120 sq m; (3) the actual transaction price of the housing does not exceed 120% of the average transaction price of the housing on the same class of land; (4) the price and GFA (except the plot ratio requirement) can be increased according to regional conditions, but not by more than 20%.

According to the Notice on Forwarding the Notice on Enhance the Administration on Real Estate Tax jointly promulgated by Chongqing Local Tax Bureau, Chongqing Finance Bureau and Chongqing Land and Resources and Real Estate Administration Bureau, the Ordinary Standard Residences that may enjoy the preferential policy in Chongqing must satisfy all the following conditions: (1) the plot ratio of the residential quarter exceeds 1.0; (2) the maximum built up area per unit is no greater than 140 sq m or the inside built up area per unit is no greater than 120 sq m; (3) the actual transaction price of the housing does not exceed 140% of the average transaction price of the housing on the same class of land.

The State Administration of Taxation promulgated the "Circular Concerning the Settlement of the LAT Imposed on Real Property Developers" (the "**Circular**") on 28 December 2006. Pursuant to the Circular, effective from 1 February 2007, a real property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities. For projects developed in different stages, the land appreciation tax shall be settled accordingly. LAT must be paid if the projects meet any of the following requirements: (1) the property development projects are completed and sold out; (2) the property developer transfers the whole unfinished development project; or (3) the land use right is transferred directly. In addition, the competent tax departments may require the developer to settle the LAT if either of the following criteria are met: (1) for the completed property development projects, the transferred GFA represents more than 85% of the total saleable GFA, or the proportion represented is less than 85%, but the remaining saleable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permits; (3) the developer applies for cancellation of the tax registration without having settled the LAT; or (4) other conditions stipulated by the competent tax departments at provincial level. The tax bureaus at the provincial level shall, taking account of the local practical conditions, stipulate specific rules or measures on the management of the LAT settlement in accordance with the Circular.

According to the Notice on Forwarding the Notice Issued by the Ministry of Finance and the State Administration of Taxation on Several Issues of the Land Appreciation Tax promulgated by Chongqing Local Tax Bureau on 6 June 2006, real estate development projects in Chongqing are subject to collection of LAT at the rate of 1% in advance. Settlement of LAT shall be carried out in time after the completion of the project. Any overpayment will be refunded and any deficiency shall be repaid. For the completed projects, if the built up area of the transferred properties exceeds 85% of the total saleable built up area of the project, the LAT may be settled on the principle of proportioning the actual transfer price and the deductible items. The remaining 15% shall be settled timely after the completion of sale.

Deed Tax

Pursuant to the PRC Interim Regulations on Deed Tax promulgated by the State Council in July 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be the obliged taxpayer for deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and State Administration of Taxation for the record.

Pursuant to the Implementation Provisions on Collection of Deed Tax in Chongqing Municipal promulgated by the People's Government of Chongqing on 17 June 1998, the rate of deed tax within Chongqing is 3%.

Land Use Tax

Pursuant to the PRC Interim Regulations on Land Use Tax in respect of Urban Land promulgated by the State Council in September 1988, the land use tax in respect of urban land is levied according to the area of relevant land.

The annual tax per square meter of urban land is between RMB0.2 and RMB10 and is collected according to the tax rate determined by the local tax authority. According to the Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China promulgated by the Ministry of Finance on 2 November 1988, and the Approval on Land Use Tax Exemption of Foreign-Invested Enterprises issued by State Administration of Taxation on 27 March 1997, land use fees should be collected, instead of land use tax, in a foreign-invested enterprise. However, the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas were revised by the State Council on 31 December 2006. As of 1 January 2007, annual land use tax is collected from foreign-invested enterprises at a rate per square meter of between RMB0.6 and RMB30.0 for urban land.

Buildings Tax

Under the PRC Interim Regulations on Buildings Tax promulgated by the State Council in September 1986, buildings tax shall be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

Stamp Duty

Under the PRC Interim Regulations on Stamp Duty promulgated by the State Council in August 1988, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including real estate title certificates and land use right certificates, stamp duty shall be levied on an item basis at an annual rate of RMB5 per item.

