

### History and Development

Our predecessor, Guangzhou Tianli Properties Development Company, or Tianli Properties, was established on August 31, 1994. At the time of its establishment, Tianli Properties had a registered capital of RMB10,000,000, which was held by Guangzhou R&F Enterprise Development Company, or R&F Enterprise. R&F Enterprise was incorporated as a collectively-owned enterprise entrusted by Guangzhou Tianhe Gao Xin Ji Shu Kai Fa Qu Tianli Construction Company, or Tianhe Tianli Construction, on June 8, 1994. According to the “entrusted arrangement” (掛靠) entered into between Tianhe Tianli Construction and General Construction Company of Tianhe Technology Park of Guangzhou High-Technology Development Zone, or GCC, Tianhe Tianli Construction was registered as a collectively-owned enterprise entrusted by GCC. GCC did not manage, hold any shares in or assume any obligations of Tianhe Tianli Construction. The registered capital of Tianhe Tianli Construction was raised and contributed by Tianhe Tianli Construction itself.

In 1996, we commenced the development of R&F Square (East Court and West Court), a large-scale property development in Guangzhou. The success of this property development, followed by R&F Square North Court, significantly increased our brand recognition and we were soon recognized as a strong player in the property development sector in Guangzhou.

In 2000, our Group invested approximately RMB160,000,000 in Guangzhou Securities, representing approximately 19.58% of the enlarged equity interest in and the registered capital of RMB817 million of Guangzhou Securities. Such investment has been approved by the CSRC. Although our Group nominates two directors to the board of directors of Guangzhou Securities, we do not otherwise participate in the management of that company. As the securities business is not directly related to the core business of our Group, we plan to dispose of our investment in Guangzhou Securities for a reasonable consideration to a qualified investor in the future. However, any transfer of interest in Guangzhou Securities must be approved by the CSRC and Guangzhou Securities would be responsible for obtaining such approval. The prospective purchaser must also satisfy the relevant requirements prescribed by the CSRC and other regulatory authorities. Pursuant to the Administrative Measures on Securities Companies and the Certain Opinions on Strengthening the Administration of Securities Companies, a prospective purchaser, among other things, (1) should not be a financial institution (it can, however, be a securities company or a trust investment company); (2) must not have been penalised for serious illegal business in the three years before application; (3) if a corporation, should not have an accumulated loss which exceeds 50% of its registered capital; (4) should be able to repay its debts; (5) should not have a total contingent liability which exceeds 50% of its net assets; and (6) should not have litigation pending against it in a total amount which exceeds 50% of its net assets.

As of the Latest Practicable Date, no qualified investor for Guangzhou Securities has been identified by us. The Controlling Shareholders have undertaken, among others, to procure us to use our reasonable endeavors to dispose of our interest in Guangzhou Securities to a third party at a fair and reasonable value within three years of the Listing.

On August 11, 2000, GCC and the Administration Commission of Tianhe Technology Park of Guangzhou High-Technology Development District, the Guangzhou Tianhe National Asset Management Committee Office and the Guangzhou Tianhe Economic and Trade Committee, as the supervising departments of GCC, jointly issued an “Approval in relation to the change of legal status and the distribution

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of assets of Guangzhou Tianhe High-Tech Development Zone Tianli Construction.” This approval confirmed that Tianhe Tianli Construction was disengaged from GCC and that the registered capital of Tianhe Tianli Construction of RMB2 million was self-contributed and the assets were owned by the original investors, Li Sze Lim and Zhang Li. The entrusted arrangement between Tianhe Tianli Construction and GCC was dissolved as from August 18, 2000. After dissolved the entrusted arrangement with GCC, Tianhe Tianli Construction became solely responsible for all of its rights and obligations and GCC became an independent party to Tianhe Tianli Construction. In addition, the Guangzhou Tianhe Management Committee issued an “Approval in relation to the clarification on the ownership of Tianhe Tianli Construction” (Sui Guo Zi Han [2003] No. 33) on December 12, 2003 clarifying that the registered capital of Tianhe Tianli Construction was invested by its original investors, Li Sze Lim and Zhang Li, and that all the assets of Tianhe Tianli Construction were owned by them after Tianhe Tianli Construction was disengaged from GCC.

