

EMPHASIS OF MATTER BY EXTERNAL AUDITORS ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

Pursuant to Rule 704 (5) of the Listing Manual, the Board of Directors of the Company wishes to announce that, in respect of the Group's financial statements for the financial year ended 31 December 2007 ("FY2007"), the external auditors, Deloitte & Touche, has, **without qualifying their opinion**, made an emphasis of matter in connection with the following:-

- 1) As at 31 December 2007, the Group has an interest bearing bank loan amounting to RMB852,886,000, which is repayable in November 2010. As at 31 December 2007, the Group has breached certain financial covenants of the loan facility.
- 2) As at 31 December 2007, the liability component of the Group's interest bearing convertible bond amounted to RMB210,499,000. The convertible bond, if not converted, shall be redeemed by the Company at the principal amount on 6 December 2011. As at 31 December 2007, the Company and the Group have breached a financial covenant of the convertible bond agreement.

Accordingly, the loan and the liability component of the convertible bond have been reclassified as repayable on demand as at 31 December 2007.

The breach of the above mentioned financial covenants relates to ratios governing interest cover and leverage and arose mainly due to the Group's decision to defer the sale/completion of the following projects:-

- 1) Shining Holiday Shopping Centre II – Block B

The sale of Shining Holiday Shopping Centre II – Block B was deferred as the Group deliberates on the invitation by a major domestic retailer, a market leader in China's retail business and listed in China's A-share market, to collaborate on the operations of the Shining Holding Shopping Centre II - Block B; and

- 2) Luoyang and Shangqiu Projects

The physical completion of these two projects was deferred due to the following considerations:-

- a) As part of the Group's exercise in realigning the development schedules of all its properties under development, with a view to reduce the number of construction phases as well as to take advantage of the possible increase in selling prices for the residential and commercial units in the intermediate term (when the vicinity areas surrounding the two projects progress to a more developed stage) for an increased overall revenue to be recognized subsequently from these projects at a faster rate; and
- b) Compliance with new environmental regulations introduced only recently by the Shangqiu's local government.

The decisions stated above were mentioned in the Company's announcement dated 28 December 2007.

The Group is presently in discussion with the bankers and convertible bondholder to obtain waiver in respect of the compliance of the financial covenants. It has also put a team in place to ensure compliance with the financial covenants of the loan facility and convertible bond agreements.