Municipal Maintenance Tax

Under the PRC Interim Regulations on Municipal Maintenance Tax promulgated by the State Council in February 1985, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises, and the Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises issued by State Administration of Taxation on 25 February 1994 and on 14 September 2005 respectively, the municipal maintenance tax is not be applicable to foreign-invested enterprises with foreign investment until further explicit stipulations are issued by the State Council.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge promulgated by the State Council in April 1986 (last amended by the State Council in August 2005), any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas. Education surcharge shall be calculated and levied at a rate of 1% on the actual amount of product tax, value- added tax and business tax paid by the taxpayer.

Under the Supplementary Notice Concerning Imposition of Education Surcharge issued by the State Council on 12 October 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises and the Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises issued by State Administration of Taxation on 25 February 1994 and on 14 September 2005 respectively, the education surcharge is not applicable to enterprises with foreign investment until further explicit stipulations are issued by the State Council.

Corporate Income Tax

Pursuant to the Notice of the State Council on Income Tax Reduction of Foreign Enterprise Income Derived From the Territory of China promulgated in November 2000 (implemented in 1 January 2000), since 1 January 2000, for the foreign enterprise which has no institutions or premises within the territory of China, its interest, rent, royalty for the right of special permission and other incomes obtained from China, or although there are institutions or premises, but the above-mentioned several incomes have no actual connection with its institutions or premises, tax will be levied at the reduced corporate income tax at 10% of the tax rates.

According to the PRC Enterprise Income Tax Law enacted by the National People's Congress on 16 March 2007 and enforced from 1 January 2008 onwards (the "**EIT Law**"), a uniform income tax rate of 25% has been applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC, as well as PRC enterprises. The EIT Law adopts some transitional preferential measures for enterprises established before the promulgation of the EIT Law which enjoy low tax rates or tax reduction and exemption treatment for a fixed term under tax laws and administrative regulations in force at that time. According to these transitional measures, those which enjoy low tax rates will continue to enjoy the preferential treatment within five years from 1 January 2008 and will gradually transfer to the 25% tax rate; those which enjoy the fixed term tax exemption may continue to enjoy the treatment until the fixed term expires. However, for enterprises that have not made any profits and thus not enjoyed such fixed term exemptions, the period for enjoying preferential income tax treatment will be calculated from the year in which the EIT Law becomes effective.

According to the Notice on the Implementation of Preferential Transitional Enterprise Income Tax Policy promulgated by the State Council on 26 December 2007 which came into effect on 1 January 2008, the transitional income tax rate for enterprises which originally enjoyed the enterprise income tax rate of 15% is 18% in Y2008, 20% in Y2009, 22% in Y2010, 24% in Y2011 and 25% in Y2012; the income tax rate for enterprises which originally enjoyed the enterprise income tax rate of 24% has been fixed at 25% from Y2008.

According to the Applicable Foreign Enterprises Tax Law, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Applicable Foreign Enterprises Tax Law. Pursuant to a tax treaty between the PRC and the Republic of Singapore which became effective on 1 January 2008, a company incorporated in Singapore will be subject to a withholding tax at the rate of no more than 5% on dividends it receives from a company incorporated in the PRC if it holds 25% or more interests in the PRC company, or no more than 10% if it holds less than 25% interests in the PRC company.

Individual Income Tax

Pursuant to the State Administration of Taxation's Circular on Collecting Individual Income Taxes on the Incomes Generated from Individuals' Residential House Transfers, which was promulgated in July 2006, an individual must pay income tax at a rate of 20% in respect of the transfer of residential property in China.

(t) **Major Environmental Protection Requirements**

In accordance with the PRC Environmental Protection Law adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalized. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalized or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate the any losses or damages suffered as a result of such environmental pollution.

Under the Regulations on the Administration of Environmental Protection of Construction Project promulgated by the State Council on 29 November 1998 and the Procedures on the Administration of Environmental Protection of Construction Projects promulgated by the State Environmental Protection Administration of China on 1 June 1990, the development of each construction project is subject to the environment impact assessment, and the developer should submit to the competent administrative authorities the environmental impact statement which assess the pollution the construction project is likely to produce and its impact on the environment and stipulate the preventive and curative measures. And only after the competent authorities' examination and approval, can the developer start the construction project.