According to the “Notice on Verifying the Asset and Capital of all the Enterprises with Entrusted Entity” issued by the General Office of State Council on 9 July 1996 (Guo Fa Ban [1996] No.29), “the Notice on Verifying the Asset and Capital of all the Enterprises with Entrusted Entity” issued by the Ministry of Finance, State Tax Bureau and State Economic and Trade Commission on January 8, 1998, the “Opinions on Clarifying the Enterprises with Entrusted Entity” issued by the Ministry of Finance (Cai Qing Zi [1998] No.9), the “Notice on Verifying the Asset and Capital on Daily Basis by Ministry of Finance” issued by the Ministry of Finance (Cai Qing Zi [1998] No.114) and the “Interim Measures on Asset and Capital Verification of the Enterprises with Entrusted Entity in Guangdong Province” issued by the Office of Guangdong Leader Group for Asset and Capital Verification, Tianhe Tianli Construction complied with all the legal requirements and to dissolve the entrusted arrangement with GCC.

Tianli Construction is our Group’s largest contractor. Tianli Construction was once 100% owned by Li Sze Lim and Zhang Li and/or their family members. Because Li Sze Lim and Zhang Li recognized the opportunities and strong growth prospects in the PRC property market and believed that our Group should focus our resources on the core business of property development, on September 7, 2001 they sold their interests in Tianli Construction to the then senior management of Tianli Construction. The sale price of RMB15,000,000 was determined between the parties after arm’s length negotiation with reference to, among other things, the registered capital of Tianli Construction, the then conditions of the business operations of Tianli Construction and the risks associated with its construction projects that were then under development. As at the date of sale, Tianli Construction had a registered capital of RMB15,000,000. The sale price was at a discount to the then shareholders’ equity value of Tianli Construction due to following factors that prevailed at the time of sale: (1) competition within the PRC construction industry was intense and the profit margin for construction companies was relatively low; (2) the risks associated with the construction business were high (a) because, according to industry practice, construction companies are required to provide funds for construction projects at their commencement stage (e.g. to fund pre-construction costs and the cost of construction materials), and such funds would only be repaid in stages by property developers in accordance with the progress of the construction projects, and (b) construction companies are subject to claims from developers for unsatisfactory quality of the work, delay in the progress of the construction and any accidents that occurred during the construction; and (3) as Tianli Construction had a number of construction projects that were still under development, the profitability and prospects of Tianli Construction were therefore uncertain.

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On July 31, 2000, Tianhe Tianli Construction entered into an equity transfer agreement with Li Sze Lim and Zhang Li, pursuant to which Tianhe Tianli Construction transferred its RMB5 million investment in the registered capital of R&F Enterprise to Li Sze Lim and Zhang Li equally. On August 15, 2000, Tianhe Tianli Construction issued an “Approval in relation to the clarification on the ownership of R&F Enterprise” to confirm that the registered capital of R&F Enterprise of RMB5 million was equally contributed by Li Sze Lim and Zhang Li, that Tianhe Tianli Construction neither held any shares in, or assumed any obligations of R&F Enterprise and R&F Enterprise would thereafter be solely responsible for all its rights and obligations. The transfer was completed on August 18, 2000 and R&F Enterprise was transformed into a limited company owned by Li Sze Lim and Zhang Li. Therefore, the entrusted arrangement between Tianhe Tianli Construction and R&F Enterprise was dissolved.

On July 31, 2000, R&F Enterprise entered into an equity transfer agreement with Li Sze Lim and Zhang Li, pursuant to which R&F Enterprise transferred its RMB10 million investment in the registered capital of Tianli Properties to Li Sze Lim and Zhang Li equally. On August 15, 2000, R&F Enterprise issued an “Approval in relation to the clarification on the ownership of Tianli Properties” to confirm that the registered capital of RMB10 million of Tianli Properties was equally contributed by Li Sze Lim and Zhang Li, that R&F Enterprise neither held any shares in, or assumed any obligations of Tianli Properties, and that Tianli Properties would thereafter be solely responsible for all its rights and obligations. The transfer was completed on August 18, 2000 and Tianli Properties was transformed into a limited company owned by Li Sze Lim and Zhang Li. Therefore, the entrusted arrangement between R&F Enterprise and Tianli Properties was dissolved.

