

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



方興地產

FRANSHION PROPERTIES (CHINA) LIMITED

方興地產（中國）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00817)

**ENTERING INTO A COOPERATION AGREEMENT IN RELATION
TO LANHAI XINGANG CITY PROJECT WITH QINGDAO URBAN
CONSTRUCTION INVESTMENT (GROUP) CO., LTD.**

The Board is pleased to announce that the Company entered into a Framework Cooperation Agreement on 11 May 2010 with Qingdao Urban Investment Group. Pursuant to the Cooperation Agreement, the Company and Qingdao Urban Investment Group intended to jointly develop Lanhai Xingang City Project, which is an integrated residential, commercial, service and recreational property development project located in Qingdao City, with a total gross floor area of approximately 800,000 sq.m. The specific terms of joint operation under the Cooperation Agreement are to be further negotiated by the parties thereto, which will be regulated by the applicable relevant laws and regulations of the place where the joint venture company is to be incorporated. If the terms of cooperation in relation to the Project are finalized, the Company would have 50% equity interests in the joint venture company of the Project.

The Board considered that the entering into of the Cooperation Agreement and in the event that the terms of cooperation are finalized would help the Company accelerate its land reserve expansion and business establishment in China. By capitalizing the Company's extensive experience in the development and operation of integrated properties incorporating residential, commercial, hotel and other components, and supplemented by the regional and resource advantages of Lanhai Xingang City Project, the cooperation will lay a solid foundation for the Company to conduct property development business and search for long term growth in Qingdao.

This announcement is voluntarily made by the Company.

The Company entered into a Framework Cooperation Agreement on 11 May 2010 with Qingdao Urban Investment Group, for the joint development intention of Lanhai Xingang City Project, which is located to the west of Sichuan road, Qingdao City.

COOPERATION AGREEMENT

Pursuant to the terms of the Cooperation Agreement, Qingdao Urban Investment Group will provide all the land under joint development for the Project, which is an integrated residential, commercial, service and recreational property development project, with a total gross floor area of

approximately 800,000 sq.m. Qingdao Urban Investment Group will also negotiate for a favorable public relationship for the construction of the Project and to obtain preferential policy treatment for the Project. The Company will focus on the optimization of the Project's development plan, with a view to fully utilizing the resource advantages in comprehensive urban redevelopment and improving the overall value of the Project, so as to achieve the "Develop from the Bay" strategy formulated by Qingdao City. The parties thereto will perform their respective obligations under the Cooperation Agreement, with a view to realizing the cooperation in respect of the Project.

Particulars of the cooperation in relation to the Project contemplated under the Cooperation Agreement, including the establishment of the joint venture company and the future joint operation mode, are to be further stipulated in a specific agreement to be further negotiated between the parties, and the implementation of the specific agreement will be regulated by the applicable relevant laws and regulations of the place where the joint venture company is to be incorporated. If the terms of the cooperation in relation to the Project are finalized, the Company would have 50% equity interests in the joint venture company of the Project. The Company and Qingdao Urban Investment Group will, when deemed necessary, further enter into specific agreement(s) to stipulate the particulars of the cooperation in relation to the Project. If the specific terms of cooperation have been finalized, the Company would make appropriate disclosure pursuant to the Listing Rules.

REASONS AND BENEFITS FOR THE SIGNING OF THE COOPERATION AGREEMENT

The Company focuses on the development, leasing and hotel operation of high-end property projects at the prime locations in the core cities in China. Lanhai Xingang City Project is an essential component for the "Protect along the Bay, Develop from the Bay" strategy formulated by Qingdao City. The Project will start the regional comprehensive redevelopment in and improve the property structure and status of the western municipal area of Qingdao City, and is therefore especially meaningful in promoting the harbour and navigation economics as well as the "Develop from the Bay" strategy of Qingdao City. The Board considered that the entering into of the Framework Cooperation Agreement and in the event that the terms of cooperation are finalized would help the Company accelerate its land reserve expansion and business establishment in China. By capitalizing the Company's extensive experience in the development and operation of integrated residential, commercial, hotel and other property development projects and supplemented by the regional and resource advantages of Lanhai Xingang City Project, the cooperation will lay a solid foundation for the Company to conduct property development business and search for long term growth in Qingdao.

PARTICULARS ABOUT QINGDAO URBAN INVESTMENT GROUP

Qingdao Urban Investment Group is principally engaged in a variety of businesses, including arrangement and development of land, redevelopment of old cities, traffic construction, urban facilities construction and operation, and investment and development of governmental real estate projects. It is a core enterprise for realizing the "Protect along the Bay, Develop from the Bay" strategy formulated by Qingdao City.

COMPLIANCE WITH THE LISTING RULES

If there is any significant progress in the Cooperation Agreement, or the relevant terms of the Cooperation Agreement have been finalized, or other relevant agreements are otherwise executed, the Company would make appropriate disclosure on the Project pursuant to the Listing Rules.

This announcement is voluntarily published by the Company.

DEFINITIONS

“Board”	the board of Directors
“Company”	Franshion Properties (China) Limited (方興地產(中國)有限公司), a limited company incorporated in Hong Kong, whose shares are listed on the Stock Exchange
“Cooperation Agreement”	the framework cooperation agreement dated 11 May 2010 entered into between the Company and Qingdao Urban Investment Group in relation to Lanhai Xingang City Project
“Lanhai Xingang City Project” or the “Project”	an integrated residential, commercial, service and recreational property development project owned by Qingdao Development and Investment Co., Ltd., a wholly-owned subsidiary of Qingdao Urban Investment Group, which is located to the west of Sichuan road, Qingdao City
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China and for the purpose of this announcement excluding Taiwan and the Hong Kong and Macau Special Administrative Regions
“Qingdao City”	Qingdao City of Shandong Province, the PRC
“Qingdao Urban Investment Group”	Qingdao Urban Construction Investment (Group) Co., Ltd. (青島城市建設投資(集團)有限責任公司), a wholly state-owned enterprise incorporated in Qingdao City, Shandong Province, the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Franshion Properties (China) Limited
LUO Dongjiang
Chairman

Hong Kong, 11 May 2010

As at the date of this announcement, the Directors of the Company are Mr. HE Cao (Vice Chairman), Mr. HE Binwu and Mr. JIANG Nan as Executive Directors; Mr. LUO Dongjiang (Chairman), Ms. LI Xuehua (Vice Chairman) and Mr. WANG Hongjun as Non-executive Directors; Mr. LAU Hon Chuen, Ambrose, Mr. SU Xijia, Mr. LIU Hongyu, Mr. NGAI Wai Fung and Mr. GAO Shibin as Independent Non-executive Directors.