And under the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects promulgated by the State Environmental Protection Administration of China on 1 February 2002, each construction project completed is subject to the inspection of the competent environmental protection administrative authorities, and only after the construction project has passed the inspection and acquired the acceptance approval, can it be put into use.

(u) **Measures on Stabilizing Housing Price**

The General Office of the State Council promulgated the Circular on Stabilizing Real Estate Price on 26 March 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the real estate market. The "Opinions on Work of Stabilizing Housing jointly issued by the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the State Administration of Taxation and the China Banking Regulatory Commission on 30 April 2005 provides that:

(1) Where the housing price grows too fast, while the supply of ordinary commodity houses with medium or low price and economical houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses with medium or low price and economical houses. The construction of low-density, high-quality houses shall be strictly controlled. With respect to construction projects of medium-or-low-price ordinary commodity houses, before land supplying, the municipal planning authority shall, according to controlling detailed planning, set forth such conditions for planning and design as height, plot ratio and green space, while the real estate authority, together with other relevant authorities, shall set forth such controlling requirements as sale price, type and area. Such conditions and requirements will be set up as preconditions of land grant to ensure the supply of houses with medium or low price and houses with medium or small area. The local government must strengthen the supervision of planning permit for real estate development projects. Housing projects that have not been commenced within two years must be examined again, and those that turn out to be not in compliance with the planning permits will be revoked.

(2) Where the price of land for residential use and residential house grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical houses should be especially increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.

The General Office of the State Council promulgated the Circular on Adjusting Real Estate Supply Structure and Stabilizing Real Estate Price on 24 May 2006. The regulation stipulates that:

(1) Since 1 June 2006, for the newly approved or developed commodity residential houses, the ratio of the house with a built up area of no more than 90 sq m should reach at least 70% of the total construction area. If there are special situations existing that may require an adjustment, the affected municipality directly under the Central Government, city directly under State planning or provincial capital should apply to the Ministry of Construction for approving the adjustment on the above-mentioned ratio. For the projects whose developer has already obtained the approval without the Permit for Erection of Construction Projects, if the ratio of the house with a built up area of no more than 90 sq m has not reached the above-mentioned ratio, the developer should adjust the ratio to satisfy the new requirements.

(2) Since 1 June 2006, if the purchaser transfers the residential house within five years from the purchasing day, the business tax will be levied on the basis of the sales income on the residential house; if the person transfers the common residential house after five years (including five years) from the purchasing day, no business tax will be levied; and if the person transfers the uncommon residential house after five years (including five years) from the purchasing day, the business tax will be levied on the margin between the sales income on the residential house and the original purchase price.

(3) Since 1 June 2006, the initial payment for the personal housing mortgage loan shall not be less that 30% of the total purchase price of the house. However, if the person purchases the house with a built up area of no more than 90 sq m for his/her own residence, the initial payment could be no less than 20% of the total purchase price of the house.

On 30 May 2006, the Ministry of Land and Resources published the Urgent Notice of Tightening Land Administration. In this notice, the Ministry of Land and Resources stressed that the local governments must adhere to their annual overall land use planning and land supply plans and tighten the control of land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing and to strictly enforce the regulations applicable to the holding of idle land. In the notice, the Ministry of Land and Resources also requires the local governments to investigate any illegal use of land and submit a report on such investigations to it by the end of October 2006.

(v) **Foreign Exchange Controls**

The lawful currency of the PRC is the Renminbi, which is not freely convertible into foreign exchange at this time. SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of Renminbi. Pursuant to such systems, the PBOC sets and publishes the daily Renminbi-U.S. dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On 29 January 1996, the State Council promulgated the PRC Foreign Exchange Administration Regulations which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classify all international payments and- transfers into current account-items and capital account-items. Current account items are no longer subject to SAFE approval while capital account items still are. The PRC Foreign Exchange Administration Regulations were subsequently amended on 14 January 1997 and further amended on 1 August 2008. Such amendment affirms that the State shall not restrict international current account payments and transfers.

On 20 June 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (the "Settlement Regulations") which became effective on 1 July 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Foreign Exchange Settlement and Sale Banks by Foreign-invested Enterprises. The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialized accounts for capital account receipts and payments at designated foreign exchange banks.