Pursuant to the approval issued by Tianhe Tianli Construction in relation to the change of the legal status and the distribution of assets of R&F Enterprise and the equity transfer agreement entered into between Tianhe Tianli Construction, Li Sze Lim and Zhang Li, the equity interest of R&F Enterprise was owned by Li Sze Lim and Zhang Li as from August 18, 2000. Pursuant to the approval issued by R&F Enterprise in relation to the change of the legal status and the distribution of assets of Tianli Properties and the equity transfer agreement entered into between R&F Enterprise, Li Sze Lim and Zhang Li, the equity interest of Tianli Properties was owned by Li Sze Lim and Zhang Li as from August 18, 2000. Tianhe Tianli Construction, R&F Enterprise and Tianli Properties have legally completed the registration of the transfers and the dissolution of the entrusted arrangement was in compliance with all relevant PRC laws and regulations.

Pursuant to a share transfer agreement dated June 27, 2001, Zhang Li transferred part of his equity holding in Tianli Properties, representing 1.5614% of its registered capital, to Lu Jing at a consideration of RMB8 million, and Li Sze Lim transferred part of his equity holding in Tianli Properties to Lu Jing, Zhou Yaonan and Zhu Ling, representing 0.3904%, 0.5855% and 0.5855%, respectively, of the registered capital of Tianli Properties at a consideration of RMB2 million, RMB3 million and RMB3 million, respectively. Lu Jing, Zhou Yaonan and Zhu Ling were the management of Tianli Properties at the relevant time. After the transfer, the registered capital of Tianli Properties was held as to 48.4386%, 48.4386%, 1.9518%, 0.5855% and 0.5855% by Li Sze Lim, Zhang Li, Lu Jing, Zhou Yaonan and Zhu Ling, respectively. With effect from July 31, 2001, the registered capital of Tianli Properties was increased to RMB509,856,000 by the capitalization of a surplus fund reserve of RMB72,853,400 and undistributed profits of RMB427,002,600 as of May 31, 2001.

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On August 2, 2001, a shareholders meeting of Tianli Properties was held at which, among others, the shareholders approved that (a) Tianli Properties be converted into a joint stock limited liability company; (b) the net asset value of Tianli Properties be applied as the registered capital of the joint stock limited liability company; (c) the rights and obligations of Tianli Properties be succeeded to by the joint stock limited company; and (d) the articles of association of Tianli Properties be amended accordingly.

On October 17, 2001, the Guangzhou municipal government approved the conversion of Tianli Properties into our current corporate form.

We made a strategic decision to expand our operations to Beijing in 2002. In March 2002, we were granted the land for the Beijing R&F City project, our largest project. For the year ended December 31, 2004, our revenue generated from the sale of our properties in Beijing R&F City amounted to RMB2.35 billion. The success of our Beijing R&F City helped introduce our brand to the northern China market and opened up more opportunities for us in the northern China region. As of the date of this prospectus, we were undertaking an additional three projects in Beijing. In November 2003 and 2004, respectively, we also started to develop properties in Shenyang and Tianjin. In Guangzhou, we are developing larger-scale residential property developments, such as R&F Peach Garden, as well as more diversified properties, such as the Ritz-Carlton and Grand Hyatt hotel projects in Pearl River New Town.

Shenzhen Dingli is an investment holding company and is responsible for exploring and evaluating the prospects of investment opportunities offered to our Group from time to time. The scope of business of Shenzhen Dingli includes making investments in technological and other enterprises, the provision of management services to these enterprises and other business permitted under PRC law. Shenzhen Dingli recognized the opportunities and potential growth prospects of the medical products industry in the PRC and, on December 27, 2004, jointly established Guizhou R&F Medical & Medicine Co., Ltd. with Guiyang Medical School Pharmaceutical Co., Ltd. Shenzhen Dingli invested RMB3,984,000 for an 80% shareholding interest in Guizhou R&F Medical & Medicine Co., Ltd.. The main business of Guizhou R&F Medical & Medicine Co., Ltd. is technical research and the development of medicine, health products, food, cosmetics, medical equipment and hygiene products. Shenzhen Dingli made this investment after taking into account the promising prospects of the business of Guizhou R&F Medical & Medicine Co., Ltd. and the relatively low investment amount, which is in line with the business scope of Shenzhen Dingli. However, as the medical business is not directly related to the core business of our Group, transferred our investment to Tianli Construction. The transfer price was based on our Group's capital contribution of RMB3,984,000. The share transfer completed on the March 1, 2005.