On 25 October 1998, PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks. On 21 July 2005, the PBOC announced that, beginning from 21 July 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. The PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Under the PRC Foreign Exchange Administration Regulations, international payments and transfers were segregated into current account items and capital account items. All organizations and individuals within the PRC, including FIEs, were required to remit their foreign exchange earnings to the PRC. The foreign exchange earnings under the current account items of all PRC enterprises, other than those FIEs, who were allowed to retain a part of their regular foreign exchange earnings or specifically exempted under the relevant regulations, were to be sold to designated banks. Foreign exchange earnings under the capital account items obtained from borrowings from foreign institutions or issues of shares or bonds denominated in foreign currency need not be sold to designated banks, but must be kept in foreign exchange bank accounts of designated banks unless specifically approved otherwise. On 1 August 2008, the State Council further amended the PRC Foreign Exchange Administration Regulations ("**New Foreign Exchange Administration Regulations**") which became effective from 5 August 2008. According to the New Foreign Exchange Administration Regulations, foreign exchange earnings of domestic institutions and individuals could be repatriated into the PRC as well as deposited overseas. The conditions and time limitation for repatriation into the PRC or deposit overseas shall be specified by the State Council foreign exchange management departments in accordance with the international balance payments situations and the needs of foreign exchange managements. Furthermore, foreign exchange earnings under the current account items could be retained or to be sold to financial institutions which conduct business of settlement, sale and payment of foreign exchange.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardization of all cross-border flows of funds.

In addition, on 21 October 2005, SAFE promulgated the Circular of the State Administration of Foreign Exchange Concerning Relevant Issues on Foreign Exchange Administration of Financing and Repatriation of Investments by Domestic Residents through Foreign Special Purpose Vehicles (the "**Forex Circular**") and on 29 May 2007, SAFE promulgated the Notice on the Issuance of the Manipulation Rules of the Circular of the State Administration of Foreign Exchange Concerning Relevant Issues on Foreign Exchange Administration of Financing and Repatriation of Investments by Domestic Residents through Foreign Special Purpose Vehicles and Return Investment (the "**Manipulation Rules**"). Under the Circular and the Manipulation Rules, PRC citizens or residents must register with SAFE or its branch in connection with their establishment or control of a special purpose vehicle (the "**SPV**") established for the purpose of overseas equity financing involving a repatriation investment whereby the SPV acquires or controls onshore assets or equity interests held by the PRC citizens or residents. In addition, such PRC citizens or residents must update their SAFE registrations when the offshore SPV undergoes material events relating to increases or decreases in investment amount, transfers or exchanges of shares, mergers or divisions, long-term equity or debt investments, external guarantees, or other material events that do not involve repatriation investments.

On 1 September 2006, the Ministry of Construction and SAFE promulgated the Circular on the Issues Concerning the Regulation of Foreign Exchange Administration of the Real Estate Market. This circular states that: (i) where foreign exchange is remitted for a real estate purchase, the foreign purchaser shall be subject to examination by the designated foreign exchange bank. The remitted funds shall be directly remitted by the bank to the Renminbi account of the real estate development enterprise and no payment remitted from abroad by the purchasers shall be kept in the foreign exchange current account of the real estate development enterprises; (ii) where the real estate purchase fails to complete and the foreign purchaser intends to remit the purchase price in Renminbi back to foreign currencies, the foreign purchaser shall be subject to examination by the designated foreign exchange bank; (iii) when selling real estates in China and the purchase price received in Renminbi is remitted to foreign currencies, the foreign purchaser shall be subject to examination by the local branch of SAFE; (iv) if the registered capital of a FIREE is not fully paid up, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any foreign lenders and SAFE shall not approve the settlement of any foreign loans or carry out the foreign loan registration; and (v) where a foreign institution or individual merges a domestic real estate enterprise by means of an equity transfer or any other method, or acquires the equity interests in a sino-foreign joint venture held by the PRC shareholders, if it fails to pay the transfer price in a lump sum using its own funds, the foreign exchange bureau shall not handle the registration of foreign exchange income from equity transfer.