Our shareholding structure immediately prior to the Global Offering is as follows:

<u>Shareholder</u>	<u>Percentage of shareholding in our registered capital</u>
Li Sze Lim . . . . .	48.4386%
Zhang Li . . . . .	48.4386%
Lu Jing . . . . .	1.9518%
Zhou Yaonan . . . . .	0.5855%
Zhu Ling . . . . .	0.5855%

### Corporate Structure and Reorganization

The Reorganization effected in preparation for the listing involved the following:

- (a) On August 2, 2001, the Promoters executed an agreement to approve the conversion of our company into a joint stock limited company. The Promoters convened an inaugural meeting on October 23, 2001 at which, among other things, the establishment of our company was approved and our Articles of Association were adopted. On November 16, 2001, a new business license was granted by the Guangzhou Administrative Bureau for Industry and Commerce to our company and we were formally converted into a joint stock limited company. The People's Government of Guangzhou Municipality and the Guangzhou Economic Commission granted an approval for the conversion of our company into a joint stock limited company on September 30, 2001 and October 17, 2001, respectively. The People's Government of Guangdong Province confirmed the approval issued by the People's Government of Guangzhou Municipality on our conversion on December 25, 2002.
- (b) On June 25, 2003, we and R&F Properties Group acquired from Guangzhou Real Estate Development Group Co. Ltd. a 90% and 10% interests, respectively, in Guangzhou Residential Architecture respectively for a total cash consideration of RMB3,800,000.
- (c) On July 21, 2003, we acquired a 50% shareholding interest in Jinding Property for a cash consideration of RMB4,000,000. Jinding Property holds the land on which the R&F Modern Plaza project is situated. The project is expected to comprise both residential and commercial properties. Pursuant to a joint investment agreement, dated January 28, 2003, between Sino Group and us, Sino Group agreed to invest in the commercial properties in the R&F Modern Plaza project and we agreed to invest in the residential properties of the project. The parties agreed to take exclusive responsibility for the investment planning, research, design, development, sales and property management of their respective portions of the development. Under these arrangements, our capital contribution to and other investments in Jinding Property will be used solely for the development of the residential portion of the R&F Modern Plaza project and we will not share in the results of other developments or operations that Jinding Property has or may have in the future. On July 16, 2004, Guangzhou Xinyiduo Investment Management Co. Ltd. acquired a 30% interest in Jinding Property from Sino Group and will jointly develop the commercial portion of the R&F Modern Plaza project with Sino Group. Our interest and responsibilities in Jinding Property and the R&F Modern Plaza project remain unchanged after this transfer. For more information about our development of the residential portion of the R&F Modern Plaza project, please refer to the section entitled "Business — Details of our Property Developments — Properties under development — R&F Modern Plaza."
- (d) On August 4, 2003, Shenzhen Dingli was established in the PRC and is held by our company as to 90% and R&F Properties Group as to 10%.
- (e) On August 8, 2003, Beijing Tianyue Aluminum Frame Manufacturing Co., Ltd. was established in the PRC and is held by Beijing R&F Properties and R&F (Beijing) Properties in equal shares.