SHOWY INTERNATIONAL LIMITED

(Registration No. 199106356W)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Showy International Limited (the "**Company**") will be held at 18 Cross Street 8th Floor Marsh & McLennan Centre, Singapore 048423 on 26 September 2008 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolutions with or without any modification:

AS ORDINARY RESOLUTIONS

RESOLUTION 1: ACQUISITION OF THE ENTIRE SHARE CAPITAL OF FORTUNE COURT HOLDINGS LIMITED AS A VERY SUBSTANTIAL ACQUISITION AND AN INTERESTED PERSON TRANSACTION

THAT subject to and contingent upon Resolutions 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 13 being passed, approval be and is hereby given to the Company for the acquisition (the "**Acquisition**") of the entire share capital of Fortune Court Holdings Limited ("**Fortune Court**") from Newest Luck Holdings Limited, Leap Forward Holdings Limited, Mr Tan Fuh Gih and Mr Tan Hoo Lang (the "**Vendors**") on and subject to and contingent upon the terms and conditions of the Sale and Purchase Agreement dated 7 July 2008, entered into between the Company and the Vendors, as the same may be amended from time to time (the "**Sale and Purchase Agreement**").

RESOLUTION 2: ALLOTMENT AND ISSUANCE OF THE CONSIDERATION SHARES TO THE VENDORS AND/OR THEIR NOMINEE(S)

THAT subject to and contingent upon Resolutions 1, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 13 being passed, pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised to allot and issue 1,652,714,429 new shares in the capital of the Company (the "**Consideration Shares**") to the Vendors and/or their nominee(s) at an issue price of S$0.33 per share, credited as fully-paid, in consideration for the sale of the entire issued share capital of Fortune Court to the Company under the Sale and Purchase Agreement.

RESOLUTION 3: DISPOSAL OF THE EXISTING BUSINESS OF THE COMPANY AS A MAJOR TRANSACTION AND AN INTERESTED PERSON TRANSACTION

THAT, subject to and contingent upon Resolutions 1, 2, 4, 5, 6, 7, 8, 9, 10, 11 and 13 being passed and the Acquisition being completed, the disposal (the "**Disposal**") of the existing business of the Company to Showy Pte. Ltd. be and is hereby approved, and that approval be and is hereby given to the Directors to carry out and implement the Disposal in accordance with the business transfer agreement dated 7 July 2008 entered into between the Company and Showy Pte. Ltd., as the same may be amended from time to time (the "**Business Transfer Agreement**").

RESOLUTION 4: WHITEWASH RESOLUTION

THAT, subject to and contingent upon Resolutions 1, 2, 3, 5, 6, 7, 8, 9, 10 and 11 being passed and pursuant to the letter dated 17 July 2008 from the Securities Industry Council, the Shareholders of the Company who are independent of Newest Luck Holdings Limited ("**Newest Luck**") and its concert parties, on a poll taken, do hereby unconditionally and irrevocably waive their right to receive a mandatory general offer for all the shares held by them to be made by Newest Luck and its concert parties at the highest price paid or agreed to be paid by Newest Luck and its concert parties in the 6 months prior to Newest Luck and its concert parties incurring the mandatory general offer obligation under Rule 14 of the Singapore Code on Take-overs and Mergers, as a result of the acquisition by Newest Luck (and its concert parties) of more than 30% of the voting rights in the Company pursuant to the allotment and issuance of the Consideration Shares.

RESOLUTION 5: ALLOTMENT AND ISSUANCE OF THE NEW SHARES IN CONNECTION WITH THE COMPLIANCE OFFERING

THAT, subject to and contingent upon Resolutions 1, 2, 3, 4, 6, 7, 8, 9, 10 and 11 being passed and pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised to (a) allot and issue up to 272,728,000 new shares in the capital of the Company (the "**Shares**") (the "**Compliance Offering**") in such manner and on such terms and conditions that the Directors may determine, and to determine as they deem fit the terms and conditions under which such new Shares are to be offered, allotted and issued including, without limitation, (1) the number of Shares to be issued in connection with the Compliance Offering, and (2) the timing of and whether to undertake the Compliance Offering, and (b) to determine the price(s) per Share at which the Shares are to be offered for subscription and/or sale under the Compliance Offering, provided that the minimum price per Share to be offered for subscription and/or sale under the Compliance Offering shall not be less than S$0.20 per Share.

RESOLUTION 6: APPOINTMENT OF DIRECTOR

THAT, subject to and contingent upon Resolutions 1, 2, 3, 4, 5 and 13 being passed and the Acquisition being completed and subject further to his consent to act, Mr Fang Ming be appointed as Director of the Company with effect from completion of the Acquisition.

RESOLUTION 7: APPOINTMENT OF DIRECTOR

THAT, subject to and contingent upon Resolutions 1, 2, 3, 4, 5 and 13 being passed and the Acquisition being completed and subject further to his consent to act, Mr Xie Xin be appointed as Director of the Company with effect from completion of the Acquisition.

RESOLUTION 8: APPOINTMENT OF DIRECTOR

THAT, subject to and contingent upon Resolutions 1, 2, 3, 4, 5 and 13 being passed and the Acquisition being completed and subject further to her consent to act, Ms Xu Li be appointed as Director of the Company with effect from completion of the Acquisition.

RESOLUTION 9: APPOINTMENT OF DIRECTOR

THAT, subject to and contingent upon Resolutions 1, 2, 3, 4, 5 and 13 being passed and the Acquisition being completed and subject further to his consent to act, Mr Lee Chong Min be appointed as Director of the Company with effect from completion of the Acquisition.

RESOLUTION 10: APPOINTMENT OF DIRECTOR

THAT, subject to and contingent upon Resolutions 1, 2, 3, 4, 5 and 13 being passed and the Acquisition being completed and subject further to his consent to act, Mr He Zhao Ju @ Danny Ho be appointed as Director of the Company with effect from completion of the Acquisition.

RESOLUTION 11: APPOINTMENT OF DIRECTOR

THAT, subject to and contingent upon Resolutions 1, 2, 3, 4, 5 and 13 being passed and the Acquisition being completed and subject further to his consent to act, Mr Xiao Zu Xiu as Director of the Company with effect from completion of the Acquisition.

RESOLUTION 12: NEW SHARE MANDATE TO ALLOT AND ISSUE SHARES AND CONVERTIBLE SECURITIES

THAT, subject to and contingent upon Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 being passed and pursuant to Section 161 of the Companies Act and the listing rules of the Listing Manual, the resolution passed by Shareholders as Ordinary Resolution 7 at the Annual General Meeting of the Company held on 23 April 2008 be and is hereby revoked AND THAT the Directors be and are hereby authorised to allot and issue new Shares in the Company or any securities convertible into Shares in the Company (whether by way of bonus issue, rights issue or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

(a) the aggregate number of Shares and securities convertible into Shares that may be issued must not be more than 50% of the issued share capital of the Company, of which the aggregate number of Shares and securities convertible into Shares issued other than on a pro rata basis to existing Shareholders must be not more than 20% of the issued share capital of the Company. For the purpose of determining the aggregate number of Shares and securities convertible into Shares that may be issued under this Resolution, the percentage of issued share capital shall be based on the existing share capital of the Company at the time this Resolution is passed, after adjusting for:

(i) the Consideration Shares to be issued pursuant to the passing of Resolution 2 above;

(ii) the new Shares to be issued pursuant to the passing of Resolution 5 above;

(iii) new Shares arising from the conversion or exercise of any convertible securities or employee share options on issue when this Resolution is passed; and

(iv) any subsequent consolidation or subdivision of shares; and

(b) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

SPECIAL RESOLUTION

RESOLUTION 13: APPROVAL OF THE PROPOSED CHANGE OF NAME

THAT, subject to and contingent upon Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 being passed and the Acquisition being completed, the Change of Name be and is hereby approved with effect from the completion of the Acquisition and that the name “Showy International Limited” to be replaced by “Ying Li International Real Estate Limited” wherever the earlier name appears in the Memorandum and Articles of Association of the Company and that the directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider necessary or expedient to give effect to this resolution.

Capitalised terms used in this Notice shall bear the meanings ascribed to them in the Circular to Shareholders dated 4 September 2008 unless otherwise defined herein or where the context otherwise requires.