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- (f) On September 26, 2003, R&F (Beijing) Properties acquired a 65% shareholding interest in Shenyang Yilong from Liaoning Logistics Co., Ltd. for a cash consideration of RMB13,000,000.
- (g) Hengfu Guarantee was established in the PRC on October 24, 2003 and is held by Shenzhen Dingli as to 83.33% and R&F Properties Group as to 16.67%.
- (h) On November 10, 2003, R&F Meihao was established in the PRC and was held by our company as to 80% and Guangzhou Meihao Real Estate Development Co. Ltd. as to 20%. On March 30, 2004, the 20% shareholding interest in R&F Meihao was transferred from Guangzhou Meihao Real Estate Development Co. Ltd. to Shenzhen Dingli for a cash consideration of RMB602,000. Hence, R&F Meihao is held as to 80% by us and as to 20% by Shenzhen Dingli, our wholly-owned subsidiary.
- (i) Shenzhen Dingli and Guangzhou Residential Architecture acquired 90% and 10% shareholding interests, respectively, in Tianfu Construction Supervision on December 15, 2003 from Wang Heng and Chen Liangnan for a cash consideration of RMB1,800,000 and RMB200,000, respectively.
- (j) Effective January 1, 2004, we acquired a 50% shareholding interest in R&F Properties Group from Li Sze Lim at a consideration of RMB322,724,500 and a 40% shareholding interest in R&F Properties Group from Zhang Li at a consideration of RMB258,179,600. Effective January 1, 2004, Shenzhen Dingli acquired a 10% shareholding interest in R&F Properties Group from Zhang Li at a consideration of RMB64,544,900. Effective January 1, 2004, we acquired 75% and 10% shareholding interests in Tianfu Property from Century Land Properties Limited and Guangzhou Baiyun Town Properties Co., Limited, respectively, for a total consideration of RMB227,801,000.
- (k) R&F Hengsheng Properties was established in the PRC on January 9, 2004, and was held by our company and Smart Keen International Limited in equal shares. On July 2, 2004, we acquired a 25% shareholding interest in R&F Hengsheng Properties from Smart Keen International Limited for nil consideration. Hence, R&F Hengsheng Properties is currently held as to 75% by us and as to 25% by Smart Keen International Limited.
- (l) On January 9, 2004, R&F Xingsheng Properties was established in the PRC, and was held by our company and East Global Industries Limited in equal shares. On July 2, 2004, we acquired a 25% shareholding interest in R&F Xingsheng Properties from East Global Industries Limited for nil consideration. Hence, R&F Xingsheng Properties is currently held as to 75% by us and as to 25% by East Global Industries Limited.
- (m) R&F Dingsheng Properties was established in the PRC on January 9, 2004, and was held by our company and Link City Limited in equal shares. On July 2, 2004, we acquired a 25% shareholding interest in R&F Dingsheng Properties from Link City Limited for nil consideration. Hence, R&F Dingsheng Properties is currently held as to 75% by us and as to 25% by Link City Limited.

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- (n) We and Shenzhen Dingli acquired from Tianli Construction 40% and 10% shareholding interests, respectively, in Tianli Property Management on August 6, 2004 for cash consideration of RMB2,000,000 and RMB500,000, respectively.
- (o) Beijing R&F Recreational Club was established in the PRC on October 15, 2004, and is held by R&F (Beijing) Properties and Beijing R&F Properties in equal shares. Beijing R&F Club is expected to operate our clubhouse in Beijing R&F City and aims to provide quality management services to the residents. Our Beijing R&F clubhouse is equipped with sports and recreational facilities including a gymnasium, tennis court squash court, bowling court and dancing hall. Beijing R&F Club will also provide catering services pending governmental approval.
- (p) On November 29, 2004, Tianjin R&F Properties was established in the PRC and is held by us as to 30%, R&F (Beijing) Properties as to 30% and Beijing Xinsong Investment Group Co., Ltd., as to 40%.
- (q) On December 16, 2004, we acquired a 52% shareholding interest in Huaen Real Estate from Beijing Enmeng Economic and Technology Development Co., Ltd. and Beijing Chengxiangsheng Real Estate Consulting Co., Ltd. for a total cash consideration of RMB15,600,000.
- (r) On January 20, 2005, R&F (Beijing) Properties, our company and Beijing Xinsong Investment Group Co., Ltd. entered into a share transfer agreement pursuant to which each of R&F (Beijing Properties) and our company acquired from Beijing Xinsong Investment Group Co., Ltd. a 20% interest in Tianjin R&F Properties for a total consideration of RMB4,000,000.
- (s) R&F Guiyang Medical School Medicine Co., Ltd. was established on December 27, 2004 by our subsidiary Shenzhen Dingli and Guiyang Medical School Medicine Co., Ltd. (貴陽醫學院制藥有限公司), each holding an 80% and 20% interest, respectively, in the company. We subsequently transferred our interest in this company effective December 28, 2004 to a third party for a consideration equal to its registered capital of RMB3,984,000.
- (t) On March 30, 2005, R&F(Beijing) Properties and Shenzhen Dingli, our wholly-owned subsidiaries, acquired the entire shareholding interest in Shenzhen Ben Wang for a total cash consideration of RMB6,000,000.
- (u) On May 8, 2005, the CSRC issued an approval document authorizing our company to issue overseas listed foreign-invested shares pursuant to the Global Offering.