BY ORDER OF THE BOARD

Yap Peck Khim
Company Secretary
4 September 2008

Notes:

(1) A shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy or proxies (not more than two) to attend and vote on his stead. A shareholder of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a shareholder of the Company.

(2) The Proxy Form must be deposited at the registered office of the Company at No. 35 Sungei Kadut Street 4, Singapore 729057 at not less than 48 hours before the time fixed for holding the EGM in order to be entitled to attend and to vote at the EGM.

(3) A Depositor’s name must appear on the Depository Register maintained by CDP as at 48 hours before the time fixed for holding the EGM in order to be entitled to attend and vote at the EGM.

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PROXY FORM

SHOWY INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No: 199106356W)

EXTRAORDINARY GENERAL MEETING – PROXY FORM

IMPORTANT:
1. For investors who have used their CPF monies to buy SHOWY INTERNATIONAL LIMITED shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

*I/We, ______________________________

Of ______________________________

Being a *member/members of Showy International Limited hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholding (%)
and/or*			

failing which, the Chairman of the Meeting, as my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held at 18 Cross Street 8th Floor Marsh & McLennan Centre, Singapore 048423 on 26 September 2008 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the space provided whether you wish the vote(s) to be cast for or against the Resolutions as set out in the Notice of Extraordinary General Meeting. In the absence of specific direction, the *proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Extraordinary General Meeting.)

Capitalised terms used in this Proxy Form shall bear the meanings ascribed to them in the Circular to Shareholders dated 4 September 2008 unless otherwise defined herein or where the context otherwise requires. Please refer to the Notice of EGM for a detailed description of the Resolutions.

ORDINARY RESOLUTIONS	For	Against
Resolution 1 To approve the Acquisition of the entire share capital of Fortune Court Holdings Limited as a Very Substantial Acquisition and an Interested Person Transaction		
Resolution 2 To approve the allotment and issuance of Consideration Shares to Fortune Court Holdings Limited and/or such other persons that each of the Vendors may direct in writing		
Resolution 3 To approve the disposal of the existing business of the Company as a Major Transaction and an Interested Person Transaction		
Resolution 4 To approve the Whitewash Resolution		
Resolution 5 To approve the allotment and issuance of the new Shares in connection with the Compliance Offering on such terms and conditions as the Directors may determine		
Resolution 6 To approve the appointment of Mr Fang Ming as Director upon completion of the Acquisition		
Resolution 7 To approve the appointment of Mr Xie Xin as Director upon completion of the Acquisition		
Resolution 8 To approve the appointment of Ms Xu Li as Director upon completion of the Acquisition		
Resolution 9 To approve the appointment of Mr Lee Chong Min as Director upon completion of the Acquisition		
Resolution 10 To approve the appointment of Mr He Zhao Ju @ Danny Ho as Director upon completion of the Acquisition		
Resolution 11 To approve the appointment of Mr Xiao Zu Xiu as Director upon completion of the Acquisition		
Resolution 12 To approve the New Share Mandate to allot and issue Shares and convertible securities		
SPECIAL RESOLUTION		
Resolution 13 To approve the proposed change of name		

Dated this __________ day of ________________ 2008

Total Number of Shares Held

____
Signature(s) of Member(s) or Common Seal

***delete accordingly**

PROXY FORM

IMPORTANT
PLEASE READ THE NOTES BELOW:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

2. The instrument appointing a proxy (or representative) must be lodged at the Company's registered office at No. 35 Sungei Kadut Street 4, Singapore 729057 not less than 48 hours before the time appointed for holding the above meeting.

3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy is an alternate to the first named.

4. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its duly authorised officer or attorney.

5. Where an instrument appointing a proxy is signed on behalf of the appointer by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

6. A corporation which is a member of the Company may authorise, by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the above meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

7. The Company shall be entitled to reject the instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointer, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the above meeting, as certified by the Central Depository (Pte) Limited to the Company.

8. Please insert the total number of Shares held by you. If you have Shares entered against your name on the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the register of members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the register of members of the Company, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointer, is not shown to have share entered against his name is the Depository Register as at 48 hours before the time appointed for holding the EGM, as certified by the CDP to the Company.