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- (1) *We and Smart Keen International Ltd., a company incorporated in the British Virgin Islands which is held by Li Sze Lim and Zhang Li in equal shares, hold a 75% interest and a 25% interest in R&F Hengsheng Properties respectively. We have entered into an arrangement with Li Sze Lim and Zhang Li relating to the economic benefits that would be derived from the interest held in R&F Hengsheng Properties. Pursuant to such arrangement, we would be able to enjoy the benefits as if we held a 100% interest in R&F Hengsheng Properties. Please refer to the paragraph headed “Non-inclusion of certain companies in the Group” in the “Business” section for details of such arrangement.*
- (2) *We and East Global Industries Ltd., a company incorporated in the British Virgin Islands which is held by Li Sze Lim and Zhang Li in equal shares, hold a 75% interest and a 25% interest in R&F Xingsheng Properties respectively. We have entered into an agreement with Li Sze Lim and Zhang Li relating to the economic benefits that would be derived from the interest held in R&F Xingsheng Properties. Pursuant to such arrangement, we would be able to enjoy the benefits as if we held a 100% interest in R&F Xingsheng Properties. Please refer to the paragraph headed “Non-inclusion of certain companies in the Group” in the “Business” section for details of such arrangement.*
- (3) *We and Link City Ltd., a company incorporated in the British Virgin Islands which is held by Li Sze Lim and Zhang Li in equal shares, hold a 75% interest and a 25% interest in R&F Dingsheng Properties respectively. We have entered into an arrangement with Li Sze Lim and Zhang Li relating to the economic benefits that would be derived from the interest held in R&F Dingsheng Properties. Pursuant to such arrangement, we would be able to enjoy the benefits as if we held a 100% interest in R&F Dingsheng Properties. Please refer to the paragraph headed “Non-inclusion of certain companies in the Group” in the “Business” section for details of such arrangement.*
- (4) *The remaining 15% is held by Century Land Properties Limited, a company incorporated in the British Virgin Islands which is held by Li Sze Lim and Zhang Li in equal shares.*
- (5) *The remaining 50% is held by Guangzhou Sino Group Co. Ltd. as to 20% and Guangzhou Xinyiduo Investment Management Co. Ltd. as to 30%. Each of Guangzhou Sino Group Co. Ltd. and Guangzhou Xinyiduo Investment Management Co. Ltd. is an independent third party.*
- (6) *The remaining interests are held by independent third parties. We intend to dispose of our entire interest in Guangzhou Securities within 3 years after the listing of our H Shares on the Stock Exchange.*
- (7) *The remaining 35% is held by Huizhou City Lisheng Information Technology Company Limited as to 25% and Liaoning Sanxiang Trading Co., Ltd. as to 10%. Each of Huizhou City Lisheng Information Technology Company Limited and Liaoning Sanxiang Trading Co., Ltd. is an independent third party.*
- (8) *The remaining 48% is held by Beijing Linchuan Investment Consulting Co., Ltd. as to 28%, Beijing Enmeng Economic and Technology Development Co., Ltd. as to 10% and Beijing Chengxiangsheng Real Estate Consulting Co., Ltd. as to 10%. Each of Beijing Linchuan Investment Consulting Co., Ltd., Beijing Enmeng Economic and Technology Development Co., Ltd. and Beijing Chengxiangsheng Real Estate Consulting Co., Ltd. is an independent third party.*
- (9) *Beijing Diyuanda Properties is held as to 50% by Shenzhen Ben Wang, as to 3% by Beijing Shun Yi Da Long Cheng Xiang Construction Development Company (北京順義大龍城鄉建設開發總公司) and as to 27% by Project Charter Enterprises. Beijing Shun Yi Da Long Di Xiang Construction Development Company (北京順義大龍城鄉建設開發總公司) is an independent third party. Project Charter Enterprises is a company incorporated in Hong Kong which is ultimately owned by Li Sze Lim and Zhang Li in equal shares. We have entered into an arrangement with Li Sze Lim and Zhang Li relating to the economic benefits that would be derived from the interest held in Beijing Diyuanda Properties. Pursuant to such arrangement, we would be able to enjoy the benefits as if we held a 97% interest in Beijing Diyuanda Properties. Please refer to the paragraph headed “Non-inclusion of certain companies in the Group” in the “Business” section for details of such arrangement.*